



**THE IYO BANK, LTD.**  
**Consolidated Financial Report**  
**2022**  
**Year ended March 31, 2022**

CONTENS

|    |   |
|----|---|
| 01 | Consolidated Balance Sheet                      |
| 02 | Consolidated Statement of Income                |
| 03 | Consolidated Statement of Changes in Net Assets |
| 05 | Consolidated Statement of Cash Flows            |
| 06 | Notes to Consolidated Financial Statements      |
| 35 | Independent Auditor's Report                    |

# Consolidated Balance Sheet

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
March 31, 2022

|   | Millions of yen |            | Thousands of U.S.<br>dollars (Note 1-1) |
|---|-----------------|------------|---|
|   | 2022            | 2021       | 2022                                    |
| <b>ASSETS</b>   |                 |            |   |
| Cash and due from banks   | ¥1,514,760      | ¥1,415,522 | \$12,376,501                            |
| Monetary claims purchased   | 6,211           | 6,834      | 50,747                                  |
| Trading account securities  | 525             | 649        | 4,289                                   |
| Money held in trust   | 5,767           | 6,427      | 47,119                                  |
| Securities (Notes 2-1,2-4 and 2-8)                                | 1,681,624       | 1,897,768  | 13,739,880                              |
| Loans and bills discounted (Notes 2-2,2-3,2-4 and 2-5)            | 5,046,997       | 4,975,984  | 41,237,004                              |
| Reserve for loan losses   | (37,600)        | (37,043)   | (307,214)                               |
| Foreign exchange (Note 2-3)                                       | 11,310          | 8,596      | 92,409                                  |
| Lease receivables and investment assets                           | 29,992          | 31,680     | 245,052                                 |
| Other assets (Note 2-4)   | 136,839         | 100,097    | 1,118,057                               |
| Tangible fixed assets (Note 2-7)                                  | 72,507          | 72,991     | 592,425                                 |
| Intangible fixed assets   | 9,424           | 9,035      | 76,999                                  |
| Net defined benefit asset   | 37,842          | 33,201     | 309,191                                 |
| Deferred tax assets   | 197             | 195        | 1,609                                   |
| Customers' liabilities for acceptances and guarantees             | 28,396          | 28,796     | 232,012                                 |
| Total assets  | ¥8,544,797      | ¥8,550,739 | \$69,816,136                            |
| <b>LIABILITIES AND NET ASSETS</b>                                 |                 |            |   |
| <b>Liabilities</b>  |                 |            |   |
| Deposits (Note 2-4)   | ¥6,626,125      | ¥6,495,645 | \$54,139,431                            |
| Call money and bills sold   | 7,343           | 61,624     | 59,996                                  |
| Payables under repurchase agreements (Note 2-4)                   | 74,232          | 199,289    | 606,520                                 |
| Payables under securities lending transactions (Note 2-4)         | 139,898         | 91,604     | 1,143,050                               |
| Borrowed money (Note 2-4)   | 750,302         | 743,645    | 6,130,419                               |
| Foreign exchange  | 1,837           | 266        | 15,009                                  |
| Borrowed money from trust account                                 | 554             | 5          | 4,526                                   |
| Other liabilities   | 86,086          | 76,058     | 703,374                                 |
| Accrued employees' bonuses  | 1,781           | 1,785      | 14,551                                  |
| Net defined benefit liability                                     | 10,712          | 11,326     | 87,523                                  |
| Reserve for losses on repayment of dormant bank accounts          | 1,175           | 1,652      | 9,600                                   |
| Reserve for contingent losses                                     | 881             | 703        | 7,198                                   |
| Reverse for share-based payments                                  | 413             | 289        | 3,374                                   |
| Reserve under the special laws                                    | 3               | 3          | 24                                      |
| Deferred tax liabilities  | 73,730          | 87,228     | 602,418                                 |
| Deferred taxes on revaluation excess (Note 2-6)                   | 9,520           | 9,573      | 77,784                                  |
| Acceptances and guarantees  | 28,396          | 28,796     | 232,012                                 |
| Total liabilities   | 7,812,998       | 7,809,498  | 63,836,898                              |
| <b>Net assets</b>   |                 |            |   |
| Common stock  |                 |            |   |
| Authorized — 600,000,000 shares                                   |                 |            |   |
| Issued — 323,775,366 shares                                       | 20,948          | 20,948     | 171,157                                 |
| Capital surplus   | 20,289          | 20,352     | 165,773                                 |
| Retained earnings   | 468,487         | 446,871    | 3,827,820                               |
| Treasury stock  | (4,871)         | (5,045)    | (39,799)                                |
| Total stockholders' equity  | 504,854         | 483,127    | 4,124,961                               |
| Valuation difference on available-for-sale securities             | 190,431         | 222,338    | 1,555,935                               |
| Net deferred gains (losses) on derivatives under hedge accounting | 1,152           | (374)      | 9,412                                   |
| Land revaluation excess (Note 2-6)                                | 19,058          | 19,178     | 155,715                                 |
| Remeasurements of defined benefit plans                           | 8,973           | 8,279      | 73,314                                  |
| Total accumulated other comprehensive income                      | 219,616         | 249,421    | 1,794,394                               |
| Stock acquisition rights  | 208             | 273        | 1,699                                   |
| Non-controlling interests   | 7,119           | 8,418      | 58,166                                  |
| Total net assets  | 731,798         | 741,240    | 5,979,230                               |
| Total liabilities and net assets                                  | ¥8,544,797      | ¥8,550,739 | \$69,816,136                            |

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2022

|  | Millions of yen |                | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------------|--------------------------------------|
|  | 2022            | 2021           | 2022                                 |
| <b>INCOME</b>  |                 |                |                                      |
| Interest and dividend income:                              |                 |                |                                      |
| Interest on loans and discounts                            | ¥ 48,852        | ¥ 49,572       | \$ 399,150                           |
| Interest and dividends on securities                       | 24,816          | 25,530         | 202,761                              |
| Interest on receivables under resale agreements            | —               | (160)          | —                                    |
| Other interest income                                      | 2,028           | 1,049          | 16,569                               |
| Fees and commissions                                       | 14,415          | 14,321         | 117,779                              |
| Other operating income                                     | 36,656          | 29,882         | 299,501                              |
| Other income   | 7,220           | 4,655          | 58,991                               |
| <b>Total income</b>  | <b>133,990</b>  | <b>124,852</b> | <b>1,094,778</b>                     |
| <b>EXPENSES</b>  |                 |                |                                      |
| Interest expense:  |                 |                |                                      |
| Interest on deposits                                       | 1,529           | 1,722          | 12,492                               |
| Interest on borrowings and rediscounts                     | 256             | 974            | 2,091                                |
| Interest on payables under repurchase agreements           | 70              | 187            | 571                                  |
| Interest on payables under securities lending transactions | 78              | 12             | 637                                  |
| Other interest expense                                     | 1,082           | 1,479          | 8,840                                |
| Fees and commissions                                       | 5,032           | 5,319          | 41,114                               |
| Other operating expenses                                   | 30,522          | 21,308         | 249,383                              |
| General and administrative expenses (Note 3-1)             | 49,771          | 51,909         | 406,659                              |
| Other expenses (Notes 3-2)                                 | 7,870           | 16,138         | 64,302                               |
| <b>Total expenses</b>                                      | <b>96,214</b>   | <b>99,052</b>  | <b>786,126</b>                       |
| Income before income taxes                                 | 37,776          | 25,799         | 308,652                              |
| Income taxes   |                 |                |                                      |
| Current  | 10,302          | 8,845          | 84,173                               |
| Deferred   | 847             | (1,295)        | 6,920                                |
| <b>Total taxes</b>   | <b>11,149</b>   | <b>7,549</b>   | <b>91,094</b>                        |
| Profit   | 26,626          | 18,250         | 217,550                              |
| Profit attributable to noncontrolling interests            | 208             | 162            | 1,699                                |
| Profit attributable to owners of parent                    | ¥ 26,417        | ¥ 18,088       | \$ 215,842                           |

Per share of common stock (yen and U.S. dollars):

|                    | Yen    |        | U.S. dollars (Note 1-1) |
|--------------------|--------|--------|-------------------------|
| Basic net income   | ¥83.39 | ¥57.12 | \$0.68                  |
| Diluted net income | 83.32  | 57.05  | 0.68                    |
| Dividends          | 16.00  | 14.00  | 0.13                    |

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2022

|   | Millions of yen  |                | Thousands of U.S. dollars (Note 1-1) |
|---|------------------|----------------|--------------------------------------|
|   | 2022             | 2021           | 2022                                 |
| Profit  | ¥ 26,626         | ¥18,250        | \$ 217,550                           |
| Other comprehensive income (Note 4-1)                             | (31,213)         | 64,428         | (255,029)                            |
| Valuation difference on available-for-sale securities             | (33,435)         | 56,666         | (273,184)                            |
| Net deferred gains (losses) on derivatives under hedge accounting | 1,527            | (1,167)        | 12,476                               |
| Remeasurements of defined benefit plans                           | 693              | 8,929          | 5,662                                |
| <b>Comprehensive income</b>                                       | <b>¥ (4,587)</b> | <b>¥82,678</b> | <b>\$ (37,478)</b>                   |
| Comprehensive income attributable to:                             |                  |                |                                      |
| Owners of parent  | ¥ (3,267)        | ¥81,413        | \$ (26,693)                          |
| Noncontrolling interests  | (1,319)          | 1,265          | (10,777)                             |

See Notes to Consolidated Financial Statements.

# Consolidated Statement of Changes in Net Assets

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2022

| For the year ended March 31, 2022                     | Millions of yen      |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Stockholders' equity |                 |                   |                | Total stockholders' equity |
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock |                            |
| Balance at the beginning of the accounting period     | ¥20,948              | ¥20,352         | ¥446,871          | ¥(5,045)       | ¥483,127                   |
| Cumulative effects of changes in accounting policies  |                      |                 | (167)             |                | (167)                      |
| Restated balance                                      | 20,948               | 20,352          | 446,704           | (5,045)        | 482,959                    |
| Changes during the accounting period                  |                      |                 |                   |                |                            |
| Dividends   |                      |                 | (4,754)           |                | (4,754)                    |
| Profit attributable to owners of parent               |                      |                 | 26,417            |                | 26,417                     |
| Purchase of treasury stock                            |                      |                 |                   | (638)          | (638)                      |
| Disposal of treasury stock                            |                      | (62)            |                   | 812            | 750                        |
| Reversal of land revaluation excess                   |                      |                 | 119               |                | 119                        |
| Changes in items other than stockholders' equity, net |                      |                 |                   |                |                            |
| Total changes during the accounting period            | —                    | (62)            | 21,782            | 174            | 21,894                     |
| Balance at the end of the accounting period           | ¥20,948              | ¥20,289         | ¥468,487          | ¥(4,871)       | ¥504,854                   |

| For the year ended March 31, 2022                     | Thousands of U.S. dollars (Note 1-1) |                 |                   |                |                            |
|---|--------------------------------------|-----------------|-------------------|----------------|----------------------------|
|   | Stockholders' equity                 |                 |                   |                |                            |
|   | Common stock                         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| Balance at the beginning of the accounting period     | \$171,157                            | \$166,288       | \$3,651,205       | \$(41,220)     | \$3,947,438                |
| Cumulative effects of changes in accounting policies  |                                      |                 | (1,364)           |                | (1,364)                    |
| Restated balance                                      | 171,157                              | 166,288         | 3,649,840         | (41,220)       | 3,946,065                  |
| Changes during the accounting period                  |                                      |                 |                   |                |                            |
| Dividends   |                                      |                 | (38,843)          |                | (38,843)                   |
| Profit attributable to owners of parent               |                                      |                 | 215,842           |                | 215,842                    |
| Purchase of treasury stock                            |                                      |                 |                   | (5,212)        | (5,212)                    |
| Disposal of treasury stock                            |                                      | (506)           |                   | 6,634          | 6,127                      |
| Reversal of land revaluation excess                   |                                      |                 | 972               |                | 972                        |
| Changes in items other than stockholders' equity, net |                                      |                 |                   |                |                            |
| Total changes during the accounting period            | —                                    | (506)           | 177,972           | 1,421          | 178,887                    |
| Balance at the end of the accounting period           | \$171,157                            | \$165,773       | \$3,827,820       | \$(39,799)     | \$4,124,961                |

| For the year ended March 31, 2022                     | Millions of yen                                       |   |                         |   |  |                          |                          |                  |
|---|---|---|-------------------------|---|--|--------------------------|--------------------------|------------------|
|   | Accumulated other comprehensive income                |   |                         |   |  | Stock acquisition rights | Noncontrolling interests | Total net assets |
|   | Valuation difference on available-for-sale securities | Net deferred gains (losses) on derivatives under hedge accounting | Land revaluation excess | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                          |                          |                  |
| Balance at the beginning of the accounting period     | ¥222,338  | ¥ (374)   | ¥19,178                 | ¥8,279                                  | ¥249,421                                     | ¥273                     | ¥ 8,418                  | ¥741,240         |
| Cumulative effects of changes in accounting policies  |   |   |                         |   |  |                          |                          | (167)            |
| Restated balance                                      | 222,338   | (374)   | 19,178                  | 8,279                                   | 249,421                                      | 273                      | 8,418                    | 741,073          |
| Changes during the accounting period                  |   |   |                         |   |  |                          |                          |                  |
| Dividends   |   |   |                         |   |  |                          |                          | (4,754)          |
| Profit attributable to owners of parent               |   |   |                         |   |  |                          |                          | 26,417           |
| Purchase of treasury stock                            |   |   |                         |   |  |                          |                          | (638)            |
| Disposal of treasury stock                            |   |   |                         |   |  |                          |                          | 750              |
| Reversal of land revaluation excess                   |   |   |                         |   |  |                          |                          | 119              |
| Changes in items other than stockholders' equity, net | (31,906)  | 1,527   | (119)                   | 693                                     | (29,804)                                     | (65)                     | (1,299)                  | (31,169)         |
| Total changes during the accounting period            | (31,906)  | 1,527   | (119)                   | 693                                     | (29,804)                                     | (65)                     | (1,299)                  | (9,274)          |
| Balance at the end of the accounting period           | ¥190,431  | ¥1,152  | ¥19,058                 | ¥8,973                                  | ¥219,616                                     | ¥208                     | ¥ 7,119                  | ¥731,798         |

Thousands of U.S. dollars (Note 1-1)

|   | Accumulated other comprehensive income                |   |                         |   |  |                          |                          |                  |
|---|---|---|-------------------------|---|--|--------------------------|--------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Net deferred gains (losses) on derivatives under hedge accounting | Land revaluation excess | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Noncontrolling interests | Total net assets |
| For the year ended March 31, 2022                     |   |   |                         |   |  |                          |                          |                  |
| Balance at the beginning of the accounting period     | \$1,816,635   | \$(3,055)   | \$156,695               | \$67,644                                | \$2,037,919                                  | \$2,230                  | \$ 68,780                | \$6,056,377      |
| Cumulative effects of changes in accounting policies  |   |   |                         |   |  |                          |                          | (1,364)          |
| Restated balance                                      | 1,816,635   | (3,055)   | 156,695                 | 67,644                                  | 2,037,919                                    | 2,230                    | 68,780                   | 6,055,012        |
| Changes during the accounting period                  |   |   |                         |   |  |                          |                          |                  |
| Dividends   |   |   |                         |   |  |                          |                          | (38,843)         |
| Profit attributable to owners of parent               |   |   |                         |   |  |                          |                          | 215,842          |
| Purchase of treasury stock                            |   |   |                         |   |  |                          |                          | (5,212)          |
| Disposal of treasury stock                            |   |   |                         |   |  |                          |                          | 6,127            |
| Reversal of land revaluation excess                   |   |   |                         |   |  |                          |                          | 972              |
| Changes in items other than stockholders' equity, net | (260,691)   | 12,476  | (972)                   | 5,662                                   | (243,516)                                    | (531)                    | (10,613)                 | (254,669)        |
| Total changes during the accounting period            | (260,691)   | 12,476  | (972)                   | 5,662                                   | (243,516)                                    | (531)                    | (10,613)                 | (75,774)         |
| Balance at the end of the accounting period           | \$1,555,935   | \$ 9,412  | \$155,715               | \$73,314                                | \$1,794,394                                  | \$1,699                  | \$ 58,166                | \$5,979,230      |

|   | Millions of yen      |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Stockholders' equity |                 |                   |                |                            |
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity |
| For the year ended March 31, 2021   |                      |                 |                   |                |                            |
| Balance at the beginning of the accounting period   | ¥20,948              | ¥14,578         | ¥433,082          | ¥(5,131)       | ¥463,478                   |
| Changes during the accounting period  |                      |                 |                   |                |                            |
| Dividends   |                      |                 | (4,436)           |                | (4,436)                    |
| Profit attributable to owners of parent   |                      |                 | 18,088            |                | 18,088                     |
| Purchase of treasury stock  |                      |                 |                   | (0)            | (0)                        |
| Disposal of treasury stock  |                      | 11              |                   | 86             | 98                         |
| Reversal of land revaluation excess   |                      |                 | 137               |                | 137                        |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |                      | 5,761           |                   |                | 5,761                      |
| Changes in items other than stockholders' equity, net   |                      |                 |                   |                |                            |
| Total changes during the accounting period  | —                    | 5,773           | 13,789            | 85             | 19,648                     |
| Balance at the end of the accounting period   | ¥20,948              | ¥20,352         | ¥446,871          | ¥(5,045)       | ¥483,127                   |

|   | Millions of yen                                       |   |                         |   |  |                          |                          |                  |
|---|---|---|-------------------------|---|--|--------------------------|--------------------------|------------------|
|   | Accumulated other comprehensive income                |   |                         |   |  |                          |                          |                  |
|   | Valuation difference on available-for-sale securities | Net deferred gains (losses) on derivatives under hedge accounting | Land revaluation excess | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Noncontrolling interests | Total net assets |
| For the year ended March 31, 2021   |   |   |                         |   |  |                          |                          |                  |
| Balance at the beginning of the accounting period   | ¥166,775  | ¥792  | ¥19,315                 | ¥(650)                                  | ¥186,233                                     | ¥343                     | ¥21,792                  | ¥671,848         |
| Changes during the accounting period  |   |   |                         |   |  |                          |                          |                  |
| Dividends   |   |   |                         |   |  |                          |                          | (4,436)          |
| Profit attributable to owners of parent   |   |   |                         |   |  |                          |                          | 18,088           |
| Purchase of treasury stock  |   |   |                         |   |  |                          |                          | (0)              |
| Disposal of treasury stock  |   |   |                         |   |  |                          |                          | 98               |
| Reversal of land revaluation excess   |   |   |                         |   |  |                          |                          | 137              |
| Increase (decrease) in equity resulting from the acquisition of shares of a consolidated subsidiary |   |   |                         |   |  |                          | (5,761)                  | —                |
| Changes in items other than stockholders' equity, net   | 55,563  | (1,167)   | (137)                   | 8,929                                   | 63,187                                       | (69)                     | (7,612)                  | 55,505           |
| Total changes during the accounting period  | 55,563  | (1,167)   | (137)                   | 8,929                                   | 63,187                                       | (69)                     | (13,374)                 | 69,392           |
| Balance at the end of the accounting period   | ¥222,338  | ¥(374)  | ¥19,178                 | ¥8,279                                  | ¥249,421                                     | ¥273                     | ¥8,418                   | ¥741,240         |

# Consolidated Statement of Cash Flows

The Iyo Bank, Ltd. and its Consolidated Subsidiaries  
For the year ended March 31, 2022

|   | Millions of yen |             | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|-------------|--------------------------------------|
|   | 2022            | 2021        | 2022                                 |
| <b>Cash flows from operating activities</b>   |                 |             |                                      |
| Income before income taxes  | ¥ 37,776        | ¥ 25,799    | \$ 308,652                           |
| Depreciation  | 5,077           | 5,089       | 41,482                               |
| Impairment losses   | 421             | 200         | 3,439                                |
| Increase (decrease) in reserve for loan losses  | 557             | 5,668       | 4,551                                |
| Increase (decrease) in accrued employees' bonuses   | (3)             | 136         | (24)                                 |
| Decrease (increase) in net defined benefit asset  | (4,640)         | (14,467)    | (37,911)                             |
| Increase (decrease) in net defined benefit liability  | (614)           | (1,160)     | (5,016)                              |
| Increase (decrease) in reserve for losses on repayment of dormant bank accounts                                     | (476)           | (741)       | (3,889)                              |
| Increase (decrease) in reserve for contingent losses  | 178             | 111         | 1,454                                |
| Increase (decrease) in reserve for share-based payments   | 123             | 97          | 1,004                                |
| Increase (decrease) in reserve under special laws   | 0               | 0           | 0                                    |
| Interest and dividend income  | (75,698)        | (75,992)    | (618,498)                            |
| Interest expense  | 3,017           | 4,376       | 24,650                               |
| Securities losses (gains), net  | (1,169)         | (3,604)     | (9,551)                              |
| Money in trust losses (gains), net  | 49              | (14)        | 400                                  |
| Foreign exchange losses (gains), net  | (36,592)        | (9,498)     | (298,978)                            |
| Losses (gains) on disposal of tangible fixed assets, net  | 41              | 171         | 334                                  |
| Net changes in loans and bills discounted   | (71,012)        | (242,893)   | (580,210)                            |
| Net changes in deposits   | 130,480         | 766,902     | 1,066,100                            |
| Net changes in borrowed money (excluding subordinated borrowings)   | 6,656           | (26,732)    | 54,383                               |
| Net changes in due from banks   | (542)           | (759)       | (4,428)                              |
| Net changes in call loans   | 610             | 356,890     | 4,984                                |
| Net changes in call money   | (179,337)       | 12,938      | (1,465,291)                          |
| Net changes in payables under securities lending transactions   | 48,293          | (106,832)   | 394,582                              |
| Net changes in foreign exchange assets  | (2,713)         | 2,144       | (22,166)                             |
| Net changes in foreign exchange liabilities   | 1,571           | (29)        | 12,836                               |
| Net changes in lease receivables and investment assets  | 1,687           | 2,123       | 13,783                               |
| Net increase (decrease) in borrowed money from trust account  | 549             | (23)        | 4,485                                |
| Interest income received  | 77,215          | 74,857      | 630,893                              |
| Interest expense paid   | (3,195)         | (5,171)     | (26,105)                             |
| Other   | 11,478          | 16,990      | 93,782                               |
| Subtotal  | (50,207)        | 786,579     | (410,221)                            |
| Income taxes paid   | (10,035)        | (7,845)     | (81,991)                             |
| Net cash provided by (used in) operating activities   | (60,242)        | 778,734     | (492,213)                            |
| <b>Cash flows from investing activities</b>   |                 |             |                                      |
| Purchases of securities   | (1,027,100)     | (864,892)   | (8,392,025)                          |
| Proceeds from sales of securities   | 1,039,949       | 594,326     | 8,497,009                            |
| Proceeds from maturities of securities  | 155,652         | 206,516     | 1,271,770                            |
| Increase in money held in trust   | (83)            | (3,073)     | (678)                                |
| Decrease in money held in trust   | 910             | 3,516       | 7,435                                |
| Purchases of tangible fixed assets  | (2,517)         | (2,849)     | (20,565)                             |
| Proceeds from sales of tangible fixed assets  | 84              | 154         | 686                                  |
| Purchases of intangible fixed assets  | (3,254)         | (3,448)     | (26,587)                             |
| Net cash provided by (used in) investing activities   | 163,640         | (69,750)    | 1,337,037                            |
| <b>Cash flows from financing activities</b>   |                 |             |                                      |
| Proceeds from share issuance to noncontrolling stockholders   | 22              | 52          | 179                                  |
| Repayments to noncontrolling shareholders   | (0)             | (3)         | (0)                                  |
| Cash dividends paid   | (4,754)         | (4,436)     | (38,843)                             |
| Cash dividends paid to noncontrolling stockholders  | (2)             | (5)         | (16)                                 |
| Purchases of treasury stock   | (638)           | (0)         | (5,212)                              |
| Proceeds from sales of treasury stock   | 638             | 0           | 5,212                                |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | —               | (8,921)     | —                                    |
| Net cash provided by (used in) financing activities   | (4,734)         | (13,314)    | (38,679)                             |
| <b>Foreign currency translation adjustments</b>   | 33              | 6           | 269                                  |
| Net increase (decrease) in cash and cash equivalents  | 98,696          | 695,675     | 806,405                              |
| Cash and cash equivalents at the beginning of year  | 1,413,563       | 717,887     | 11,549,660                           |
| Cash and cash equivalents at the end of year (Note 6-1)   | ¥ 1,512,259     | ¥ 1,413,563 | \$ 12,356,066                        |

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

The Iyo Bank, Ltd. and Its Consolidated Subsidiaries  
For the year ended March 31, 2022

## 1-1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of The Iyo Bank, Ltd. (the "Bank") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Japanese yen amounts are rounded down to the nearest million. Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Under Japanese laws and regulations, including the Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act and the Banking Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 20% of the dividend or the excess, if any, of 100% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the stockholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act and the Banking Law, however, by resolution of the stockholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

### (Basis of Presenting Consolidated Financial Statements)

#### 1 Scope of consolidation

##### (1) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and the following 16 consolidated subsidiaries.

- The Iyogin Credit Guaranty Company Limited
- The Iyogin Business Service Company Limited
- Iyogin Capital Company Limited

- Iyogin Venture Fund Corporation Limited IV
- Iyogin Venture Fund Corporation Limited V
- Iyogin Venture Fund Corporation Limited VI
- Iyo Evergreen Sixtiary Industrialization Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund Investment Business Limited Partnership
- Iyo Evergreen Agriculture Support Fund II Investment Business Limited Partnership
- Iyo Evergreen Business Succession Support Fund Investment Business Limited Partnership
- Iyogin Regional Economy Research Center, Inc.
- Iyogin DC Card Co., Ltd.
- Iyogin Challenge & Smile Co., Ltd.
- Iyogin Leasing Company Limited
- Iyogin Computer Service Company Limited
- Shikoku Alliance Securities Co., Ltd.

##### (2) The consolidated financial statements exclude the following subsidiary.

- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership
  - Iyo Evergreen Business Succession Support Fund II Investment Business Limited Partnership
- Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership and Iyo Evergreen Business Succession Support Fund II Investment Business Limited Partnership are excluded from the scope of consolidation because its assets, ordinary income, net income, retained earnings and accumulated other comprehensive income are immaterial to the consolidated financial statements.

No unconsolidated subsidiary is accounted for by the equity method. Iyogin-Ehime University Originated Venture Support Fund Investment Business Limited Partnership and Iyo Evergreen Business Succession Support Fund II Investment Business Limited Partnership are excluded from the scope of the equity method because its net income and retained earnings are immaterial to the consolidated financial statements.

#### 2 Affiliated companies not accounted for by the equity method

The consolidated financial statements exclude the following affiliated companies.

- Iyogin REVIC Investments Company Limited
- Shikoku Alliance Capital Co., Ltd.
- Ozu Town Creation Fund
- Shikoku Brand Co., Ltd.

Iyogin REVIC Investments Company Limited, Shikoku Alliance Capital Co., Ltd, Ozu Town Creation Fund and Shikoku Brand Co., Ltd. are excluded from the scope of the equity method because their net income and retained earnings are immaterial to the consolidated financial statements.

#### 3 The fiscal year of consolidated subsidiaries

The consolidated financial statements include the accounts of 7 consolidated subsidiaries with fiscal years that end December 31. Appropriate adjustments are made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities are eliminated.



## 4 Significant accounting policies

### (1) Trading account securities

Trading account securities of the Bank and its consolidated subsidiaries are stated at fair market value. Gains and losses realized on the disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such trading account securities are computed using moving average cost.

### (2) Securities

- ① Held-to-maturity debt securities are stated at amortized cost by the straight-line method. Available-for-sale securities with available fair market values are stated at fair market value. Realized gains and losses on the sale of such securities are computed using moving average cost. Note that, however, equity and other securities without fair market value are stated at cost using the moving average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.
- ② Securities included in the money held in the trust account are treated in the same manner as the securities mentioned above.

### (3) Derivatives and hedge accounting

Derivative transactions are valued at fair value with changes in fair value included in current income.

### (4) Tangible and intangible fixed assets and lease assets

- ① Tangible and intangible fixed assets are generally stated at cost, less the accumulated depreciation.  
Depreciation of tangible fixed assets, except for lease assets, of the Bank and its consolidated subsidiaries is recorded using the declining balance method. However, buildings acquired after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The estimated useful lives of these assets are 15 – 40 years for buildings and 5 – 10 years for equipment.
- ② Depreciation for intangible fixed assets, except for lease assets, of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of mainly five years.
- ③ Both tangible and intangible lease assets under finance leases that are not deemed to transfer ownership of the lease property to the lessee are depreciated using the straight-line method over the lease term with zero residual value. In cases in which there is a residual value guarantee in the contract, the residual value is the guaranteed value. In other cases, it is deemed to be zero.

### (5) Reserve for possible loan losses

The Bank and its consolidated subsidiaries write off loans and make provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding amounts written off and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not in the above circumstances but for who there is a high probability of becoming so, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition.

For loans, other than to insolvent customers mentioned above, that have been restructured due to the impact of the COVID-19 or for debtors in specific industries that are highly affected by the COVID-19, an allowance is provided for the amount of claims, net of the expected amount of recoveries from the disposable security and guarantees, multiplied by a certain ratio of the remaining amount.

With regard to other receivables, the Bank principally posts estimated losses for the next 1 year or the estimated losses for the next 3 years. The estimated losses are calculated based on actual average loan loss ratios for certain 1 year or 3 years periods with necessary adjustments.

Assessments and classifications are made by each business and credit supervision department and are audited by the Credit Administration Department, an independent department. The reserve for possible loan losses is provided based on such procedures.

The estimated unrecoverable portions of loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition are written off. The estimated unrecoverable amounts are determined after excluding amounts considered recoverable due to the existence of security interests or guarantees. As of March 31, 2022 and 2021, the estimated unrecoverable amounts were ¥20,345 million (\$166,230 thousand) and ¥19,347 million, respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on the actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are separately estimated and a reserve for possible loan losses is provided based on those estimations.

### (6) Accrued employees' bonuses

Accrued employees' bonuses are provided for the future payment of employees' bonuses based on the estimated amounts of the future payments that are attributed to the current fiscal year.

### (7) Reserve for losses on repayment of dormant bank accounts

Reserve for losses on repayment of dormant bank accounts is provided in connection with inactive bank accounts the balances of which have been derecognized as liabilities. The reserve is provided for the possible future demands on claims of withdrawal from these accounts in an amount based on historical reimbursement experience.

### (8) Reserve for contingent losses

Reserve for contingent losses is maintained to provide against possible losses from contingencies which are not covered by other specific reserves. The amount of reserve is based on an estimate of the amount possible future losses.

### (9) Reserve for share-based payments

Reserve for share-based payments is provided for the estimated amount of share benefit obligations at the end of the current fiscal year in order to prepare for delivery of the bank's shares to the bank's directors (excluding the audit committee members) and executive officers under the internal share delivery regulations.

### (10) Reserve under special laws

Reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other financial related transactions.



### **(11) Accounting method for retirement benefits**

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the projected amount of retirement benefits to periods up to the end of the current fiscal year. Prior service cost and actuarial differences are amortized as follows:

Prior service cost:

Prior service cost is amortized using the straight-line method over a certain number of years (10 years) within the average remaining service years of employees at the time of recognition.

Actuarial differences:

Actuarial differences are amortized on a pro-rata basis using the straight-line method over a certain number of years (10 years) within the average remaining service years of employees from the fiscal year following the respective fiscal year of recognition.

Some consolidated subsidiaries use a simplified method to calculate net defined benefit liability and retirement benefit cost. This simplified method assumes the Company's retirement benefit obligations to be equivalent to the benefits that would be payable upon the voluntary retirement of all employees at the fiscal year-end to calculate net defined benefit liability and retirement benefit cost.

### **(12) Foreign currency translations**

Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are translated into yen at the rates prevailing at the consolidated balance sheet date. Consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the rate prevailing at their respective balance sheet dates.

### **(13) Recognition of significant revenue and expenses**

#### **① Recognition of revenue from contracts with customers**

Revenue from contracts with customers is received primarily as consideration for the provision of services incidental to, among other services, deposit and lending services, exchange services and securities-related services. Revenue is recognized when the promised goods or services are transferred to the customer through the provision of services to customers in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services.

#### **② Recognition of revenue related to finance lease transactions**

Revenue and cost of sales are recognized upon the receipt of lease charges.

#### **③ Recognition of revenue related to operating lease transactions**

Lease charges corresponding to lease periods are recognized on the basis of monthly lease charges to be received under lease contracts.

### **(14) Significant hedge accounting methods**

#### **① Hedge interest rate risk**

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in JICPA Industry-specific Committees Guidance No. 24, March 17, 2022, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry." The effectiveness of hedging is assessed for (i) each identified group of hedged items, such as deposits, loans and similar instruments and (ii) the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

#### **② Hedge against fluctuation in foreign exchange rates**

For certain assets and liabilities, the Bank and its consolidated subsidiaries apply the exceptional treatment permitted for interest rate swaps. The Bank applies the deferred method of hedge accounting to hedge foreign exchange risk associated with various foreign currency denominated monetary assets and liabilities as stipulated in JICPA Industry-specific Committees Guidance No. 25, October 8, 2020, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risk of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency positions of the hedged monetary assets and liabilities and the hedging instruments.

The Bank also applies fair value hedge accounting to portfolio hedges of the foreign exchange risk associated with foreign currency denominated available-for-sale securities (other than bonds) identified as hedged items in advance as long as the amount of spot and forward foreign exchange contracts payable exceeds the acquisition costs of the hedged securities in foreign currency.

### **(15) Cash flow statements**

In preparing the consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

### **(16) Application of consolidated tax payment system**

The Bank and certain of its consolidated subsidiaries have adopted a consolidated tax payment system with the Bank as the taxable parent company. The Bank submitted a required notification of not transitioning to the group tax sharing system before the end of the current fiscal year.

### **(17) Significant Accounting Estimates**

Reserve for loan losses

#### **① Carrying amounts were ¥37,600 million (\$307,214 thousand) and ¥37,043 million at March 31, 2022 and 2021, respectively.**

(Note) The amount includes ¥7,310 million (\$59,727 thousand) and ¥8,681 million at March 31, 2022 and 2021, respectively, reflecting the effects of the COVID-19.

#### **② Information on the nature of significant accounting estimates for identified items**

##### **(a) Method in making the accounting estimates**

For the calculation of Reserve for loan losses, See (5) Reserve for possible loan losses of "4 Significant accounting policies."

##### **(b) Key assumptions used in making the accounting estimates**

The main assumption is "Credit risk of loans in determining debtor classification." "Credit risk of loans in determining debtor classification" was determined by evaluating the repayment capacity of each debtor based on its financial condition, cash flow, profitability, etc.

In addition, for loans that have been restructured due to the impact of the COVID-19 or for debtors in specific industries that are highly affected by the COVID-19, it was highly assumed to have a deterioration in their future financial condition, cash flow, profitability, etc. than other debtors.

##### **(c) The effect on the next year's financial statements**

Changes for the original assumption due to the inflection in the performance of individual debtors or the impact of the spread of the COVID-19 could effect on reserve for loan losses of the consolidated financial statements for the following fiscal year.

### **(18) Per share data**

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes the full exercise of outstanding warrants at the time of issuance.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

### **(Changes in Accounting Policies)**

#### **1. Application of Accounting Standard for Revenue Recognition, etc.**

The Bank has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the current fiscal year. In line with the application, the Bank recognizes revenue upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods and services. The impact of this application on the consolidated financial statements for the current fiscal year was immaterial.

In accordance with the transitional treatment stipulated in Accounting Standard for Revenue Recognition Paragraph 89(3), notes to revenue recognition for the previous fiscal year are not provided.

#### **2. Application of Accounting Standard for Fair Value Measurement, etc.**

The Bank has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year. In accordance with Paragraph 8 of the Fair Value Measurement Standard, the Bank has revised its fair value adjustment method used to determine the fair value of derivative transactions to maximize the use of relevant observable inputs estimated from derivatives and other instruments traded in the market. This revision comes in line with the application of the Fair Value Measurement Standard and other standards. In accordance with the transitional treatment provided for in Paragraph 20 of the Fair Value Measurement Standard, the cumulative effects of retrospective application of the new accounting policy prior to the beginning of the current fiscal year were reflected in retained earnings at the beginning of the current fiscal year. As a result, retained earnings, other assets, other liabilities, deferred tax liabilities and stockholders' equity per share as of April 1, 2021 decreased by ¥167 million, ¥382 million, ¥141 million, ¥73 million and ¥0.52, respectively.

In the notes to its financial instruments, the Bank has decided to make notes regarding matters related to the breakdown of fair value by the level of the financial instruments. In accordance with the transitional treatment stipulated in the Implementation Guidance on Disclosure of Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4th, 2019) Paragraph 7(4), however, notes to the relevant matters of the previous fiscal year were not provided.

#### **(Accounting standards not yet adopted)**

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

### **1 Overview**

The handling of the calculation and notes for the market value of investment trusts and the handling of the notes for the market value of investment in partnerships, etc., that record the amount equivalent to the share in the balance sheet in net amount have been stipulated.

### **2 Effective date**

Effective from the beginning of the fiscal year ending March 31, 2023.

3 The impact of the adoption of this accounting standard is expected to be insignificant.

### **(Additional Information)**

#### **The share-based payment program using the trust**

The Bank has introduced a share-based payment program using a trust for its directors (excluding audit committee members) and executive officers with the aim of raising awareness of contribution to the Bank's medium to long-term performance and enhancement of its corporate value.

#### **(1) Overview of transactions**

The trust acquires shares of the Bank using funds contributed by the Bank.

In accordance with internal share delivery policies set forth by the Board of Directors of the Bank, the Bank grants points to its directors (excluding audit committee members) and executive officers. At the time of retirement, shares of the Bank and money will be delivered in accordance with the points through the trust.

#### **(2) Shares of the Bank held by the trust**

- ① Shares of the Bank held by the trust are recorded as treasury stock in net assets at the book value in the Bank.
- ② The book value of the trust at March 31, 2022 and 2021 was ¥781 million (\$6,381 thousand) and ¥191 million, respectively.
- ③ The number of shares of the Bank held by the Trust at March 31, 2022 and 2021 was 1,186 thousand shares and 247 thousand shares, respectively.

### **(Notes to Consolidated Balance Sheet)**

#### **2-1. STOCKS AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES**

Stocks in unconsolidated subsidiaries and affiliates amounted to ¥100 million (\$817 thousand) and ¥100 million at March 31, 2022 and 2021, respectively.

Investments in unconsolidated subsidiaries and affiliates amounted to ¥264 million (\$2,157 thousand) and ¥212 million at March 31, 2022 and 2021, respectively.

#### **2-2. LOANS AND BILLS DISCOUNTED**

The amounts of loans disclosed under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions are as described below. These loans include corporate bonds recorded under "Securities" (limited to corporate bonds for which the payment of principal and interest is wholly or partially guaranteed and which were issued through the private placement of securities as defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans and foreign exchange, accrued interest, suspense payments and customers' liabilities for acceptances and guarantees recorded under "Other assets,"

as well as securities if the Bank lent such securities which are required to be disclosed in the notes to its consolidated balance sheet (they are limited to loans for use or lending under rental contract).

|                                    | Millions of yen |            | Thousands of U.S. dollars (Note 1-1) |
|------------------------------------|-----------------|------------|--------------------------------------|
|                                    | 2022            | 2021       | 2022                                 |
| Bankrupt and quasi-bankrupt loans  | ¥ 1,980         | ¥ 3,823    | \$ 16,177                            |
| Doubtful loans                     | 63,388          | 54,228     | 517,918                              |
| Substandard loans                  | 23,780          | 16,845     | 194,296                              |
| Loans overdue three months or more | 2,076           | 1,790      | 16,962                               |
| Restructured loans                 | 21,704          | 15,055     | 177,334                              |
| Subtotal                           | 89,148          | 74,897     | 728,392                              |
| Normal loans                       | 5,257,437       | 5,187,898  | 42,956,426                           |
| Total                              | ¥5,346,586      | ¥5,262,796 | \$43,684,827                         |

Bankrupt and quasi-bankrupt loans are loans to debtors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other debtors in serious financial difficulties.

Doubtful loans are loans to debtors who have not gone bankrupt but whose financial position and operating results have so deteriorated that it is unlikely that the principal and interest on the loans will be recovered under the contract, excluding bankrupt and quasi-bankrupt loans.

Loans overdue three months or more are loans whose principal and/or interest payments have been past due for three months or more, excluding bankrupt and quasi-bankrupt loans and doubtful loans.

Restructured loans are loans that have been restructured to grant certain concessions favorable to the debtors, such as reduced interest rates or the deferral or waiver of interest and/or principal payments to support or financially rehabilitate such debtors, excluding bankrupt and quasi-bankrupt loans, doubtful loans and loans overdue three months or more.

Normal loans are loans that do not fall under the categories of bankrupt and quasi-bankrupt loans, doubtful loans, loans overdue three months or more or restructured loans, and in which the debtors have no problem with their financial position or operating results.

The above amounts of loans are before the deduction of reserve for loan losses.

### (Changes in presentation method)

In line with the enforcement of the Cabinet Office Ordinance for Partial Revision of the Ordinance for Enforcement of the Banking Act, etc., (Cabinet Office Ordinance No. 3, January 24, 2020) as of March 31, 2022, the classification of "risk management loans" required to be disclosed under the Banking Act is presented in accordance with the classification of loans to be disclosed defined in the Act on Emergency Measures for the Revitalization of Financial Functions.

### 2-3. COMMERCIAL BILLS

Bills discounted are accounted for as financing transactions in accordance with JICPA Industry-specific Committees Guidance No. 24, March 17, 2022, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry." although the Bank has the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥13,719 million (\$112,092 thousand) and ¥13,187 million at March 31, 2022 and 2021, respectively.

### 2-4. ASSETS PLEDGED

Assets pledged as collateral were as follows:

|            | Millions of yen |            | Thousands of U.S. dollars (Note 1-1) |
|------------|-----------------|------------|--------------------------------------|
|            | 2022            | 2021       | 2022                                 |
| Securities | ¥ 573,692       | ¥ 710,931  | \$ 4,687,409                         |
| Loans      | 682,501         | 661,447    | 5,576,444                            |
| Total      | ¥1,256,194      | ¥1,372,378 | \$10,263,861                         |

The above pledged assets secure the following liabilities:

|  | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------|--------------------------------------|
|  | 2022            | 2021     | 2022                                 |
| Deposits                                       | ¥ 26,345        | ¥ 26,029 | \$ 215,254                           |
| Payables under repurchase agreements           | 74,232          | 199,289  | 606,520                              |
| Payables under securities lending transactions | 139,898         | 91,604   | 1,143,050                            |
| Borrowed money                                 | 736,356         | 732,257  | 6,016,471                            |

In addition to the above, assets pledged as collateral for transactions such as exchange settlement transactions and others were as follows:

|              | Millions of yen |        | Thousands of U.S. dollars (Note 1-1) |
|--------------|-----------------|--------|--------------------------------------|
|              | 2022            | 2021   | 2022                                 |
| Securities   | ¥ 406           | ¥ 434  | \$ 3,317                             |
| Other assets | 35,000          | 50,000 | 285,971                              |

Other assets above mentioned were as follows:

|  | Millions of yen |        | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|--------|--------------------------------------|
|  | 2022            | 2021   | 2022                                 |
| Initial margins of futures markets             | ¥ 2,612         | ¥ 292  | \$ 21,341                            |
| Cash collateral paid for financial instruments | 35,983          | 10,239 | 294,002                              |
| Guarantees                                     | 72              | 74     | 588                                  |
| Security deposits                              | 295             | 276    | 2,410                                |

### 2-5. COMMITMENT LINES

Commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries will lend the funds upon the request of an obligor to draw down the funds under the loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances related to these loan agreements at March 31, 2022 and 2021 amounted to ¥1,270,918 million (\$10,384,165 thousand) and ¥1,247,214 million, respectively. Of these amounts, ¥1,115,276 million (\$9,112,476 thousand) and ¥1,105,322 million as of March 31, 2022 and 2021, respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the loan agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitments do not necessarily affect future cash flows.

Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit when there is cause to do so, such as when there is a change in the financial condition of the obligor or when it is necessary to protect the Bank's or a consolidated subsidiary's

credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank and its consolidated subsidiaries' established internal procedures for confirming an obligor's financial condition, etc., at regular intervals.

## 2-6. LAND REVALUATION EXCESS

In accordance with the Revaluation Act of Land Properties, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The revaluation excess, net of deferred taxes, is shown as a separate component of net assets. The current market value of the revalued land was lower than the revalued amount by ¥13,271 million (\$108,432 thousand) and ¥12,635 million at March 31, 2022 and 2021, respectively.

## 2-7. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets at March 31, 2022 and 2021 amounted to ¥55,193 million (\$450,960 thousand) and ¥54,267 million, respectively. The amounts that were directly offset against acquisition costs as of March 31, 2022 and 2021 were ¥8,224 million (\$67,195 thousand) and ¥8,243 million, respectively.

## 2-8. GUARANTEE OBLIGATIONS

Guarantee obligations for private placement bonds in securities in accordance with the Article 2, Paragraph 3 of the Financial Instruments and Exchange Act amounted to ¥61,743 million (\$504,477 thousand) and ¥62,323 million at March 31, 2022 and 2021, respectively.

## 2-9. MONEY TRUSTS TO BE INDEMNIFIED

The principal amount of money trusts to be indemnified by the Bank and its consolidated subsidiaries was ¥554 million (\$4,526 thousand) and ¥5 million at March 31, 2022 and 2021, respectively.

## (Notes to Consolidated Statement of Income)

### 3-1. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses included salaries and allowances in the amount of ¥21,146 million (\$172,775 thousand) and ¥21,173 million at March 31, 2022 and 2021, respectively.

### 3-2. OTHER EXPENSES

Other expenses consisted of the following:

|                        | Millions of yen |      | Thousands of U.S. dollars (Note 1-1) |
|------------------------|-----------------|------|--------------------------------------|
|                        | 2022            | 2021 | 2022                                 |
| Loans written off      | ¥ 16            | ¥ 20 | \$ 130                               |
| Securities written off | 274             | 106  | 2,238                                |

## (Notes to Consolidated Statement of Comprehensive Income)

### 4-1. RECLASSIFICATION ADJUSTMENTS AND THE RELATED TAX EFFECTS CONCERNING OTHER COMPREHENSIVE INCOME

|   | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|----------|--------------------------------------|
|   | 2022            | 2021     | 2022                                 |
| Valuation difference on available-for-sale securities             |                 |          |                                      |
| Incurring during the period                                       | ¥(47,547)       | ¥ 85,864 | \$(388,487)                          |
| Reclassification adjustments                                      | (1,188)         | (3,717)  | (9,706)                              |
| Before tax effect adjustments                                     | (48,736)        | 82,147   | (398,202)                            |
| Tax effect  | 15,300          | (25,480) | 125,010                              |
| Valuation difference on available-for-sale securities             | (33,435)        | 56,666   | (273,184)                            |
| Net deferred gains (losses) on derivatives under hedge accounting |                 |          |                                      |
| Incurring during the period                                       | 1,322           | (2,895)  | 10,801                               |
| Reclassification adjustments                                      | 875             | 1,215    | 7,149                                |
| Before tax effect adjustments                                     | 2,197           | (1,680)  | 17,950                               |
| Tax effect  | (670)           | 512      | (5,474)                              |
| Net deferred gains (losses) on derivatives under hedge accounting | 1,527           | (1,167)  | 12,476                               |
| Remeasurements of defined benefit plans                           |                 |          |                                      |
| Incurring during the period                                       | 3,015           | 13,263   | 24,634                               |
| Reclassification adjustments                                      | (2,016)         | (415)    | (16,471)                             |
| Before tax effect adjustments                                     | 998             | 12,848   | 8,154                                |
| Tax effect  | (304)           | (3,918)  | (2,483)                              |
| Remeasurements of defined benefit plans                           | 693             | 8,929    | 5,662                                |
| The total amount of other comprehensive income                    | ¥(31,213)       | ¥ 64,428 | \$(255,029)                          |

**(Notes to Consolidated Statement of Changes in Net Assets)**

**5-1. Type and number of shares issued and treasury stock**

Type and number of shares issued and treasury stock in the year ended March 31, 2022 and 2021 were as follows:

|                | (Thousands)  |   |   |  |
|----------------|--|---|---|--|
|                | 2022   |   |   |  |
|                | Number of shares at the beginning of the accounting period | Increase in number of shares during the accounting period | Decrease in number of shares during the accounting period | Number of shares at the end of the accounting period |
| Shares issued  |  |   |   |  |
| Common stock   | 323,775  | —   | —   | 323,775  |
| Total          | 323,775  | —   | —   | 323,775  |
| Treasury stock |  |   |   |  |
| Common stock   | 7,104  | 1,001   | 1,142   | 6,962  |
| Total          | 7,104  | 1,001   | 1,142   | 6,962  |

- 1 The increase in number of shares of treasury stock was due to the purchase of treasury stock by the Trust for the share-based payment system (1,000 thousand shares) and the purchase of fractional shares (1 thousand shares).
- 2 The decrease in number of shares of treasury stock was due to the disposal of treasury stock in line with a third-party allotment of newly issued shares to the Trust for the share-based payment system (1,000 thousand shares), the delivered shares of the Bank through the Trust (61 thousand shares) and the exercise of stock acquisition rights (81 thousand shares).
- 3 The number of shares of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payment system (247 thousand shares and 1,186 thousand shares, respectively).

|                | (Thousands)  |   |   |  |
|----------------|--|---|---|--|
|                | 2021   |   |   |  |
|                | Number of shares at the beginning of the accounting period | Increase in number of shares during the accounting period | Decrease in number of shares during the accounting period | Number of shares at the end of the accounting period |
| Shares issued  |  |   |   |  |
| Common stock   | 323,775  | —   | —   | 323,775  |
| Total          | 323,775  | —   | —   | 323,775  |
| Treasury stock |  |   |   |  |
| Common stock   | 7,222  | 1   | 119   | 7,104  |
| Total          | 7,222  | 1   | 119   | 7,104  |

- 1 The increase in number of shares of treasury stock was from the purchase of fractional shares (1 thousand shares)
- 2 The decrease in number of shares of treasury stock was due to the delivered shares of the Bank through the Trust (36 thousand shares) and the exercise of stock acquisition rights (82 thousand shares).
- 3 The number of shares of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes the Bank's shares held by the Trust for the share-based payment system (284 thousand shares and 247 thousand shares, respectively).

**5-2. Stock acquisition rights and own stock acquisition rights**

Stock acquisition rights and own stock acquisition rights in the year ended March 31, 2022 and 2021 were as follows:

| Division | Details of stock acquisition rights       | Type of shares to be issued | 2022   |          |          |                 | Closing balance |                                      |
|----------|---|-----------------------------|--|----------|----------|-----------------|-----------------|--------------------------------------|
|          |   |                             | Number of shares subject to stock acquisition rights |          |          |                 |                 |                                      |
|          |   |                             | Beginning balance                                    | Increase | Decrease | Closing balance | Millions of yen | Thousands of U.S. dollars (Note 1-1) |
| The Bank | Stock acquisition rights as stock options |                             |  | —        |          |                 | 208             | 1,699                                |
| Total    |   |                             |  | —        |          |                 | 208             | 1,699                                |

| Division | Details of stock acquisition rights       | Type of shares to be issued | 2021   |          |          |                 | Closing balance |  |
|----------|---|-----------------------------|--|----------|----------|-----------------|-----------------|--|
|          |   |                             | Number of shares subject to stock acquisition rights |          |          |                 |                 |  |
|          |   |                             | Beginning balance                                    | Increase | Decrease | Closing balance | Millions of yen |  |
| The Bank | Stock acquisition rights as stock options |                             |  | —        |          |                 | 273             |  |
| Total    |   |                             |  | —        |          |                 | 273             |  |

### 5-3. Dividends

The following dividends were paid in the year ended March 31, 2022 and March 31, 2021, respectively.

| 2022   |                |                     |                                      |                          |                         |                    |                   |
|--|----------------|---------------------|--------------------------------------|--------------------------|-------------------------|--------------------|-------------------|
| Date of resolution                           | Type of shares | Amount of dividends |                                      | Cash dividends per share |                         | Record date        | Effective date    |
|  |                | Millions of yen     | Thousands of U.S. dollars (Note 1-1) | Yen                      | U.S. dollars (Note 1-1) |                    |                   |
| Directors' meeting held on May 14, 2021      | Common stock   | ¥2,218              | \$18,122                             | ¥7.00                    | \$0.05                  | March 31, 2021     | June 8, 2021      |
| Directors' meeting held on November 12, 2021 | Common stock   | ¥2,535              | \$20,712                             | ¥8.00                    | \$0.06                  | September 30, 2021 | December 10, 2021 |

1. The total amount of dividends on common stock resolved at the Directors' meeting held on May 14, 2021 includes ¥1 million (\$8 thousand) in dividends to the Bank's shares held by the Trust for the share-based payment system.
2. The total amount of dividends on common stock resolved at the Directors' meeting held on November 12, 2021 includes ¥1 million (\$8 thousand) in dividends to the Bank's shares held by the Trust for the share-based payment system.

Dividends whose record date is attributable to the year ended March 31, 2022 but which became effective after March 31, 2022

| Date of resolution                      | Type of shares | Amount of dividends |                                      | Source of dividends | Cash dividends per share |                         | Record date    | Effective date |
|---|----------------|---------------------|--------------------------------------|---------------------|--------------------------|-------------------------|----------------|----------------|
|   |                | Millions of yen     | Thousands of U.S. dollars (Note 1-1) |                     | Yen                      | U.S. dollars (Note 1-1) |                |                |
| Directors' meeting held on May 13, 2022 | Common stock   | ¥2,543              | \$20,777                             | Retained earnings   | ¥8.00                    | \$0.06                  | March 31, 2022 | June 9, 2022   |

The total amount of dividends on common stock includes ¥9 million (\$73 thousand) in dividends to the Bank's shares held by the Trust for the share-based payment system.

| 2021  |                |                     |                                      |                    |                          |                         |
|---|----------------|---------------------|--------------------------------------|--------------------|--------------------------|-------------------------|
| Date of resolution                          | Type of shares | Amount of dividends |                                      | Record date        | Cash dividends per share |                         |
|   |                | Millions of yen     | Thousands of U.S. dollars (Note 1-1) |                    | Yen                      | U.S. dollars (Note 1-1) |
| Directors' meeting held on May 26, 2020     | Common stock   | ¥2,217              | \$18,122                             | March 31, 2020     | ¥7.00                    | June 5, 2020            |
| Directors' meeting held on November 6, 2020 | Common stock   | ¥2,218              | \$18,122                             | September 30, 2020 | ¥7.00                    | December 10, 2020       |

1. The total amount of dividends on common stock resolved at the Directors' meeting held on May 26, 2020 includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.
2. The total amount of dividends on common stock resolved at the Directors' meeting held on November 6, 2020 includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

Dividends whose record date is attributable to the year ended March 31, 2021 but which became effective after March 31, 2021

| Date of resolution                      | Type of shares | Amount of dividends |                                      | Source of dividends | Cash dividends per share | Record date    | Effective date |
|---|----------------|---------------------|--------------------------------------|---------------------|--------------------------|----------------|----------------|
|   |                | Millions of yen     | Thousands of U.S. dollars (Note 1-1) |                     |                          |                |                |
| Directors' meeting held on May 14, 2021 | Common stock   | ¥2,218              | \$18,122                             | Retained earnings   | ¥7.00                    | March 31, 2021 | June 8, 2021   |

The total amount of dividends on common stock includes ¥1 million in dividends to the Bank's shares held by the Trust for the share-based payment system.

### (Notes to Consolidated Statement of Cash Flows)

#### 6-1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statements of cash flows included due from banks, except for deposits with the Bank of Japan, as follows:

|  | Millions of yen |            | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|------------|--------------------------------------|
|  | 2022            | 2021       | 2022                                 |
| Cash and due from banks in the balance sheets              | ¥1,514,760      | ¥1,415,522 | \$12,376,501                         |
| Due from banks, except for deposits with the Bank of Japan | (2,500)         | (1,958)    | (20,426)                             |
| Cash and cash equivalents in the statements of cash flows  | ¥1,512,259      | ¥1,413,563 | \$12,356,066                         |

### (Notes to Financial Instruments)

#### 1 Financial instruments

##### (1) Policy on financial instruments

The Bank and its consolidated subsidiaries engage mainly in the financial services business and provide lending services and leasing services. Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and undertakes asset and liability management (ALM) in order to curb any unfavorable impact from interest rate fluctuations. The Bank also engages in derivative transactions as part of its ALM.

##### (2) Descriptions and risks of financial instruments

The financial assets of the Bank and its consolidated subsidiaries consist mainly of loans to customers, which are subject to default risk. Also, the Bank holds securities that are mainly stocks, bonds and mutual funds for



investment, management or trading purposes. They are subject to the issuer's credit risk, interest rate risk and market price risk.

The foreign currency denominated financial assets and liabilities are subject to foreign currency risk. The Bank uses currency swaps to manage the risk.

The Bank's derivative transactions include interest rate swaps. The Bank applies hedge accounting to the interest on loans to hedge interest rate risks regarding the interest rate swaps as hedge instruments. The effectiveness is ensured by maintaining a balance of hedge instruments that does not exceed the balance of the hedged items, which are grouped by incidence and remaining period.

Other transactions not qualifying for hedge accounting expose the Bank to foreign exchange and interest rate risks.

### **(3) Risk management system for financial products**

#### **① Credit risk management**

The Bank prescribes its credit risk management policy in its "Risk Management Plan," which is issued by the Board of Directors biannually. In particular, the Bank diversifies credit risk by ensuring that credit granted is not overconcentrated in certain customers, groups or industries. The Bank periodically analyzes and evaluates the credit conditions classified by internal ratings, business area and industry. The Bank strives to optimize its credit portfolio by promoting effective credit risk management. Feedback regarding credit risk management is reported to the Board of Directors on a regular basis.

The Bank manages each customer's credit in compliance with its "Internal Rating System," part of the Bank's credit risk management. The Risk Management Division (RMD), which is completely independent from other banking business divisions, is responsible for planning and administering the internal rating system and conducting, coordinating and monitoring the internal ratings. The Loan Group is responsible for supervising the individual credit granted and examining each customers' finances, purpose for the loan and ability to repay. The group is independent from the business promotion group and is divided into three divisions: the Credit Division - responsible for planning credit-related services, assessing customers' loans, offering management consultations on corporate rehabilitation, managing problem loans, assessing collaterals and providing other services; the Ship Finance Division - responsible for assessing loans, including those in the shipping and shipbuilding industries; and the Customer Loan Center - responsible for assessing personal loans. The assets are initially assessed by each branch and then by the head office, followed by a validation by RMD, which is also responsible for the formulation of the assessment standards.

The credit granted by the consolidated subsidiaries is managed for each customer along with the credit granted by the Bank. RMD also manages the credit risk of issuers and counterparty risk in derivative transactions by monitoring and periodically evaluating credit information and market prices.

#### **② Market risk management**

In order to properly manage market risk and maintain the Bank's soundness and profitability, the Bank has established a comprehensive risk management structure set forth by the ALM Committee. The ALM Committee uses various measures such as the gap method, market value analysis, periodic income/loss simulation and the VaR method to control risk. The ALM Committee also coordinates risk management plans and hedging strategies by analyzing the profitability structure and forecasting the market and the economic environment. RMD, set up

as an independent supervisor, evaluates the appropriateness of market transactions dealt with by other divisions.

The Bank sets limits on the quantity of risk that may be undertaken in its "Risk Management Plan," which is developed by the Board of Directors biannually. RMD monitors compliance with the plan and reports to the Board of Directors on a monthly basis.

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance-covariance model (holding period: 120 business days; confidence interval: 99.9%; and historical observation period: 1,200 business days) is applied in the measurement of VaR.

The major market risks for the Bank are equity risk and interest rate risk. Financial instruments affected by interest rate risk are loans and bills discounted, available-for-sale securities, deposits, borrowed money, interest swap transactions and interest rate cap derivative transactions. At March 31, 2022 and 2021, the quantity of market risk (expected loss), which included equity risk and interest rate risk, amounted to ¥174.0 billion (\$1,421 million) and ¥199.8 billion, respectively.

The Bank confirms the validity of the measurement model by biannually performing back-testing which compares VaR with actual fluctuations in profit and loss during the observation period. However, VaR, the quantity of market risk which is statistically measured with historical market fluctuations, may not reflect drastic changes in the market.

#### **③ Liquidity risk management**

The liquidity risk management of the Bank is conducted through asset-liability management (ALM) and the duration of funds procured with consideration for the market environment.

### **(4) Supplementary explanation of matters related to fair values of financial instruments and others**

As the fair values of financial instruments are estimated on certain assumptions, the values may differ when other assumptions are applied.



## 2 Fair values of financial instruments

The table below summarizes book values, fair values and any differences between them. Equity and other securities without fair market value and investments in partnerships, etc., were excluded from the table (see Note i). Notes are omitted for cash and due from banks, call money and bills sold, payables under repurchase agreements and payables under securities lending transactions because their fair market values approximate the corresponding book values due to their short-term settlements.

|   | Millions of yen   |                   |                  | Thousands of U.S. dollars (Note 1-1) |                     |                    |
|---|-------------------|-------------------|------------------|--------------------------------------|---------------------|--------------------|
|   | 2022              |                   |                  | 2022                                 |                     |                    |
|   | Book value        | Fair value        | Difference       | Book value                           | Fair value          | Difference         |
| (1) Monetary claims purchased                                     | ¥ 6,211           | ¥ 6,211           | ¥ —              | \$ 50,747                            | \$ 50,747           | \$ —               |
| (2) Trading account securities                                    |                   |                   |                  |                                      |                     |                    |
| Trading securities  | 525               | 525               | —                | 4,289                                | 4,289               | —                  |
| (3) Money held in trust   | 5,767             | 5,767             | —                | 47,119                               | 47,119              | —                  |
| (4) Securities  |                   |                   |                  |                                      |                     |                    |
| Available-for-sale securities                                     | 1,660,146         | 1,660,146         | —                | 13,564,392                           | 13,564,392          | —                  |
| (5) Loans and bills discounted                                    | 5,046,997         | 4,953,866         |                  | 41,237,004                           | 40,476,068          |                    |
| Reserve for loan losses (*1)                                      | (35,923)          |                   |                  | (293,512)                            |                     |                    |
|   | 5,011,073         | 4,953,866         | (57,206)         | 40,943,483                           | 40,476,068          | (467,407)          |
| <b>Total Assets</b>   | <b>¥6,683,724</b> | <b>¥6,626,517</b> | <b>¥(57,206)</b> | <b>\$54,610,049</b>                  | <b>\$54,142,634</b> | <b>\$(467,407)</b> |
| (1) Deposits  | ¥6,021,850        | ¥6,021,381        | ¥ (469)          | \$49,202,140                         | \$49,198,308        | \$ (3,832)         |
| (2) Negotiable certificates of deposit                            | 604,275           | 604,275           | (0)              | 4,937,290                            | 4,937,290           | (0)                |
| (3) Borrowed money  | 750,302           | 749,978           | (324)            | 6,130,419                            | 6,127,771           | (2,647)            |
| <b>Total Liabilities</b>  | <b>¥7,376,428</b> | <b>¥7,375,634</b> | <b>¥ (793)</b>   | <b>\$60,269,858</b>                  | <b>\$60,263,371</b> | <b>\$ (6,479)</b>  |
| Derivative Transactions (*2)                                      |                   |                   |                  |                                      |                     |                    |
| Derivative transactions to which hedge accounting is not applied  | ¥ (7,533)         | ¥ (7,533)         | ¥ —              | \$ (61,549)                          | \$ (61,549)         | \$ —               |
| Derivative transactions to which hedge accounting is applied (*3) | (18,844)          | (18,844)          | —                | (153,966)                            | (153,966)           | —                  |
| <b>Total Derivative Transactions</b>                              | <b>¥ (26,378)</b> | <b>¥ (26,378)</b> | <b>¥ —</b>       | <b>\$ (215,524)</b>                  | <b>\$ (215,524)</b> | <b>\$ —</b>        |

(\*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(\*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(\*3) Derivative transactions to which hedge accounting is applied are interest rate swaps, etc., designated as hedging instruments to offset market fluctuations of loans and bills discounted in hedged items. The Bank uses mainly deferred hedges. The Bank applies the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40, March 17, 2022) to these hedging relationships.

(\*4) Immaterial items are omitted.

|  | Millions of yen   |                   |                  |
|--|-------------------|-------------------|------------------|
|  | 2021              |                   |                  |
|  | Book value        | Fair value        | Difference       |
| (1) Monetary claims purchased                                    | ¥ 6,834           | ¥ 6,834           | ¥ —              |
| (2) Trading account securities                                   |                   |                   |                  |
| Trading securities   | 649               | 649               | —                |
| (3) Money held in trust  | 6,427             | 6,427             | —                |
| (4) Securities   |                   |                   |                  |
| Available-for-sale securities                                    | 1,878,329         | 1,878,329         | —                |
| (5) Loans and bills discounted                                   | 4,975,984         | 4,896,054         |                  |
| Reserve for loan losses (*1)                                     | (35,526)          |                   |                  |
|  | 4,940,458         | 4,896,054         | (44,403)         |
| <b>Total Assets</b>  | <b>¥6,832,699</b> | <b>¥6,788,295</b> | <b>¥(44,403)</b> |
| (1) Deposits   | ¥5,963,676        | ¥5,963,765        | ¥ 89             |
| (2) Negotiable certificates of deposit                           | 531,969           | 531,969           | —                |
| (3) Borrowed money   | 743,645           | 743,686           | 40               |
| <b>Total Liabilities</b>   | <b>¥7,239,291</b> | <b>¥7,239,421</b> | <b>¥ 130</b>     |
| Derivative Transactions (*2)                                     |                   |                   |                  |
| Derivative transactions to which hedge accounting is not applied | ¥ 2,329           | ¥ 2,329           | ¥ —              |
| Derivative transactions to which hedge accounting is applied     | (7,166)           | (7,166)           | —                |
| <b>Total Derivative Transactions</b>                             | <b>¥ (4,837)</b>  | <b>¥ (4,837)</b>  | <b>¥ —</b>       |

(\*1) General and specific reserves for loan losses relevant to loans and bills discounted are excluded.

(\*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum. Net claims and debts that arise from derivative transactions are presented on a net basis.

(\*3) Derivative transactions to which hedge accounting is applied are interest rate swaps, etc., designated as hedging instruments to offset market fluctuations of loans and bills discounted in hedged items. The Bank uses mainly deferred hedges. The Bank applies the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40, September 29, 2020) to these hedging relationships.

(\*4) Immaterial items are omitted.

Note i. Consolidated balance sheet amounts of equity and other securities without fair market value and investments in partnerships, etc., are described below and are not included in "Available-for-sale securities" of the fair market value information on financial instruments.

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2022            | 2021    | 2022                                 |
| Equity and other securities without fair market value (*1) (*2) | ¥13,685         | ¥13,649 | \$111,814                            |
| Investments in partnerships, etc. (*3)                          | 7,792           | 5,788   | 63,665                               |

(\*1) Equity and other securities without fair market value include unlisted stocks, which are not included in the disclosure of fair value in accordance with Paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020).

(\*2) An impairment loss of ¥66 million was recorded for unlisted stocks during the current fiscal year.

(\*3) Investments in partnerships, etc., include mainly silent partnerships and investment partnerships. These items are not included in the disclosure of fair value in accordance with Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019).

Note ii. Expected redemption of monetary claims and securities with maturities

|                                  | Millions of yen |            |           |           |            |               |
|----------------------------------|-----------------|------------|-----------|-----------|------------|---------------|
|                                  | 2022            |            |           |           |            |               |
|                                  | Within 1 year   | 1-3 years  | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Due from banks                   | ¥1,462,276      | ¥ —        | ¥ —       | ¥ —       | ¥ —        | ¥ —           |
| Monetary claims purchased        | 4,054           | —          | —         | —         | —          | 2,157         |
| Securities                       | 48,193          | 279,954    | 251,122   | 189,328   | 242,870    | 123,518       |
| Held-to-maturity debt securities | —               | —          | —         | —         | —          | —             |
| Securities with maturities       | 48,193          | 279,954    | 251,122   | 189,328   | 242,870    | 123,518       |
| Japanese government bonds        | —               | 9,500      | 57,500    | 10,000    | —          | 16,000        |
| Municipal bonds                  | 15,395          | 32,031     | 62,869    | 62,875    | 77,556     | 41,206        |
| Corporate bonds                  | 22,250          | 43,386     | 15,106    | 2,277     | 1,366      | 10,267        |
| Loans and bills discounted (*)   | 1,172,155       | 906,863    | 726,860   | 539,493   | 556,469    | 1,052,488     |
| Total                            | ¥2,686,679      | ¥1,186,818 | ¥977,982  | ¥728,822  | ¥799,339   | ¥1,178,165    |

|                                  | Millions of yen |           |           |           |            |               |
|----------------------------------|-----------------|-----------|-----------|-----------|------------|---------------|
|                                  | 2021            |           |           |           |            |               |
|                                  | Within 1 year   | 1-3 years | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Due from banks                   | ¥1,365,176      | ¥ —       | ¥ —       | ¥ —       | ¥ —        | ¥ —           |
| Monetary claims purchased        | 3,911           | —         | —         | —         | —          | 2,911         |
| Securities                       | 147,030         | 104,177   | 190,471   | 202,469   | 315,186    | 341,650       |
| Held-to-maturity debt securities | —               | —         | —         | —         | —          | —             |
| Securities with maturities       | 147,030         | 104,177   | 190,471   | 202,469   | 315,186    | 341,650       |
| Japanese government bonds        | 91,100          | —         | 63,500    | 3,500     | 10,000     | 16,000        |
| Municipal bonds                  | 30,408          | 30,816    | 43,231    | 63,955    | 76,948     | 40,335        |
| Corporate bonds                  | 20,310          | 41,937    | 23,722    | 962       | 2,459      | 12,197        |
| Loans and bills discounted (*)   | 1,152,470       | 895,548   | 745,139   | 530,836   | 539,218    | 1,024,919     |
| Total                            | ¥2,668,588      | ¥999,725  | ¥935,610  | ¥733,306  | ¥854,404   | ¥1,369,481    |

|                                  | Thousands of U.S. dollars (Note 1-1) |             |             |             |             |               |
|----------------------------------|--------------------------------------|-------------|-------------|-------------|-------------|---------------|
|                                  | 2022                                 |             |             |             |             |               |
|                                  | Within 1 year                        | 1-3 years   | 3-5 years   | 5-7 years   | 7-10 years  | Over 10 years |
| Due from banks                   | \$11,947,675                         | \$ —        | \$ —        | \$ —        | \$ —        | \$ —          |
| Monetary claims purchased        | 33,123                               | —           | —           | —           | —           | 17,623        |
| Securities                       | 393,765                              | 2,287,392   | 2,051,817   | 1,546,923   | 1,984,394   | 1,009,216     |
| Held-to-maturity debt securities | —                                    | —           | —           | —           | —           | —             |
| Securities with maturities       | 393,765                              | 2,287,392   | 2,051,817   | 1,546,923   | 1,984,394   | 1,009,216     |
| Japanese government bonds        | —                                    | 77,620      | 469,809     | 81,706      | —           | 130,729       |
| Municipal bonds                  | 125,786                              | 261,712     | 513,677     | 513,726     | 633,679     | 336,677       |
| Corporate bonds                  | 181,795                              | 354,489     | 123,425     | 18,604      | 11,161      | 83,887        |
| Loans and bills discounted (*)   | 9,577,212                            | 7,409,616   | 5,938,883   | 4,407,982   | 4,546,686   | 8,599,460     |
| Total                            | \$21,951,785                         | \$9,697,017 | \$7,990,701 | \$5,954,914 | \$6,531,080 | \$9,626,317   |

(\*) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors amounted to ¥65,199 million (\$532,715 thousand) and ¥57,924 million at March 31, 2022 and 2021, respectively, and loans and bills with no maturities amounted to ¥27,466 million (\$224,413 thousand) and ¥29,928 million at March 31, 2022 and 2021, respectively.

Note iii. Amounts to be repaid for borrowed money and other interest bearing liabilities

|  | Millions of yen |           |           |           |            |               |
|--|-----------------|-----------|-----------|-----------|------------|---------------|
|  | 2022            |           |           |           |            |               |
|  | Within 1 year   | 1-3 years | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Deposits (*)                                   | ¥5,640,299      | ¥347,878  | ¥30,535   | ¥1,213    | ¥1,922     | ¥ —           |
| Negotiable certificates of deposit             | 604,265         | 10        | —         | —         | —          | —             |
| Call money and bills sold                      | 7,343           | —         | —         | —         | —          | —             |
| Payables under repurchase agreements           | 74,232          | —         | —         | —         | —          | —             |
| Payables under securities lending transactions | 139,898         | —         | —         | —         | —          | —             |
| Borrowed money                                 | 539,885         | 185,028   | 22,487    | 891       | 773        | 1,235         |
| Total  | ¥7,005,925      | ¥532,917  | ¥53,023   | ¥2,105    | ¥2,695     | ¥1,235        |

|  | Millions of yen |           |           |           |            |               |
|--|-----------------|-----------|-----------|-----------|------------|---------------|
|  | 2021            |           |           |           |            |               |
|  | Within 1 year   | 1-3 years | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Deposits (*)                                   | ¥5,598,460      | ¥328,346  | ¥ 34,025  | ¥1,047    | ¥1,795     | ¥ —           |
| Negotiable certificates of deposit             | 531,969         | —         | —         | —         | —          | —             |
| Call money and bills sold                      | 61,624          | —         | —         | —         | —          | —             |
| Payables under repurchase agreements           | 199,289         | —         | —         | —         | —          | —             |
| Payables under securities lending transactions | 91,604          | —         | —         | —         | —          | —             |
| Borrowed money                                 | 435,587         | 105,313   | 202,138   | 238       | 236        | 130           |
| Total  | ¥6,918,535      | ¥433,660  | ¥236,163  | ¥1,286    | ¥2,032     | ¥130          |

|  | Thousands of U.S. dollars (Note 1-1) |             |           |           |            |               |
|--|--------------------------------------|-------------|-----------|-----------|------------|---------------|
|  | 2022                                 |             |           |           |            |               |
|  | Within 1 year                        | 1-3 years   | 3-5 years | 5-7 years | 7-10 years | Over 10 years |
| Deposits (*)                                   | \$46,084,639                         | \$2,842,372 | \$249,489 | \$ 9,910  | \$15,703   | \$ —          |
| Negotiable certificates of deposit             | 4,937,208                            | 81          | —         | —         | —          | —             |
| Call money and bills sold                      | 59,996                               | —           | —         | —         | —          | —             |
| Payables under repurchase agreements           | 606,520                              | —           | —         | —         | —          | —             |
| Payables under securities lending transactions | 1,143,050                            | —           | —         | —         | —          | —             |
| Borrowed money                                 | 4,411,185                            | 1,511,790   | 183,732   | 7,280     | 6,315      | 10,090        |
| Total  | \$57,242,626                         | \$4,354,252 | \$433,229 | \$17,199  | \$22,019   | \$10,090      |

(\*) Demand deposits are included in "Within 1 year."

### 3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure the fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety at the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value  
As of March 31, 2022

| Classification                       | Millions of yen |                  |                |                   | Thousands of U.S. dollars (Note 1-1) |                     |                  |                     |
|--------------------------------------|-----------------|------------------|----------------|-------------------|--------------------------------------|---------------------|------------------|---------------------|
|                                      | Fair value      |                  |                |                   | Fair value                           |                     |                  |                     |
|                                      | Level 1         | Level 2          | Level 3        | Total             | Level 1                              | Level 2             | Level 3          | Total               |
| Monetary claims purchased            | ¥ —             | ¥ —              | ¥ 2,157        | ¥ 2,157           | \$ —                                 | \$ —                | \$ 17,623        | \$ 17,623           |
| Trading account securities           |                 |                  |                |                   |                                      |                     |                  |                     |
| Trading securities                   |                 |                  |                |                   |                                      |                     |                  |                     |
| Japanese government bonds            | 525             | —                | —              | 525               | 4,289                                | —                   | —                | 4,289               |
| Money held in trust                  | —               | —                | 1,507          | 1,507             | —                                    | —                   | 12,313           | 12,313              |
| Securities:                          |                 |                  |                |                   |                                      |                     |                  |                     |
| Available-for-sale securities        |                 |                  |                |                   |                                      |                     |                  |                     |
| Japanese government bonds            | 18,130          | 81,845           | —              | 99,975            | 148,133                              | 668,722             | —                | 816,855             |
| Municipal bonds                      | —               | 294,005          | —              | 294,005           | —                                    | 2,402,197           | —                | 2,402,197           |
| Corporate bonds                      | —               | 50,295           | 62,393         | 112,689           | —                                    | 410,940             | 509,788          | 920,736             |
| Equity securities                    | 331,294         | 449              | —              | 331,744           | 2,706,871                            | 3,668               | —                | 2,710,548           |
| Others                               | 456,549         | 150,038          | 11,273         | 617,861           | 3,730,280                            | 1,225,900           | 92,107           | 5,048,296           |
| <b>Total Assets</b>                  | <b>¥806,499</b> | <b>¥576,635</b>  | <b>¥77,332</b> | <b>¥1,460,467</b> | <b>\$6,589,582</b>                   | <b>\$4,711,455</b>  | <b>\$631,849</b> | <b>\$11,932,894</b> |
| Derivative transactions              |                 |                  |                |                   |                                      |                     |                  |                     |
| Interest rate-related derivatives    | ¥ —             | ¥ 5,115          | ¥ —            | ¥ 5,115           | \$ —                                 | \$ 41,792           | \$ —             | \$ 41,792           |
| Currency-related derivatives         | —               | (31,492)         | —              | (31,492)          | —                                    | (257,308)           | —                | (257,308)           |
| Bond-related derivatives             | —               | —                | —              | —                 | —                                    | —                   | —                | —                   |
| Credit derivatives                   | —               | —                | (0)            | (0)               | —                                    | —                   | (0)              | (0)                 |
| <b>Total Derivative Transactions</b> | <b>¥ —</b>      | <b>¥(26,377)</b> | <b>¥ (0)</b>   | <b>¥ (26,378)</b> | <b>\$ —</b>                          | <b>\$ (215,515)</b> | <b>\$ (0)</b>    | <b>\$ (215,524)</b> |

(\*) The above table does not include investment trusts that applied the transitional treatment stipulated in Paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019). The amount of such investment trusts in the consolidated balance sheet was ¥203,869 million (\$1,665,732 thousand).

(2) Financial instruments other than those measured at fair value  
As of March 31, 2022

| Classification                       | Millions of yen |                   |                   |                    | Thousands of U.S. dollars (Note 1-1) |                     |                     |                     |
|--------------------------------------|-----------------|-------------------|-------------------|--------------------|--------------------------------------|---------------------|---------------------|---------------------|
|                                      | Fair value      |                   |                   |                    | Fair value                           |                     |                     |                     |
|                                      | Level 1         | Level 2           | Level 3           | Total              | Level 1                              | Level 2             | Level 3             | Total               |
| Monetary claims purchased            | ¥—              | ¥ —               | ¥ 4,054           | ¥ 4,054            | \$—                                  | \$ —                | \$ 33,123           | \$ 33,123           |
| Money held in trust                  | —               | —                 | 4,260             | 4,260              | —                                    | —                   | 34,806              | 34,806              |
| Loans:                               | —               | —                 | 4,953,866         | 4,953,866          | —                                    | —                   | 40,476,068          | 40,476,068          |
| <b>Total Assets</b>                  | <b>¥—</b>       | <b>¥ —</b>        | <b>¥4,962,181</b> | <b>¥ 4,962,181</b> | <b>\$—</b>                           | <b>\$ —</b>         | <b>\$40,544,006</b> | <b>\$40,544,006</b> |
| Deposits:                            |                 |                   |                   |                    |                                      |                     |                     |                     |
| Negotiable certificates of deposit   | —               | 604,275           | —                 | —                  | —                                    | 4,937,290           | —                   | —                   |
| Borrowed money:                      | —               | 749,978           | —                 | —                  | —                                    | 6,127,771           | —                   | —                   |
| <b>Total Derivative Transactions</b> | <b>¥—</b>       | <b>¥7,375,634</b> | <b>¥ —</b>        | <b>¥ —</b>         | <b>\$—</b>                           | <b>\$60,263,371</b> | <b>\$ —</b>         | <b>\$ —</b>         |

Note 1: A description of the valuation techniques and inputs used in the fair value measurements

**Assets**

**Monetary claims purchased**

Of monetary claims purchased, trustee beneficial rights are measured based on prices quoted by correspondent financial institutions and are classified as Level 3 fair value based on the inputs used for the quoted prices. Monetary claims purchased other than trustee beneficial rights are classified as Level 3 fair value. This is because their book value is considered as the fair value, taking into consideration that such items fall under short contractual terms and their fair value approximates the book value.

**Trading account securities**

Trading account securities are classified as Level 1 fair value because they are government bonds and use unadjusted market prices in active markets.

**Money held in trust**

Of money held in trust, the components of trust property are measured based on prices quoted by correspondent financial institutions and are classified as Level 3 fair value according to component levels.

**Securities**

Securities using unadjusted market prices in active markets are classified as Level 1 fair value. These Level 1 securities include mainly listed stocks and government bonds.

Securities that use announced market prices but are not traded in active markets are classified as Level 2 fair value. These Level 2 securities include municipal bonds and corporate bonds.

Of corporate bonds, private placement bonds with guarantee obligations are measured as the present value discounted at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. As these discount rates are unobservable inputs, such private placement bonds are classified as Level 3 fair value. Securities that do not fall under these classifications are measured based on prices quoted by correspondent financial institutions and are classified as Level 3 fair value based on the inputs used for the quoted prices.

### Loans and bills discounted

Loans and bills discounted with floating rates are classified as Level 3 fair value. This is because their book value is considered as the fair value, taking into account that the rates reflect the market rate in a short period and that the fair value approximates the book value unless the borrower's creditworthiness changes significantly after the inception date. Loans and bills discounted with fixed rates are classified as Level 3 fair value. This is because their fair value is measured as the present value, discounting future cash flows arising from principal and interest at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating and because these discount rates are unobservable inputs. Loans and bills with short-term contractual terms (within one year) are classified as Level 3 fair value because their fair value approximates the book value and such book value is considered as the fair value. In addition, loans to bankrupt borrowers, substantially bankrupt borrowers and potentially bankrupt borrowers are classified as Level 3 fair value. Their fair value approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the reserve for loan losses since the loan losses are calculated based on the estimated collectable amount from collateral and/or guarantees. Of loans and bills discounted, loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets are classified as Level 3 fair value. Their fair value is deemed as the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

### Liabilities

#### Deposits and negotiable certificates of deposit

The fair value of demand deposits is considered the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a

rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. The fair value of deposits with short contractual terms (within one year) is considered equal to the book value since the fair value approximates the book value. These items are classified as Level 2 fair value.

#### Borrowed money

The fair value of borrowed money with a floating rate is considered equal to the book value because the fair value of these items approximates the book value, taking into account that the rate reflects the market rate in a short period and that the creditworthiness of the Bank and its consolidated subsidiaries and subsidiary corporations, etc., has not changed significantly since the inception date. The fair value of borrowed money with a fixed rate is calculated as the present value, discounting future cash flows for its principal and interest at a rate that reflects the proper market rate corresponding to the remaining period and credit risk of the Bank. These items are classified as Level 2 fair value.

#### Derivative transactions

Derivative transactions using unadjusted market prices in active markets are classified as Level 1 fair value and includes bond futures. However, as most derivative transactions are traded over the counter and their market prices are not announced, their fair value is calculated using valuation techniques, including the present value model and the option pricing model. These valuation techniques input mainly interest rates, foreign exchange rates, volatilities and others. In addition, the valuation amount is adjusted based on the credit risk of counterparties and the Bank. If unobservable inputs are not used or their impact is insignificant, those derivative items are classified as Level 2 fair value and include interest rate swaps and forward exchange contracts.

If significant unobservable inputs are used, the items are classified as Level 3 fair value.

Note 2: Information on Level 3 fair value of the financial instruments that are recognized at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs (as of March 31, 2022)

| Classification              | Valuation technique             | Significant unobservable input | Range of inputs | Weighted average of inputs |
|-----------------------------|---------------------------------|--------------------------------|-----------------|----------------------------|
| Securities: Corporate bonds | Discounted present value method | Discount rate                  | 0.1%-16.8%      | 0.50%                      |

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period

included in profit or loss for the period (as of March 31, 2022)

|                               | Millions of yen   |                                   |   |   |  |                       |                         | Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1) |
|-------------------------------|-------------------|-----------------------------------|---|---|--|-----------------------|-------------------------|---|
|                               | Beginning balance | Recognized in profit or loss (*1) | Profit or loss or other comprehensive income for the period | Recognized in other comprehensive income (*2) | Purchases, sales, issuances, and settlements (net) | Transfer into Level 3 | Transfer out of Level 3 |   |
| Monetary claims purchased     | ¥ 2,922           | ¥ —                               | ¥ (11)  | ¥ (753)                                       | ¥—   | ¥—                    | ¥ 2,157                 | ¥ —   |
| Money held in trust           | 1,257             | (85)                              | 252   | 83  | —  | —                     | 1,507                   | (85)  |
| Securities:                   |                   |                                   |   |   |  |                       |                         |   |
| Available-for-sale securities |                   |                                   |   |   |  |                       |                         |   |
| Corporate bonds               | 63,137            | 1                                 | 4   | (749)   | —  | —                     | 62,393                  | —   |
| Others                        | 12,583            | —                                 | (9)   | (1,300)                                       | —  | —                     | 11,273                  | —   |
| Total Derivative Transactions |                   |                                   |   |   |  |                       |                         |   |
| Credit derivatives            | (2)               | 1                                 | —   | —   | —  | —                     | (0)                     | (0)   |

|                               | Thousands of U.S. dollars (Note 1-1) |   |         |   |                       |                         |                | Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1) |
|-------------------------------|--------------------------------------|---|---------|---|-----------------------|-------------------------|----------------|---|
|                               | Beginning balance                    | Profit or loss or other comprehensive income for the period |         | Purchases, sales, and settlements (net) | Transfer into Level 3 | Transfer out of Level 3 | Ending balance |   |
| Monetary claims purchased     | \$ 23,874                            | \$ —  | \$ (89) | \$ (6,152)                              | \$—                   | \$—                     | \$ 17,623      | \$ —  |
| Money held in trust           | 10,270                               | (694)   | 2,058   | 678                                     | —                     | —                       | 12,313         | (694)   |
| Securities:                   |                                      |   |         |   |                       |                         |                |   |
| Available-for-sale securities |                                      |   |         |   |                       |                         |                |   |
| Corporate bonds               | 515,867                              | 8   | 32      | (6,119)                                 | —                     | —                       | 509,788        | —   |
| Others                        | 102,810                              | —   | (73)    | (10,621)                                | —                     | —                       | 92,107         | —   |
| Total Derivative Transactions |                                      |   |         |   |                       |                         |                |   |
| Credit derivatives            | (16)                                 | 8   | —       | —                                       | —                     | —                       | (0)            | (0)   |

(\*1) Profit or loss is included mainly in Other operating income, Other operating expenses, Other income and Other expenses of Consolidated Statement of Income.

(\*2) Other comprehensive income is included in Valuation difference on available-for-sale securities in Other comprehensive income of Consolidated Statement of Comprehensive Income.

(3) A description of valuation processes used for fair value measurements

The Risk Management Division of the Group has established policies and procedures for measuring fair value and procedures for using the fair value valuation model. The Bank verifies whether the fair value obtained is measured using valid valuation techniques and inputs and whether they are classified into an appropriate level of the fair value hierarchy. When using quoted prices obtained from third parties as fair values, the Bank verifies whether the prices are valid using appropriate methods, such as by confirming the valuation techniques and inputs used and comparing them with the fair value estimated by the Bank.

(4) Sensitivity of the fair value measurement to changes in significant unobservable inputs

Of corporate bonds, the fair value of private placement bonds with guarantee obligations is calculated by adjustment rates against standard market interest rates such as LIBOR and swap rates. These adjustment rates comprise risk premiums required by market participants against uncertainties on cash flows arising mainly from credit risks. A significant increase (decrease) in discount rates generally leads to a significant decrease (rise) of fair value.

#### (Notes to Securities)

\*1 In addition to "Securities" on the consolidated balance sheets, this includes "Trading account securities" and trust beneficiary interests in "Monetary claims purchased."

#### 1 Trading securities:

|   | Millions of yen |       | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|-------|--------------------------------------|
|   | 2022            | 2021  | 2022                                 |
| Unrealized gains (losses) included in profit and loss for the fiscal year | ¥(19)           | ¥(16) | \$(155)                              |

#### 2 Held-to-maturity debt securities:

None

### 3 Available-for-sale securities:

|                                   | Millions of yen |                  |            | Millions of yen |                  |            | Thousands of U.S. dollars (Note 1—1) |                  |             |
|-----------------------------------|-----------------|------------------|------------|-----------------|------------------|------------|--------------------------------------|------------------|-------------|
|                                   | 2022            |                  |            | 2021            |                  |            | 2022                                 |                  |             |
|                                   | Book value      | Acquisition cost | Difference | Book value      | Acquisition cost | Difference | Book value                           | Acquisition cost | Difference  |
| Securities with unrealized gains  |                 |                  |            |                 |                  |            |                                      |                  |             |
| Equity securities                 | ¥ 314,181       | ¥ 69,125         | ¥245,055   | ¥ 363,242       | ¥ 70,440         | ¥292,801   | \$ 2,567,047                         | \$ 564,792       | \$2,002,246 |
| Bonds                             | 301,341         | 292,616          | 8,725      | 431,109         | 421,561          | 9,547      | 2,462,137                            | 2,390,848        | 71,288      |
| Japanese government bonds         | 99,975          | 95,587           | 4,388      | 119,985         | 116,895          | 3,090      | 816,855                              | 781,003          | 35,852      |
| Municipal bonds                   | 137,594         | 134,524          | 3,070      | 226,478         | 221,733          | 4,745      | 1,124,225                            | 1,099,142        | 25,083      |
| Corporate bonds                   | 63,771          | 62,504           | 1,266      | 84,645          | 82,933           | 1,712      | 521,047                              | 510,695          | 10,343      |
| Other                             | 561,494         | 513,993          | 47,501     | 632,551         | 584,427          | 48,123     | 4,587,744                            | 4,199,632        | 388,111     |
| Total                             | ¥1,177,017      | ¥ 875,735        | ¥301,282   | ¥1,426,903      | ¥1,076,429       | ¥350,473   | \$ 9,616,937                         | \$ 7,155,282     | \$2,461,655 |
| Securities with unrealized losses |                 |                  |            |                 |                  |            |                                      |                  |             |
| Equity securities                 | ¥ 17,563        | ¥ 23,577         | ¥ (6,013)  | ¥ 16,347        | ¥ 21,489         | ¥ (5,141)  | \$ 143,500                           | \$ 192,638       | \$ (49,129) |
| Bonds                             | 205,328         | 206,860          | (1,531)    | 171,289         | 172,815          | (1,526)    | 1,677,653                            | 1,690,170        | (12,509)    |
| Japanese government bonds         | —               | —                | —          | 68,552          | 69,375           | (823)      | —                                    | —                | —           |
| Municipal bonds                   | 156,411         | 157,517          | (1,106)    | 63,852          | 64,096           | (243)      | 1,277,972                            | 1,287,008        | (9,036)     |
| Corporate bonds                   | 48,917          | 49,343           | (425)      | 38,885          | 39,344           | (459)      | 399,681                              | 403,162          | (3,472)     |
| Other                             | 262,393         | 272,817          | (10,424)   | 266,711         | 278,091          | (11,379)   | 2,143,908                            | 2,229,079        | (85,170)    |
| Total                             | 485,285         | 503,255          | (17,969)   | 454,349         | 472,396          | (18,046)   | 3,965,070                            | 4,111,896        | (146,817)   |
| Total                             | ¥1,662,303      | ¥1,378,990       | ¥283,312   | ¥1,881,252      | ¥1,548,825       | ¥332,426   | \$13,582,016                         | \$11,267,178     | \$2,314,829 |

### 4 Available-for-sale securities sold:

|                   | Millions of yen |         |         | Millions of yen |         |        | Thousands of U.S. dollars (Note 1-1) |           |           |
|-------------------|-----------------|---------|---------|-----------------|---------|--------|--------------------------------------|-----------|-----------|
|                   | 2022            |         |         | 2021            |         |        | 2022                                 |           |           |
|                   | Amount sold     | Gains   | Losses  | Amount sold     | Gains   | Losses | Amount sold                          | Gains     | Losses    |
| Equity securities | ¥ 8,483         | ¥ 4,783 | ¥ 818   | ¥ 4,704         | ¥ 2,763 | ¥ 223  | \$ 69,311                            | \$ 39,079 | \$ 6,683  |
| Bonds             | 523             | 1       | —       | 589             | 2       | —      | 4,273                                | 8         | —         |
| Corporate bonds   | 523             | 1       | —       | 589             | 2       | —      | 4,273                                | 8         | —         |
| Other             | 929,886         | 13,685  | 16,170  | 488,156         | 8,259   | 7,116  | 7,597,728                            | 111,814   | 132,118   |
| Total             | ¥938,893        | ¥18,470 | ¥16,988 | ¥493,449        | ¥11,025 | ¥7,340 | \$7,671,321                          | \$150,911 | \$138,802 |

### 5 Securities impaired

Certain securities other than trading securities (excluding equity and other securities without fair market value and investments in partnerships, etc.) are written down to the fair value, and the difference between the acquisition cost and the fair value is treated as loss for the fiscal year (impairment (devaluation)) if the fair value has significantly deteriorated from the acquisition cost, unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) was ¥246 million (\$2,009 thousand), including ¥208 million (\$1,699 thousand) of equity securities and ¥38 million (\$310 thousand) of bonds at March 31, 2022, and ¥16 million, including ¥16 million of equity securities at March 31, 2021. A security is deemed to have "significantly deteriorated" if the fair value has decreased to 50% or less of the acquisition cost. If the fair value exceeds 50% but is 70% or less of the acquisition cost, the security may be deemed "significantly deteriorated" considering the change in the quoted market price during a certain period in the past, the related business performance and other factors.

### (Notes to Money Held in Trust)

The following table summarizes the book values (fair values) and amounts of net unrealized gains and losses for money held in trust included in profit and loss for the fiscal year.

|  | Millions of yen |       | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|-------|--------------------------------------|
|  | 2022            | 2021  | 2022                                 |
| Money held in trust for investment   |                 |       |                                      |
| Book value (fair value)  | ¥ —             | ¥ —   | \$ —                                 |
| Amount of net unrealized gain (loss) included in profit and loss for the fiscal year | ¥ —             | ¥ —   | \$ —                                 |
| Other money held in trust  |                 |       |                                      |
| Book value (fair value)  | 5,767           | 6,427 | 47,119                               |
| Acquisition cost   | 5,436           | 6,349 | 44,415                               |
| Difference   | 330             | 78    | 2,696                                |
| Unrealized gains   | 330             | 78    | 2,696                                |
| Unrealized losses  | —               | —     | —                                    |



**(Notes to Valuation difference on available-for-sale securities)**

Valuation difference on available-for-sale securities were as follows:

|  | Millions of yen |           | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|-----------|--------------------------------------|
|  | 2022            | 2021      | 2022                                 |
| Valuation gains  |                 |           |                                      |
| Available-for-sale securities  | ¥283,437        | ¥ 332,426 | \$2,315,850                          |
| Other money held in trust  | 330             | 78        | 2,696                                |
| Deferred tax liabilities   | (86,927)        | (102,228) | (710,245)                            |
| Valuation difference on available-for-sale securities (before adjustment for minority interests) | 196,841         | 230,276   | 1,608,309                            |
| Noncontrolling interests   | (6,409)         | (7,938)   | (52,365)                             |
| Valuation difference on available-for-sale securities  | ¥190,431        | ¥ 222,338 | \$1,555,935                          |

(Note) Exchange translation differences, etc., related to foreign currency denominated equity and other securities without fair market value and investments in partnerships, etc., are included above in Available-for-sale securities of Valuation gains.

**(Notes to Derivative Transactions)**

At March 31, 2022

**1 Derivative transactions to which hedge accounting was not applied**

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

The contract amount do not reflect the market risk associated with the derivatives.

**(1) Interest rate contracts**

|  | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|--|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|  | 2022            |                                |            |                           | 2022                                 |                                |            |                           |
|  | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b>    |                 |                                |            |                           |                                      |                                |            |                           |
| Swaps:                                   |                 |                                |            |                           |                                      |                                |            |                           |
| Receive fixed rate and pay floating rate | ¥110,664        | ¥110,654                       | ¥(1,021)   | ¥(1,021)                  | \$904,191                            | \$904,109                      | \$ (8,342) | \$ (8,342)                |
| Receive floating rate and pay fixed rate | 110,664         | 110,654                        | 2,295      | 2,295                     | 904,191                              | 904,109                        | 18,751     | 18,751                    |
| Total                                    | —               | —                              | ¥ 1,274    | ¥ 1,274                   | —                                    | —                              | \$10,409   | \$10,409                  |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

**(2) Currency and foreign exchange contracts**

|                                       | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |             |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|-------------|---------------------------|
|                                       | 2022            |                                |            |                           | 2022                                 |                                |             |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value  | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |                                      |                                |             |                           |
| Currency swaps                        | ¥493,137        | ¥416,969                       | ¥ 247      | ¥ 247                     | \$4,029,226                          | \$3,406,887                    | \$ 2,018    | \$ 2,018                  |
| Forward exchange contracts:           |                 |                                |            |                           |                                      |                                |             |                           |
| Sell                                  | 333,693         | 61,056                         | (22,530)   | (22,530)                  | 2,726,472                            | 498,864                        | (184,083)   | (184,083)                 |
| Buy                                   | 255,749         | 60,837                         | 13,514     | 13,514                    | 2,089,623                            | 497,074                        | 110,417     | 110,417                   |
| Currency options:                     |                 |                                |            |                           |                                      |                                |             |                           |
| Sell                                  | 75,505          | 49,253                         | (2,768)    | (609)                     | 616,921                              | 402,426                        | (22,616)    | (4,975)                   |
| Buy                                   | 75,505          | 49,253                         | 2,729      | 909                       | 616,921                              | 402,426                        | 22,297      | 7,427                     |
| Total                                 | —               | —                              | ¥ (8,807)  | ¥ (8,467)                 | —                                    | —                              | \$ (71,958) | \$ (69,180)               |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

(3) Credit derivatives

|                                       | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|                                       | 2022            |                                |            |                           | 2022                                 |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |                                      |                                |            |                           |
| Credit default swaps                  |                 |                                |            |                           |                                      |                                |            |                           |
| Sell                                  | ¥1,000          | ¥—                             | ¥ (0)      | ¥ (0)                     | \$8,170                              | \$—                            | \$(0)      | \$(0)                     |
| Buy                                   | —               | —                              | —          | —                         | —                                    | —                              | —          | —                         |
| Total                                 | —               | —                              | ¥ (0)      | ¥ (0)                     | —                                    | —                              | \$(0)      | \$(0)                     |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

(4) Others

|                                       | Millions of yen |                                |            |                           | Thousands of U.S. dollars (Note 1-1) |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|--------------------------------------|--------------------------------|------------|---------------------------|
|                                       | 2022            |                                |            |                           | 2022                                 |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) | Contract amount                      | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |                                      |                                |            |                           |
| Earthquake derivatives                |                 |                                |            |                           |                                      |                                |            |                           |
| Sell                                  | ¥2,050          | ¥—                             | ¥(24)      | ¥—                        | \$16,749                             | \$—                            | \$(196)    | \$—                       |
| Buy                                   | 2,050           | —                              | 24         | —                         | 16,749                               | —                              | 196        | —                         |
| Total                                 | —               | —                              | ¥—         | ¥—                        | —                                    | —                              | \$—        | \$—                       |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

**2 Derivative transactions to which hedge accounting was applied**

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

The contract amount do not reflect the market risk associated with the derivatives.

(1) Interest rate contracts

| Method of hedge accounting | Hedged items                             | Millions of yen |                                |            | Thousands of U.S. dollars (Note 1-1) |                                |            |
|----------------------------|--|-----------------|--------------------------------|------------|--------------------------------------|--------------------------------|------------|
|                            |  | 2022            |                                |            | 2022                                 |                                |            |
|                            |  | Contract amount | Portion maturing over one year | Fair value | Contract amount                      | Portion maturing over one year | Fair value |
| Deferral hedge method      | Interest rate swaps<br>Loans             |                 |                                |            |                                      |                                |            |
|                            | Receive fixed rate and pay floating rate | —               | —                              | —          | —                                    | —                              | —          |
|                            | Receive floating rate and pay fixed rate | ¥364,756        | ¥364,756                       | ¥3,840     | \$2,980,276                          | \$2,980,276                    | \$31,375   |
| Total                      |  | —               | —                              | ¥3,840     | —                                    | —                              | \$31,375   |

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 24, March 17, 2022, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."

(2) Currency and foreign exchange contracts

| Method of hedge accounting | Hedged items       | Millions of yen |                                |            | Thousands of U.S. dollars (Note 1-1) |                                |             |
|----------------------------|--------------------|-----------------|--------------------------------|------------|--------------------------------------|--------------------------------|-------------|
|                            |                    | 2022            |                                |            | 2022                                 |                                |             |
|                            |                    | Contract amount | Portion maturing over one year | Fair value | Contract amount                      | Portion maturing over one year | Fair value  |
| Deferral hedge method      | Currency swaps     | ¥261,245        | ¥212,289                       | ¥(22,691)  | \$2,134,528                          | \$1,734,528                    | \$(185,399) |
|                            | Fund related swaps | 649             | —                              | 5          | 5,302                                | —                              | 40          |
| Total                      |                    | —               | —                              | ¥(22,685)  | —                                    | —                              | \$(185,350) |

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 25, October 8, 2020, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

At March 31, 2021

**1 Derivative transactions to which hedge accounting was not applied**

Derivative transactions to which hedge accounting was not applied are set forth in the tables below.

The contract amount do not reflect the market risk associated with the derivatives.

**(1) Interest rate contracts**

|  | Millions of yen |                                |            |                           |
|--|-----------------|--------------------------------|------------|---------------------------|
|  | 2021            |                                |            |                           |
|  | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b>    |                 |                                |            |                           |
| Swaps:                                   |                 |                                |            |                           |
| Receive fixed rate and pay floating rate | ¥81,450         | ¥76,292                        | ¥1,619     | ¥1,619                    |
| Receive floating rate and pay fixed rate | 81,450          | 76,292                         | (669)      | (669)                     |
| Total                                    | —               | —                              | ¥ 950      | ¥ 950                     |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

**(2) Currency and foreign exchange contracts**

|                                       | Millions of yen |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|
|                                       | 2021            |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |
| Currency swaps                        | ¥389,160        | ¥362,590                       | ¥ 150      | ¥ 150                     |
| Forward exchange contracts:           |                 |                                |            |                           |
| Sell                                  | 267,668         | 135,092                        | (3,055)    | (3,055)                   |
| Buy                                   | 226,168         | 29,942                         | 4,286      | 4,286                     |
| Currency options:                     |                 |                                |            |                           |
| Sell                                  | 80,822          | 53,070                         | (2,462)    | 378                       |
| Buy                                   | 80,822          | 53,070                         | 2,462      | 273                       |
| Total                                 | —               | —                              | ¥ 1,381    | ¥ 2,034                   |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

**(3) Credit derivatives**

|                                       | Millions of yen |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|
|                                       | 2021            |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |
| Credit default swaps                  |                 |                                |            |                           |
| Sell                                  | ¥1,000          | ¥1,000                         | ¥ (2)      | ¥ (2)                     |
| Buy                                   | —               | —                              | —          | —                         |
| Total                                 | —               | —                              | ¥ (2)      | ¥ (2)                     |

The above transactions are measured at fair value, and recognized gains (losses) are charged to the consolidated statements of income.

**(4) Others**

|                                       | Millions of yen |                                |            |                           |
|---------------------------------------|-----------------|--------------------------------|------------|---------------------------|
|                                       | 2021            |                                |            |                           |
|                                       | Contract amount | Portion maturing over one year | Fair value | Recognized gains (losses) |
| <b>Over-the-counter transactions:</b> |                 |                                |            |                           |
| Earthquake derivatives                |                 |                                |            |                           |
| Sell                                  | ¥1,500          | ¥—                             | ¥ (27)     | ¥—                        |
| Buy                                   | 1,500           | —                              | 27         | —                         |
| Total                                 | —               | —                              | ¥ —        | ¥—                        |

Transactions above for which the values were not readily determinable are stated at cost.

## 2 Derivative transactions to which hedge accounting was applied

Derivative transactions to which hedge accounting was applied are set forth in the tables below.

The contract amount do not reflect the market risk associated with the derivatives.

### (1) Interest rate contracts

| Method of hedge accounting |  | Hedged items | Millions of yen |                                |            |
|----------------------------|--|--------------|-----------------|--------------------------------|------------|
|                            |  |              | 2021            |                                |            |
|                            |  |              | Contract amount | Portion maturing over one year | Fair value |
| Deferral hedge method      | Interest rate swaps                      | Loans        |                 |                                |            |
|                            | Receive fixed rate and pay floating rate |              | —               | —                              | —          |
|                            | Receive floating rate and pay fixed rate |              | ¥302,523        | ¥302,523                       | ¥(722)     |
| Total                      |  |              | —               | —                              | ¥(722)     |

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 24, March 17, 2022, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."

### (2) Currency and foreign exchange contracts

| Method of hedge accounting |                  | Hedged item | Millions of yen |                                |            |
|----------------------------|------------------|-------------|-----------------|--------------------------------|------------|
|                            |                  |             | 2021            |                                |            |
|                            |                  |             | Contract amount | Portion maturing over one year | Fair value |
| Deferral hedge method      |                  |             |                 |                                |            |
| Currency swaps             | Foreign currency | ¥218,488    | ¥195,039        | ¥(6,392)                       |            |
| Fund related swaps         | monetary assets  | 3,120       | —               | (52)                           |            |
| Total                      |                  |             | —               | —                              | ¥(6,444)   |

The above transactions are accounted for with the deferral hedge accounting treatment stipulated in JICPA Industry-specific Committees Guidance No. 25, October 8, 2020, "Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in the Banking Industry."

## (Notes to Retirement Benefits)

### 1 Outline of retirement and severance benefits plans

The retirement benefit plans of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system. Extra retirement benefits may be paid upon the retirement of employees. In addition, the Bank set up a retirement benefit trust. On April 1, 2014, the Bank transformed its corporate pension fund plan to a cash balance plan and established a defined contribution pension plan.

On April 1, 2021, consolidated subsidiaries established a defined contribution pension plan.

Consolidated subsidiaries use the simplified method in calculating net defined benefit liability and retirement benefit expenses for their retirement lump-sum grant systems.

### 2 Defined benefit plan

#### (1) Reconciliation of retirement benefit obligations between the beginning and the end of the period

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2022            | 2021    | 2022                                 |
| Retirement benefit obligations at the beginning of the period | ¥69,876         | ¥72,032 | \$570,928                            |
| Service cost  | 2,305           | 2,362   | 18,833                               |
| Interest cost   | 234             | 170     | 1,911                                |
| Actuarial differences incurred                                | (851)           | (1,259) | (6,953)                              |
| Retirement benefits paid                                      | (3,627)         | (3,429) | (29,634)                             |
| Prior service cost  | —               | —       | —                                    |
| Retirement benefit obligations at the end of the period       | 67,936          | 69,876  | 555,078                              |

#### (2) Reconciliation of pension assets between the beginning and the end of the period

|   | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|---------|--------------------------------------|
|   | 2022            | 2021    | 2022                                 |
| Pension assets at the beginning of the period | ¥91,750         | ¥78,279 | \$749,652                            |
| Expected return on pension assets             | 786             | 1,042   | 6,422                                |
| Actuarial differences incurred                | 2,163           | 12,003  | 17,673                               |
| Employer's contributions                      | 2,728           | 2,726   | 22,289                               |
| Retirement benefits paid                      | (2,363)         | (2,301) | (19,307)                             |
| Pension assets at the end of the period       | 95,066          | 91,750  | 776,746                              |

(Note) Pension assets include assets in the retirement benefit trust.

**(3) Reconciliation of retirement benefit obligations and pension assets at the end of the period to net defined benefit liability and net defined benefit asset in the consolidated balance sheets**

|  | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|--|-----------------|----------|--------------------------------------|
|  | 2022            | 2021     | 2022                                 |
| Retirement benefit obligations of the savings plan                     | ¥ 67,487        | ¥ 69,460 | \$ 551,409                           |
| Pension assets   | (95,066)        | (91,750) | (776,746)                            |
|  | (27,578)        | (22,289) | (225,328)                            |
| Retirement benefit obligations of the non-savings plan                 | 449             | 415      | 3,668                                |
| Net liabilities and assets recorded on the consolidated balance sheets | (27,129)        | (21,874) | (221,660)                            |
| Net defined benefit liability  | 10,712          | 11,326   | 87,523                               |
| Net defined benefit asset  | (37,842)        | (33,201) | (309,191)                            |
| Net liabilities and assets on the consolidated balance sheets          | (27,129)        | (21,874) | (221,660)                            |

(Note) Pension assets include assets in the retirement benefit trust.

**(4) Retirement benefit cost and its breakdown**

|                                    | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|------------------------------------|-----------------|---------|--------------------------------------|
|                                    | 2022            | 2021    | 2022                                 |
| Service cost                       | ¥ 2,113         | ¥ 2,171 | \$ 17,264                            |
| Interest cost                      | 234             | 170     | 1,911                                |
| Expected return on pension assets  | (789)           | (1,042) | (6,446)                              |
| Recognized actuarial differences   | (1,419)         | 181     | (11,594)                             |
| Amortization of prior service cost | (597)           | (597)   | (4,877)                              |
|                                    | (456)           | 883     | (3,725)                              |

(Note 1) Retirement benefit costs of consolidated subsidiaries using the simplified method are included in "Service cost."

(Note 2) Employee contribution to the corporate pension fund is deducted from "Service cost."

**(5) Remeasurements of defined benefit plans**

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

|                       | Millions of yen |         | Thousands of U.S. dollars (Note 1-1) |
|-----------------------|-----------------|---------|--------------------------------------|
|                       | 2022            | 2021    | 2022                                 |
| Prior service cost    | ¥ (597)         | ¥ (597) | \$ (4,877)                           |
| Actuarial differences | 1,595           | 13,445  | 13,032                               |
| Total                 | 998             | 12,848  | 8,154                                |

**(6) Remeasurements of defined benefit plans**

The breakdown of items included in remeasurements of defined benefit plans (before applicable tax effects) was as follows:

|                                    | Millions of yen |           | Thousands of U.S. dollars (Note 1-1) |
|------------------------------------|-----------------|-----------|--------------------------------------|
|                                    | 2022            | 2021      | 2022                                 |
| Unrecognized prior service cost    | ¥ (1,462)       | ¥ (2,059) | \$ (11,945)                          |
| Unrecognized actuarial differences | (11,448)        | (9,853)   | (93,537)                             |
| Total                              | (12,910)        | (11,912)  | (105,482)                            |

**(7) Pension assets**

① Pension asset portfolio

|                   | 2022   | 2021   |
|-------------------|--------|--------|
| Bonds             | 48.1%  | 46.9%  |
| Equity securities | 44.8%  | 46.3%  |
| Other             | 7.1%   | 6.8%   |
| Total             | 100.0% | 100.0% |

(Note) 34.3% of the total pension assets as of March 31, 2022 (33.4% as of March 31, 2021) represent assets in the retirement benefit trust for the corporate pension fund, 4.1% of which as of March 31, 2022 (4.0% as of March 31, 2021) corresponds to the lump-sum grant system.

② Determination of the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined based on the average investment yield on the pension assets for the past three years. When the average rate is below 1.25% or above 2.0%, it is stated as 1.25% and 2.0%, respectively.

**(8) Actuarial assumptions**

The weighted average rate for assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2022 and 2021 were as follows:

|  | 2022  | 2021  |
|--|-------|-------|
| <i>Discount rates</i>  |       |       |
| Retirement lump-sum grant system   | 0.20% | 0.10% |
| Corporate pension fund plans   | 0.50% | 0.40% |
| <i>Long-term expected return on assets</i>   |       |       |
| Pension assets of corporate pension fund   | 2.00% | 1.37% |
| Retirement benefit trust (Retirement lump-sum grant system and corporate pension fund plans) | 0.00% | 0.00% |

(Note) A point system is applied to the substantive portion of the retirement lump-sum grant system and a cash balance plan to defined benefit corporate pension fund plans, respectively. The "Estimate rate of salary increase" is not disclosed due to the insignificant impact it would have on the calculation of retirement benefit obligations.

**3 Defined contribution plan**

The amount of required contribution of the Bank and its consolidated subsidiaries to the defined contribution plans was ¥361 million (\$2,949 thousand) and ¥334 million at March 31, 2022 and 2021, respectively.

## (Notes to Stock Options)

### 1 Outline of stock options and changes

At the 115th Ordinary General Meeting of Shareholders held on Jun. 28, 2018, the Bank abolished compensation type stock options and introduced a share-based payment system using the trust.

In line with the introduction of this system, the Bank will not grant new stock options. However, the unexercised stock acquisition rights already granted as stock options will continue to exist.

#### (1) Outline of stock options

|                              | 2017<br>Stock Options  | 2016<br>Stock Options  | 2015<br>Stock Options  | 2014<br>Stock Options  | 2013<br>Stock Options          | 2012<br>Stock Options          | 2011<br>Stock Options          |
|------------------------------|--|--|--|--|--------------------------------|--------------------------------|--------------------------------|
| Title and number of grantees | Directors of the Bank: 8<br>Executive Officers of the Bank: 12 | Directors of the Bank: 7<br>Executive Officers of the Bank: 15 | Directors of the Bank: 7<br>Executive Officers of the Bank: 14 | Directors of the Bank: 16<br>Executive Officers of the Bank: 4 | Directors of the Bank: 18      | Directors of the Bank: 17      | Directors of the Bank: 17      |
| Number of stock options (*)  | Common shares: 140,900   | Common shares: 184,600   | Common shares: 79,500  | Common shares: 123,100   | Common shares: 140,900         | Common shares: 199,500         | Common shares: 156,800         |
| Grant date                   | July 14, 2017  | July 15, 2016  | July 15, 2015  | July 16, 2014  | July 16, 2013                  | July 17, 2012                  | July 15, 2011                  |
| Conditions for vesting       | N.A.   | N.A.   | N.A.   | N.A.   | N.A.                           | N.A.                           | N.A.                           |
| Requisite service period     | N.A.   | N.A.   | N.A.   | N.A.   | N.A.                           | N.A.                           | N.A.                           |
| Exercise period              | July 15, 2017 to July 14, 2047                                 | July 16, 2016 to July 15, 2046                                 | July 16, 2015 to July 15, 2045                                 | July 17, 2014 to July 16, 2044                                 | July 17, 2013 to July 16, 2043 | July 18, 2012 to July 17, 2042 | July 16, 2011 to July 15, 2041 |

(\*) Reported in terms of shares of stock

#### (2) Stock options granted and changes

The table below represents stock options outstanding at the year-end and the number of stock options is converted into the number of stock.

##### ① Number of stock options

|                          | 2017<br>Stock Options<br>shares | 2016<br>Stock Options<br>shares | 2015<br>Stock Options<br>shares | 2014<br>Stock Options<br>shares | 2013<br>Stock Options<br>shares | 2012<br>Stock Options<br>shares | 2011<br>Stock Options<br>shares |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Before vesting           |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Previous fiscal year-end | 81,000                          | 77,900                          | 29,900                          | 38,200                          | 31,900                          | 46,800                          | 27,800                          |
| Granted                  | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Forfeited                | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Vested                   | 18,000                          | 17,400                          | 5,600                           | 8,800                           | 10,400                          | 15,200                          | 6,300                           |
| Outstanding              | 63,000                          | 60,500                          | 24,300                          | 29,400                          | 21,500                          | 31,600                          | 21,500                          |
| After vesting            |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Previous fiscal year-end | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Vested                   | 18,000                          | 17,400                          | 5,600                           | 8,800                           | 10,400                          | 15,200                          | 6,300                           |
| Exercised                | 18,000                          | 17,400                          | 5,600                           | 8,800                           | 10,400                          | 15,200                          | 6,300                           |
| Forfeited                | —                               | —                               | —                               | —                               | —                               | —                               | —                               |
| Exercisable              | —                               | —                               | —                               | —                               | —                               | —                               | —                               |

##### ② Price information

|                              | 2017<br>Stock Options<br>Yen (U.S. dollars) | 2016<br>Stock Options<br>Yen (U.S. dollars) | 2015<br>Stock Options<br>Yen (U.S. dollars) | 2014<br>Stock Options<br>Yen (U.S. dollars) | 2013<br>Stock Options<br>Yen (U.S. dollars) | 2012<br>Stock Options<br>Yen (U.S. dollars) | 2011<br>Stock Options<br>Yen (U.S. dollars) |
|------------------------------|---|---|---|---|---|---|---|
| Exercise price               | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      | ¥ 1 (\$0)<br>per share                      |
| Average exercise price       | ¥543 (\$4)<br>per share                     | ¥543 (\$4)<br>per share                     | ¥ 543 (\$4)<br>per share                    | ¥543 (\$4)<br>per share                     | ¥543 (\$4)<br>per share                     | ¥543 (\$4)<br>per share                     | ¥543 (\$4)<br>per share                     |
| Fair value at the grant date | ¥867 (\$7)<br>per share                     | ¥601 (\$4)<br>per share                     | ¥1,473 (\$12)<br>per share                  | ¥989 (\$8)<br>per share                     | ¥918 (\$7)<br>per share                     | ¥550 (\$4)<br>per share                     | ¥704 (\$5)<br>per share                     |

### 2 Method of estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

## (Notes to Income Taxes)

### 1 Significant components of deferred tax assets and liabilities were as follows:

|   | Millions of yen |            | Thousands of U.S. dollars<br>(Note 1-1) |
|---|-----------------|------------|---|
|   | 2022            | 2021       | 2022                                    |
| Deferred tax assets:  |                 |            |   |
| Excess reserve for loan losses                                    | ¥ 16,221        | ¥ 15,910   | \$ 132,535                              |
| Impairment loss on land   | 671             | 622        | 5,482                                   |
| Accrued employees' bonuses  | 536             | 546        | 4,379                                   |
| Excess depreciation   | 488             | 497        | 3,987                                   |
| Write-down of securities  | 441             | 399        | 3,603                                   |
| Reserve for losses on repayments on dormant bank accounts         | 358             | 503        | 2,925                                   |
| Other   | 2,281           | 2,319      | 18,637                                  |
| Valuation reserve   | (943)           | (924)      | (7,704)                                 |
| Total deferred tax assets   | 20,056          | 19,875     | 163,869                                 |
| Deferred tax liabilities:   |                 |            |   |
| Valuation difference on available-for-sale securities             | ¥(86,853)       | ¥(102,138) | \$(709,641)                             |
| Retirement benefit asset  | (5,338)         | (3,873)    | (43,614)                                |
| Deferred gains on real property                                   | (893)           | (896)      | (7,296)                                 |
| Net deferred gains (losses) on derivatives under hedge accounting | (505)           | —          | (4,126)                                 |
| Total deferred tax liabilities                                    | (93,590)        | (106,908)  | (764,686)                               |
| Net deferred tax liabilities:                                     | ¥(73,533)       | ¥ (87,032) | \$(600,808)                             |

### 2 A reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2022 and 2021 were as follows:

For the fiscal year ended March 31, 2022 and 2021, a reconciliation of the statutory tax rate and the effective income tax rate is not stated as the difference between the two was less than 5% of the statutory tax rate.

## (Notes to Revenue Recognition)

Disaggregation of revenue from contracts with customers (as of March 31, 2022)

|   | Millions of yen     |         |          |                  |          | Thousands of U.S. dollars (Note 1-1) |           |             |                  |             |
|---|---------------------|---------|----------|------------------|----------|--------------------------------------|-----------|-------------|------------------|-------------|
|   | Reportable segments |         |          | Other businesses | Total    | Reportable segments                  |           |             | Other businesses | Total       |
|   | Commercial Banking  | Leasing | Total    |                  |          | Commercial Banking                   | Leasing   | Total       |                  |             |
| Fees and commissions                          |                     |         |          |                  |          |                                      |           |             |                  |             |
| Deposit and loan services                     | ¥ 3,531             | ¥ —     | ¥ 3,531  | ¥ —              | ¥ 3,531  | \$ 28,850                            | \$ —      | \$ 28,850   | \$ —             | \$ 28,850   |
| Foreign exchange services                     | 3,226               | —       | 3,226    | —                | 3,226    | 26,358                               | —         | 26,358      | —                | 26,358      |
| Securities-related services                   | 965                 | —       | 965      | 1,236            | 2,202    | 7,884                                | —         | 7,884       | 10,098           | 17,991      |
| Other services                                | 3,808               | —       | 3,808    | 267              | 4,076    | 31,113                               | —         | 31,113      | 2,181            | 33,303      |
| Ordinary income from contracts with customers | 11,532              | —       | 11,532   | 1,503            | 13,036   | 94,223                               | —         | 94,223      | 12,280           | 106,511     |
| Ordinary income from other items above        | 103,170             | 16,468  | 119,638  | 1,296            | 120,935  | 842,961                              | 134,553   | 977,514     | 10,589           | 988,111     |
| Ordinary income from external customers       | ¥114,702            | ¥16,468 | ¥131,170 | ¥2,800           | ¥133,971 | \$937,184                            | \$134,553 | \$1,071,737 | \$22,877         | \$1,094,623 |

Notes: The "Other businesses" category is a business segment not included in reportable segments and represents information processing entrustment and the software development business and securities business.

## (Notes to Segment Information)

### 1 Summary of reportable segments

Reportable segments are components of the Bank and its consolidated subsidiaries for which separate financial information is available and is subject to periodic examination by the Board of Directors to determine the allocation of management resources and assess performances.

The Bank and 16 consolidated subsidiaries (16 consolidated subsidiaries as of March 31, 2021) are engaged mainly in the financial services business that includes commercial banking services and leasing services. Therefore, the Bank and its consolidated subsidiaries' reportable segments comprise 'Commercial Banking' and 'Leasing' and are distinguished by the financial services provided. 'Commercial Banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial Banking' represents the Bank's banking services as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management services. 'Leasing' includes leasing services by Iyogin Leasing Company Limited, one of the consolidated subsidiaries.



## 2 Methods used to calculate ordinary income, profit and loss, amounts of assets, debt and other items by reportable segment

The accounting policies described in the Note in (Basis of Presenting Consolidated Financial Statements) have been adopted for the reportable segments. Reportable segment profit corresponds to ordinary profits. Ordinary income arising from intersegment transactions is based on arm's length prices.

## 3 Information about reported ordinary income, profits and losses, amounts of assets, debts and other items

Segment information as of and for the years ended March 31, 2022 and 2021 were as follows:

|   | Millions of yen     |         |            |                  |            |             |                    |
|---|---------------------|---------|------------|------------------|------------|-------------|--------------------|
|   | 2022                |         |            |                  |            |             |                    |
|   | Reportable segments |         |            | Other businesses | Total      | Adjustments | Consolidated total |
| Commercial Banking  | Leasing             | Total   |            |                  |            |             |                    |
| Ordinary income   |                     |         |            |                  |            |             |                    |
| Customers   | ¥ 114,702           | ¥16,468 | ¥ 131,170  | ¥ 2,800          | ¥ 133,971  | ¥ —         | ¥ 133,971          |
| Intersegment  | 541                 | 358     | 899        | 1,901            | 2,801      | (2,801)     | —                  |
| Total   | ¥ 115,244           | ¥16,826 | ¥ 132,070  | ¥ 4,701          | ¥ 136,772  | ¥ (2,801)   | ¥ 133,971          |
| Segment profit  | ¥ 37,284            | ¥ 521   | ¥ 37,805   | ¥ 424            | ¥ 38,230   | ¥ 9         | ¥ 38,239           |
| Segment assets  | ¥8,521,345          | ¥55,768 | ¥8,577,114 | ¥13,759          | ¥8,590,874 | ¥(46,076)   | ¥8,544,797         |
| Segment debt  | ¥7,804,876          | ¥35,497 | ¥7,840,374 | ¥ 6,658          | ¥7,847,032 | ¥(34,033)   | ¥7,812,998         |
| Other items   |                     |         |            |                  |            |             |                    |
| Depreciation  | ¥ 5,091             | ¥ 34    | ¥ 5,126    | ¥ 38             | ¥ 5,164    | ¥ (87)      | ¥ 5,077            |
| Interest income received  | 75,672              | 130     | 75,803     | 3                | 75,806     | (108)       | 75,698             |
| Interest expense paid   | 3,002               | 104     | 3,107      | 4                | 3,112      | (94)        | 3,017              |
| Extraordinary income  | 19                  | —       | 19         | —                | 19         | —           | 19                 |
| Gain on disposal of noncurrent assets                               | (19)                | —       | (19)       | —                | (19)       | —           | (19)               |
| Extraordinary losses  | 482                 | —       | 482        | 0                | 482        | —           | 482                |
| Losses on disposal of fixed assets                                  | (60)                | —       | (60)       | (0)              | (60)       | —           | (60)               |
| Impairment loss   | (421)               | —       | (421)      | —                | (421)      | —           | (421)              |
| Provision of reserve for financial products transaction liabilities | —                   | —       | —          | (0)              | (0)        | —           | (0)                |
| Tax expense   | 10,812              | 169     | 10,981     | 163              | 11,145     | 4           | 11,149             |
| Increase in tangible fixed assets and intangible fixed assets       | 6,007               | 3       | 6,011      | 30               | 6,041      | (82)        | 5,958              |

### Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statement of income is in "Adjustments."
- "Other businesses" includes software development, information processing and securities business not included in the reportable segments.
- Adjustments are as below.
  - Adjustment of segment profit includes eliminations of intersegment transactions of ¥9 million (\$73 thousand).
  - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥46,076 million (\$376,468 thousand).
  - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥34,033 million (\$278,070 thousand).
  - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥87 million (\$710 thousand), adjustment of interest income received of negative ¥108 million (\$882 thousand), adjustment of interest expense paid of negative ¥94 million (\$768 thousand), adjustment of tax expense of ¥4 million (\$32 thousand) and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥82 million (\$669 thousand).
- Segment profit is adjusted to ordinary income in the consolidated statement of income.

|   | Millions of yen     |         |            |                  |            |             |                    |
|---|---------------------|---------|------------|------------------|------------|-------------|--------------------|
|   | 2021                |         |            |                  |            |             |                    |
|   | Reportable segments |         |            | Other businesses | Total      | Adjustments | Consolidated total |
| Commercial Banking  | Leasing             | Total   |            |                  |            |             |                    |
| Ordinary income   |                     |         |            |                  |            |             |                    |
| Customers   | ¥ 104,986           | ¥16,692 | ¥ 121,678  | ¥ 3,138          | ¥ 124,817  | ¥ —         | ¥ 124,817          |
| Intersegment  | 598                 | 424     | 1,023      | 1,968            | 2,992      | (2,992)     | —                  |
| Total   | ¥ 105,584           | ¥17,117 | ¥ 122,702  | ¥ 5,107          | ¥ 127,809  | ¥ (2,992)   | ¥ 124,817          |
| Segment profit  | ¥ 25,093            | ¥ 583   | ¥ 25,677   | ¥ 489            | ¥ 26,167   | ¥ 5         | ¥ 26,172           |
| Segment assets  | ¥8,517,978          | ¥65,562 | ¥8,583,541 | ¥15,304          | ¥8,598,846 | ¥(48,106)   | ¥8,550,739         |
| Segment debt  | ¥7,797,071          | ¥40,009 | ¥7,837,080 | ¥ 8,462          | ¥7,845,543 | ¥(36,044)   | ¥7,809,498         |
| Other items   |                     |         |            |                  |            |             |                    |
| Depreciation  | ¥ 5,130             | ¥ 29    | ¥ 5,160    | ¥ 46             | ¥ 5,206    | ¥ (117)     | ¥ 5,089            |
| Interest income received  | 75,986              | 119     | 76,106     | 3                | 76,110     | (118)       | 75,992             |
| Interest expense paid   | 4,358               | 115     | 4,474      | 6                | 4,481      | (105)       | 4,376              |
| Extraordinary income  | 34                  | —       | 34         | —                | 34         | —           | 34                 |
| Gain on disposal of noncurrent assets                               | (34)                | —       | (34)       | —                | (34)       | —           | (34)               |
| Extraordinary losses  | 406                 | 0       | 406        | 0                | 407        | —           | 407                |
| Losses on disposal of fixed assets                                  | (206)               | (0)     | (206)      | (0)              | (206)      | —           | (206)              |
| Impairment loss   | (200)               | —       | (200)      | —                | (200)      | —           | (200)              |
| Provision of reserve for financial products transaction liabilities | —                   | —       | —          | (0)              | (0)        | —           | (0)                |
| Tax expense   | 7,201               | 196     | 7,397      | 159              | 7,556      | (7)         | 7,549              |
| Increase in tangible fixed assets and intangible fixed assets       | 7,506               | 89      | 7,595      | 36               | 7,631      | (92)        | 7,539              |

Notes:

- Ordinary income is presented as the counterpart of sales of companies in other industries. The difference between ordinary income and operating income in the consolidated statement of income is in "Adjustments."
- "Other businesses" includes software development, information processing and securities business not included in the reportable segments.
- Adjustments are as below.
  - Adjustment of segment profit includes eliminations of intersegment transactions of ¥5 million.
  - Adjustment of segment assets includes eliminations of intersegment transactions of negative ¥48,106 million.
  - Adjustment of segment debt includes eliminations of intersegment transactions of negative ¥36,044 million.
  - Eliminations of intersegment transactions include adjustment of depreciation of negative ¥117 million, adjustment of interest income received of negative ¥118 million, adjustment of interest expense paid of negative ¥105 million, adjustment of tax expense of negative ¥7 million and adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥92 million.
- Segment profit is adjusted to ordinary income in the consolidated statement of income.

|   | Thousands of U.S. dollars (Note 1-1) |           |              |                  |              |             |                    |
|---|--------------------------------------|-----------|--------------|------------------|--------------|-------------|--------------------|
|   | 2022                                 |           |              |                  |              |             |                    |
|   | Reportable segments                  |           |              | Other businesses | Total        | Adjustments | Consolidated total |
| Commercial Banking  | Leasing                              | Total     |              |                  |              |             |                    |
| Ordinary income   |                                      |           |              |                  |              |             |                    |
| Customers   | \$ 937,184                           | \$134,553 | \$ 1,071,737 | \$ 22,877        | \$ 1,094,623 | \$ —        | \$ 1,094,623       |
| Intersegment  | 4,420                                | 2,925     | 7,345        | 15,532           | 22,885       | (22,885)    | —                  |
| Total   | \$ 941,612                           | \$137,478 | \$ 1,079,091 | \$ 38,410        | \$ 1,117,509 | \$ (22,885) | \$ 1,094,623       |
| Segment profit  | \$ 304,632                           | \$ 4,256  | \$ 308,889   | \$ 3,464         | \$ 312,362   | \$ 73       | \$ 312,435         |
| Segment assets  | \$69,624,519                         | \$455,658 | \$70,080,186 | \$112,419        | \$70,192,613 | \$(376,468) | \$69,816,136       |
| Segment debt  | \$63,770,536                         | \$290,031 | \$64,060,576 | \$ 54,399        | \$64,114,976 | \$(278,070) | \$63,836,898       |
| Other items   |                                      |           |              |                  |              |             |                    |
| Depreciation  | \$ 41,596                            | \$ 277    | \$ 41,882    | \$ 310           | \$ 42,192    | \$ (710)    | \$ 41,482          |
| Interest income received  | 618,285                              | 1,062     | 619,356      | 24               | 619,380      | (882)       | 618,498            |
| Interest expense paid   | 24,528                               | 849       | 25,386       | 32               | 25,426       | (768)       | 24,650             |
| Extraordinary income  | 155                                  | —         | 155          | —                | 155          | —           | 155                |
| Gain on disposal of noncurrent assets                               | (155)                                | —         | (155)        | —                | (155)        | —           | (155)              |
| Extraordinary losses  | 3,938                                | —         | 3,938        | 0                | 3,938        | —           | 3,938              |
| Losses on disposal of fixed assets                                  | (490)                                | —         | (490)        | (0)              | (490)        | —           | (490)              |
| Impairment loss   | (3,439)                              | —         | (3,439)      | —                | (3,439)      | —           | (3,439)            |
| Provision of reserve for financial products transaction liabilities | —                                    | —         | —            | (0)              | (0)          | —           | (0)                |
| Tax expense   | 88,340                               | 1,380     | 89,721       | 1,331            | 91,061       | 32          | 91,094             |
| Increase in tangible fixed assets and intangible fixed assets       | 49,080                               | 24        | 49,113       | 245              | 49,358       | (669)       | 48,680             |

(4) Related information

Information by service

|                           |  | Millions of yen                     |                        |           |                  |             |
|---------------------------|--|-------------------------------------|------------------------|-----------|------------------|-------------|
|                           |  | 2022                                |                        |           |                  |             |
|                           |  | Loans                               | Securities investments | Lease     | Other businesses | Total       |
| Ordinary income customers |  | ¥52,033                             | ¥43,547                | ¥16,468   | ¥21,922          | ¥133,971    |
|                           |  | Millions of yen                     |                        |           |                  |             |
|                           |  | 2021                                |                        |           |                  |             |
|                           |  | Loans                               | Securities investments | Lease     | Other businesses | Total       |
| Ordinary income customers |  | ¥52,795                             | ¥36,895                | ¥16,692   | ¥18,434          | ¥124,817    |
|                           |  | Thousands of U.S dollars (Note 1-1) |                        |           |                  |             |
|                           |  | 2022                                |                        |           |                  |             |
|                           |  | Loans                               | Securities investments | Lease     | Other businesses | Total       |
| Ordinary income customers |  | \$425,140                           | \$355,805              | \$134,553 | \$179,115        | \$1,094,623 |
|                           |  | Millions of yen                     |                        |           |                  |             |
|                           |  | 2022                                |                        |           |                  |             |
|                           |  | Reportable segments                 |                        |           | Other businesses | Total       |
|                           |  | Commercial Banking                  | Leasing                | Total     |                  |             |
| Impairment loss           |  | ¥421                                | ¥—                     | ¥421      | ¥—               | ¥421        |
|                           |  | Millions of yen                     |                        |           |                  |             |
|                           |  | 2021                                |                        |           |                  |             |
|                           |  | Reportable segments                 |                        |           | Other businesses | Total       |
|                           |  | Commercial Banking                  | Leasing                | Total     |                  |             |
| Impairment loss           |  | ¥200                                | ¥—                     | ¥200      | ¥—               | ¥200        |
|                           |  | Thousands of U.S dollars (Note 1-1) |                        |           |                  |             |
|                           |  | 2022                                |                        |           |                  |             |
|                           |  | Reportable segments                 |                        |           | Other businesses | Total       |
|                           |  | Commercial Banking                  | Leasing                | Total     |                  |             |
| Impairment loss           |  | \$3,439                             | \$—                    | \$3,439   | \$—              | \$3,439     |

(Notes to Related Party Transactions)

For the year ended March 31, 2022

(1) Transactions between the Bank and related parties.

Directors or major individual stockholders

| Type  | Name                | Location | Capital (Millions of yen)           | Business           | Ownerships of voting rights (%) | Relationship       | Transactions       | Transaction amount (Millions of yen)           | Account | Outstanding balance (Millions of yen)           |
|---|---------------------|----------|-------------------------------------|--------------------|---------------------------------|--------------------|--------------------|--|---------|---|
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | ¥50                                 | Temporary staffing | —                               | Temporary staffing | Temporary staffing | ¥2   | —       | ¥—  |
| Type  | Name                | Location | Capital (Thousands of U.S. dollars) | Business           | Ownerships of voting rights (%) | Relationship       | Transactions       | Transaction amount (Thousands of U.S. dollars) | Account | Outstanding balance (Thousands of U.S. dollars) |
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | \$408                               | Temporary staffing | —                               | Temporary staffing | Temporary staffing | \$16   | —       | \$—   |

(Notes)

1 The conditions of the above transactions were the same as these of arm's length transactions.

2 Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(2) Transactions between consolidated subsidiaries of the Bank and related parties.**

Directors or major individual stockholders

| Type  | Name                | Location | Capital<br>(Millions<br>of yen)              | Business           | Ownerships of<br>voting rights (%) | Relationship   | Transactions                             | Transaction<br>amount<br>(Millions<br>of yen)              | Account           | Outstanding<br>balance<br>(Millions<br>of yen)              |
|---|---------------------|----------|--|--------------------|------------------------------------|----------------|--|--|-------------------|---|
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | ¥50  | Temporary staffing | 19.2%                              | Direct holding | Temporary staffing<br>Temporary staffing | ¥22  | Other liabilities | ¥0  |
| Type  | Name                | Location | Capital<br>(Thousands<br>of U.S.<br>dollars) | Business           | Ownerships of<br>voting rights (%) | Relationship   | Transactions                             | Transaction<br>amount<br>(Thousands<br>of U.S.<br>dollars) | Account           | Outstanding<br>balance<br>(Thousands<br>of U.S.<br>dollars) |
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | \$408  | Temporary staffing | 19.2%                              | Direct holding | Temporary staffing<br>Temporary staffing | \$179  | Other liabilities | \$0   |

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

For the year ended March 31, 2021

**(1) Transactions between the Bank and related parties.**

Directors or major individual stockholders

| Type  | Name                | Location | Capital<br>(Millions<br>of yen) | Business           | Ownerships of<br>voting rights (%) | Relationship       | Transactions       | Transaction<br>amount<br>(Millions<br>of yen) | Account | Outstanding<br>balance<br>(Millions<br>of yen) |
|---|---------------------|----------|---------------------------------|--------------------|------------------------------------|--------------------|--------------------|---|---------|--|
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | ¥50                             | Temporary staffing | —                                  | Temporary staffing | Temporary staffing | ¥2  | —       | ¥—   |

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(2) Transactions between consolidated subsidiaries of the Bank and related parties.**

Directors or major individual stockholders

| Type  | Name                | Location | Capital<br>(Millions<br>of yen) | Business           | Ownerships of<br>voting rights (%) | Relationship   | Transactions                             | Transaction<br>amount<br>(Millions<br>of yen) | Account           | Outstanding<br>balance<br>(Millions<br>of yen) |
|---|---------------------|----------|---------------------------------|--------------------|------------------------------------|----------------|--|---|-------------------|--|
| Companies in which a majority of voting rights is owned by a director or the director's close relatives | Ability Center, Inc | Ehime    | ¥50                             | Temporary staffing | 19.2%                              | Direct holding | Temporary staffing<br>Temporary staffing | ¥26   | Other liabilities | ¥—   |

(Notes)

1. The conditions of the above transactions were the same as those of arm's length transactions.
2. Ms. Junko Miyoshi, a director and Supervisory Committee member, has a close relative who owns a majority of the voting rights of Ability Center, Inc.

**(Consolidated Supplementary Schedules)**  
**1 BORROWED MONEY AND LEASE LIABILITIES**

Borrowed money consisted of the following:

|   | Millions of yen |          | Thousands of U.S. dollars (Note 1-1) |
|---|-----------------|----------|--------------------------------------|
|   | 2022            | 2021     | 2022                                 |
| Borrowings from banks                   | ¥750,302        | ¥743,645 | \$6,130,419                          |
| Lease liabilities (due within one year) | 291             | 270      | 2,377                                |
| Lease liabilities (due after one year)  | 1,435           | 1,544    | 11,724                               |

The weighted average interest rates on the outstanding balances at March 31, 2022 and 2021 were as follows:

|   | 2022  | 2021  |
|---|-------|-------|
| Borrowings from banks                   | 0.06% | 0.02% |
| Lease liabilities (due within one year) | —     | —     |
| Lease liabilities (due after one year)  | —     | —     |

(Note) The “average interest rate” is not shown for lease obligations because the Bank uses a method in which amounts equal to the interest in the total capital lease obligations are spread equally over each fiscal year of the lease period.

**(Significant subsequent events)**  
**(Transition to Holding Company Structure through a Sole Share Transfer)**

The Bank resolved to transform to a holding company structure by incorporating “Iyogin Holdings, Inc.” a holding company (the wholly owning parent company) (the “Holding Company”) at the Board of Directors meeting held on May 13, 2022 through a sole-share transfer (the “Share Transfer”) dated October 3, 2022 (scheduled), on the assumption that approval at the annual stockholder’s meeting and necessary approvals of the relevant authorities would be obtained.

The Share Transfer plan was approved at the annual stockholder’s meeting on June 29, 2022.

**1. Objectives of the Share Transfer**

The Bank defined the meaning of its existence in its corporate credo: “creating a bright and prosperous future for the region,” and has made efforts to stabilize regional financing and stimulate the local economy through the expansion, etc., of finance-related services by merging with Toho Mutual Bank and Fuji Savings Credit Union and establishing group subsidiaries for leasing services and securities services, etc.

While doing so, the business environment surrounding regional financial institutions has changed greatly due to circumstances such as the normalization of a low-interest policy, changes in spending behavior, changes to the social structure such as the decreasing population and the diversification and enhancement of customer needs in conjunction with progressing digitalization. In response, the Bank is seeking to improve its corporate value as a group, grounded on the importance of sustainability and in light of the impact of the COVID-19 pandemic, and it recognizes that it faces the task of changing its business model to contribute to growth in the local economy.

Therefore, the Bank established its long-term vision to become a “corporate group continuing to create and provide new value” in its Fiscal 2021 Medium-Term Management Plan that commenced in April last year, further deepening and evolving the “Digital-Human-Digital Model”<sup>\*\*</sup> it has been pursuing and has worked as a unified group to transform its business model.

In order to further move forward with this transformation, the Bank has decided to transition to a holding company structure with the objective of expanding its fields of business in light of the relaxation of

regulations, enhancing group governance by strengthening business management functions and maximizing group synergies.

With the transition to a holding company structure, the Bank will strive to grow the Iyogin group sustainably and improve its corporate value by promoting changes in employee and officer awareness and behavior and creating a structure that can respond as a cohesive group to diversified and enhanced customer needs, with the aim of earning the unwavering trust of its shareholders, customers, employees and local residents, which in turn will contribute to the realization of a sustainable society.

As a result of the Share Transfer, the Bank will become a wholly owned subsidiary of the Holding Company and the shares of the Bank will be delisted. However, we plan to make an application to list the Holding Company shares that will be delivered to all shareholders as consideration for the Bank’s shares on the Prime Market of the Tokyo Stock Exchange, Inc. (“TSE”). The listing date is subject to review by TSE, but is planned for October 3, 2022, which is the date of registration for the establishment of the Holding Company (the effective date of the Share Transfer), and we intend to effectively maintain the listing of shares.

\* Focusing on customer service by utilizing digital technology to expand points of contact with customers and thoroughly streamline administrative procedures.

**2. Outline of the Share Transfer**

**(1) Schedule**

Record date for ordinary general meeting of shareholders: March 31, 2022 (Thursday)  
 Board of directors meeting to approve the share transfer plan: May 13, 2022 (Friday)  
 Ordinary general meeting of shareholders to approve the share transfer plan: June 29, 2022 (Wednesday)  
 Delisting of the shares of the Bank: September 29, 2022 (Thursday) (scheduled)  
 Registration of establishment of the Holding Company (effective date): October 3, 2022 (Monday) (scheduled)  
 Listing of the shares of the Holding Company: October 3, 2022 (Monday) (scheduled)  
 Note that this schedule is subject to change as necessary due to the progress in the Share Transfer procedures or for any other reasons.

**(2) Format**

Sole share transfer with the Holding Company as the wholly owning parent company incorporated through a share transfer and the Bank as the wholly owned subsidiary resulting from a share transfer.

**(3) Details of allotment**

| Company name         | Iyogin Holdings, Inc. (wholly owning parent company incorporated through a share transfer) | The Iyo Bank, Ltd. (wholly owned subsidiary resulting from a share transfer) |
|----------------------|--|--|
| Share transfer ratio | 1  | 1  |

**(i) Ratio**

All shareholders of the Bank entered or recorded in the Bank’s shareholder register immediately prior to the time that the Holding Company acquires all of the issued shares of the Bank pursuant to the Share Transfer (the “Reference Time”) will receive an allotment of one share of common stock of the Holding Company per share of common stock of the Bank that they hold.

**(ii) Number of shares per unit**

The Holding Company will adopt a share unit system with one unit equaling 100 shares.

(iii) Basis for calculation of the share transfer ratio

The Share Transfer will establish the Holding Company alone as the wholly owning parent company of the Bank by the Bank's sole share transfer, and there will be no change in the shareholding structure of the Bank or the Holding Company at the time of the Share Transfer. Therefore, with the principal concern that no disadvantage be caused to the shareholders of the Bank, each shareholder will receive an allotment of one share of the common stock of the Holding Company per share of the common stock of the Bank. Therefore, no third-party calculation of the share transfer ratio has been conducted.

(iv) Results, methods and the basis of calculation by a third party organization

For the reasons described in (iii) above, no third party organization has calculated the share transfer ratio.

(v) Number of new shares to be delivered

Number of new shares: 317,998,884 shares of common stock (subject to change)

However, if there is a change in the total number of issued shares of the Bank prior to the Share Transfer taking effect, there will also be a change in the number of new shares to be delivered by the Holding Company. Because the treasury shares held by the Bank that are able to be retired in practice will be retired by the Reference Time, the 5,776,482 treasury shares held by the Bank as of March 31, 2022 are excluded from the new shares to be delivered in the above calculation. Furthermore, if the number of treasury shares held by the Bank as of March 31, 2022 has changed by the Reference Time, such as the case in which the Bank's shareholders have exercised the right to request a purchase of shares, the number of new shares to be delivered by the Holding Company will change accordingly.

**(4) Matters regarding share options and bonds with share options involved with the Share Transfer**

The holders of stock options issued by the Bank will be delivered and allotted equivalent stock options of the Holding Company in exchange for the stock options of the Bank. The Bank has not issued bonds with share options.

**(5) Handling of new listing of the Holding Company**

The Bank intends to make an application to list the shares of the newly established Holding Company on the Prime Market of TSE (Technical Listing) as of October 3, 2022. Because the Bank will become a wholly owned subsidiary of the Holding Company through the Share Transfer, the shares of the Bank are expected to be delisted from the Prime Market of TSE as of September 29, 2022, before listing the shares of the Holding Company.

The delisting date may change as determined in accordance with TSE's rules.

**3. Outline of the Holding Company to be Newly Established Through the Share Transfer (wholly owning parent company incorporated through a share transfer) (scheduled)**

|   |   |
|---|---|
| (1) Name  | Iyogin Holdings, Inc.   |
| (2) Address   | 1 Minami-Horibata-cho, Matsuyama-shi, Ehime   |
| (3) Representatives, directors and executives, etc. expected to assume office | Chairman<br>Iwao Otsuka (Currently: Chairman, Iyo Bank)<br>President and Director (Representative Director)<br>Kenji Miyoshi (Currently: President, Iyo Bank)<br>Director, Senior Managing Executive Officer (Representative Director)<br>Hiroshi Nagata (Currently: Senior Managing Director, Iyo Bank)<br>Director, Managing Executive Officer<br>Kensei Yamamoto (Currently: Managing Director, Iyo Bank)<br>Director (Audit and Supervisory Committee Member)<br>Tetsuo Takeuchi (Currently: Director, Iyo Bank)<br>Director (Audit and Supervisory Committee Member)<br>Junko Miyoshi (Currently: Outside Director, Iyo Bank)<br>Director (Audit and Supervisory Committee Member)<br>Keiji Joku (Currently: Outside Director, Iyo Bank)<br>Director (Audit and Supervisory Committee Member)<br>Yoriko Noma (Currently: Outside Director, Iyo Bank)<br>(Note) The Directors (Audit and Supervisory Committee Members) Ms. Junko Miyoshi, Mr. Keiji Joku, and Ms. Yoriko Noma are outside directors defined in Article 2(xv) of the Companies Act. |
| (4) Amount of stated capital  | ¥20,000 million (\$163 million)   |
| (5) Net assets  | Not yet decided   |
| (6) Total assets  | Not yet decided   |
| (7) Description of business   | <ul style="list-style-type: none"> <li>• Management and operation of banks and other companies that may be subsidiaries pursuant to the Banking Act and any and all business incidental or related thereto</li> <li>• Other business that may be conducted by a holding company of a bank pursuant to the Banking Act</li> </ul>  |

**4. Outline of Accounting Treatment of the Share Transfer**

The Share Transfer constitutes a common control transaction for the purpose of corporate accounting and, therefore, does not affect profit and loss.

**(Repurchase of Treasury Stock)**

The Bank resolved to repurchase its treasury stock in accordance with Article 33 of Articles of Incorporation based on Article 459, Paragraph 1, Item 1 of the Companies Act of Japan at its Board of Directors meeting held on May 13, 2022 in order to enhance shareholder return, to improve capital efficiency and implement flexible capital policies.

1. Class of Share: Common Stock
2. Total number of shares of common stock to be repurchased: Up to 5,000,000 shares
3. Total amount: Up to ¥3,000 million (\$24 million)
4. Repurchase method: Auction market on Tokyo Stock Exchange
5. Period: From May 16, 2022 to July 29, 2022



## Independent Auditor's Report

To the Board of Directors of The Iyo Bank, Ltd.:

### Opinion

We have audited the accompanying consolidated financial statements of The Iyo Bank, Ltd. and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2022, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Appropriateness of the estimates of reserve for loan losses  |   |
|--|---|
| The key audit matter   | How the matter was addressed in our audit   |
| The Iyo Bank, Ltd. (hereinafter referred to as the “Iyo Bank”) and its consolidated subsidiaries reported loans and bills discounted of ¥5,046,997 million and reserve for loan losses of ¥37,600 million in the consolidated balance sheet for the current fiscal year. | The primary procedures we performed to assess whether Iyo Bank’s estimates of reserve for loan losses for loans and bills discounted was reasonable included the following: |



As described in “Basis of Presenting Consolidated Financial Statements” Note 4 Significant accounting policies (5) Reserve for possible loan losses and “Significant accounting estimates” to the consolidated financial statements, the amount of reserve for loan losses on the receivables including loans and bills discounted was measured for each borrower category. The borrower categories were determined for individual borrowers according to their assigned credit risk rating. When determining the borrower categories, each borrower’s repayment ability is assessed based on their financial position, cash flows and profitability.

Iyo Bank is a regional financial services institution with a solid operating base in the Setouchi region, primarily in Ehime Prefecture, providing comprehensive financial services to support local economy and society. As a trait of such regional financial institution, it furnishes loans to many small and medium-sized businesses in its main business operation amounting to ¥2,634,699 million, which accounted for a high proportion in total balance of loans and bills discounted.

Unlike major companies, small and medium-sized businesses generally have weak business bases and are subject to local economic conditions. As a result, Iyo Bank is required to determine borrower categories based on not only a borrower’s financial position but also its business conditions while comprehensively taking into consideration its technological capabilities, sales strengths, potential growth, payment status of remuneration to executive officers including a representative, as well as their income status, details of their assets, and guarantee status and capabilities of a representative and others. For a borrower who developed a business improvement plan, Iyo Bank needs to appropriately assess the reasonableness and feasibility of the plan. Determining the borrower categories requires significant management judgment.

#### (1) Internal control testing

We tested the design and operating effectiveness of certain internal controls relevant to determining the borrower categories in the self-assessment of loan quality.

- controls to validate whether the internal self-assessment criteria, and the policy for write-offs and provisions complied with accounting standards;
- controls to ensure the reliability of financial information of borrowers used in determining quantitative credit rating; and
- controls to ensure the effectiveness of examination performed by the secondary assessment department in determining the borrower categories.

#### (2) Assessment of the appropriateness of the borrower categories

In order to assess whether the borrower categories were appropriately determined, we:

- assessed whether borrower information such as financial information, which was used as the basis for determining the borrower categories, was based on sufficient and the latest information of borrowers by inspecting the underlying documents and comparing them to relevant documents;

In addition, as described in “Significant accounting estimates” to the consolidated financial statements, Iyo Bank provided reserve for loan losses of ¥7,310 million by estimating credit deterioration considering the impact from the COVID-19 pandemic. This reserve for loan losses is calculated by multiplying a population by a certain rate. The population consists of restructured loans to certain borrowers and loans to certain borrowers in specific sectors significantly affected by COVID-19. It is assumed that future financial conditions, cash flows and profitability of these borrowers have high chances of deterioration compared with other borrowers. Therefore, there is an assumption that the borrower categories of certain borrowers will be negatively changed. This assumption involved a high degree of uncertainty because of changes in impact from the COVID-19 pandemic and significant management judgment.

We, therefore, determined that our assessment of the reasonableness of the estimates of reserve for loan losses for loans and bills discounted at Iyo Bank was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

- inspected and analyzed relevant documents and inquired of the personnel responsible for determination of the borrower categories to assess whether borrower categories were appropriately determined by selecting borrowers after considering quantitative information including the balance of loans and qualitative factors such as sectors, reflecting relevant information including financial indicators and projected financial performance. The procedures include asset turnover analysis, comparison with relevant documents and inquiry of the personnel responsible for determination of the borrower categories to assess whether unrealized losses on assets were appropriately reflected on a borrower’s financial statements and whether management indicators including the ability to redeem a debt were appropriately calculated; and
- For a borrower who is in unfavorable business conditions and whose management improvement plan is a significant factor in determining the borrower categories, assessed the appropriateness of the borrower categories with comprehensive consideration of differences between the plan and actual results and trends of the sector to which the borrower belongs.

|  |   |
|--|---|
|  | <p>(3) Assessment of appropriateness of reserve for loan losses recorded in response to COVID-19</p> <p>In order to assess whether reserve for loan losses in response to COVID-19 was appropriately recorded, we:</p> <ul style="list-style-type: none"> <li>• assessed the effectiveness of internal controls relevant to inspection and approval at Iyo Bank to ensure that reserve for loan losses in response to COVID-19 was appropriately recorded based on the internal rules. We also assessed the effectiveness of Iyo Bank’s internal controls to ensure the accuracy and completeness of the significant basic data such as borrower information used for the internal controls; and</li> <li>• assessed the appropriateness of the selection of borrowers with restructured loans and sectors affected by the COVID-19 pandemic as well as the degree of downgrading the internal credit rating of the borrower by comparing with available external information.</li> </ul> |
|--|---|

## Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with

accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1-1 to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kazuhiro Matsuyama  
Designated Engagement Partner  
Certified Public Accountant

Ryosuke Koike  
Designated Other Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
July 29, 2022

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## **THE IYO BANK, LTD.**

HEAD OFFICE

1, Minami-Horibata-cho, Matsuyama 790-8514

URL: <https://www.iyobank.co.jp/>