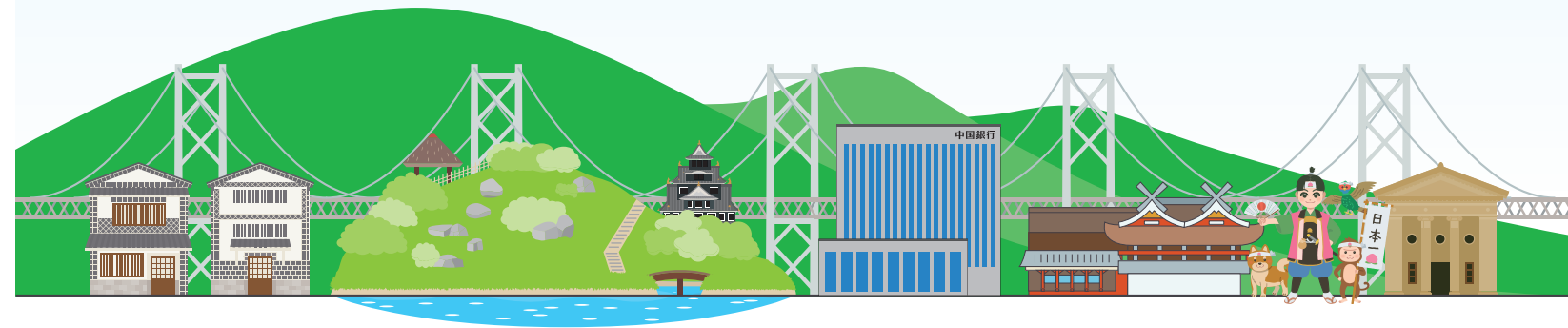




THE CHUGOKU BANK, LTD. ANNUAL REPORT 2022



Chugin Group Philosophy



Group's Corporate Principles

Create with Our Community, Customers and Employees a Rich Future that We Can All Share

The Chugoku Bank Group aims to transition into a corporate group that creates services based on the needs of its customers and that finds resolutions to issues faced by these customers as we look to build a sustainable business model that will develop together with regional societies and customers alike.

To that end, due to the importance of raising awareness of the Group's corporate management activities, including making maximum use of the Group's management resources, as well as the importance of ensuring this thinking is fully internalized by each officer and employee of the Group, in April 2022, we established the "Group's Corporate Principles" as a set of management principles common throughout the Group.

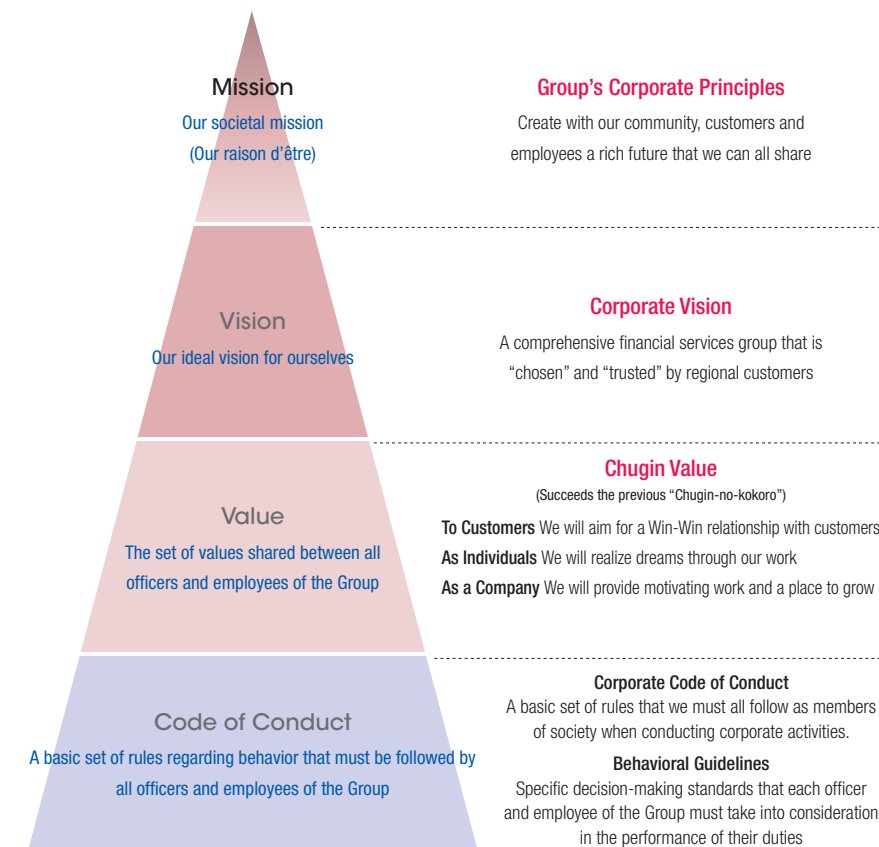
The details of the "Group's Corporate Principles" were established in the long-term management plan that began in 2017, with the details positioned in the long-term vision set out in that management plan. However, in consideration of the transition to a holding company structure, we have decided to position them in the "Group's Corporate Principles" as a mission for the Group to permanently adhere to and in order to communicate the Group's raison d'être.

Corporate Vision

A comprehensive financial services group that is "chosen" and "trusted" by regional customers

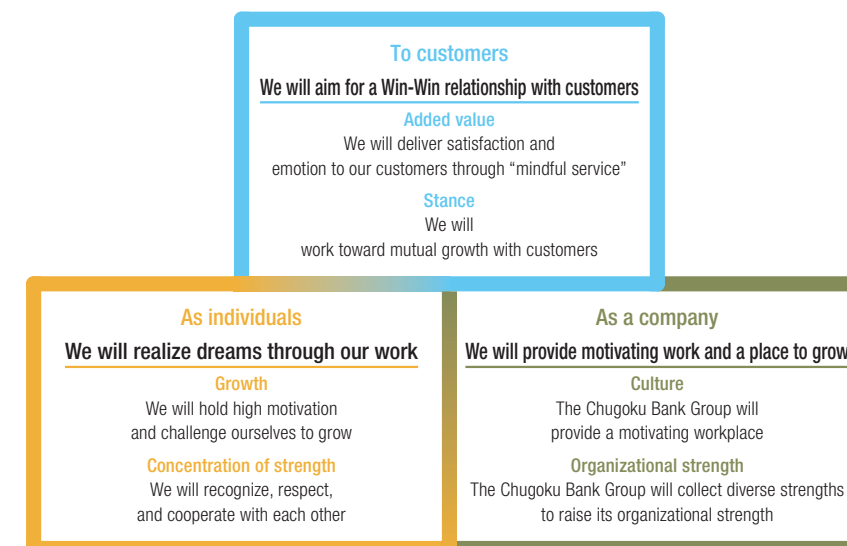
System of Principles

The Chugin Group's System of Principles is comprised of the Group's Corporate Principles in which the Group's stated mission is set out, the Corporate Vision which is the ideal state the Group sees for itself, and the Chugin Value which are the set of values shared between all officers and employees of the Group.



Chugin Value

The sharing of these behavior and decision-making standards and values displayed by all employees of the Chugin Group allows us to better align our vectors, improve the strengths of our organization and ensure greater satisfaction and impressions from our customers.



Contents

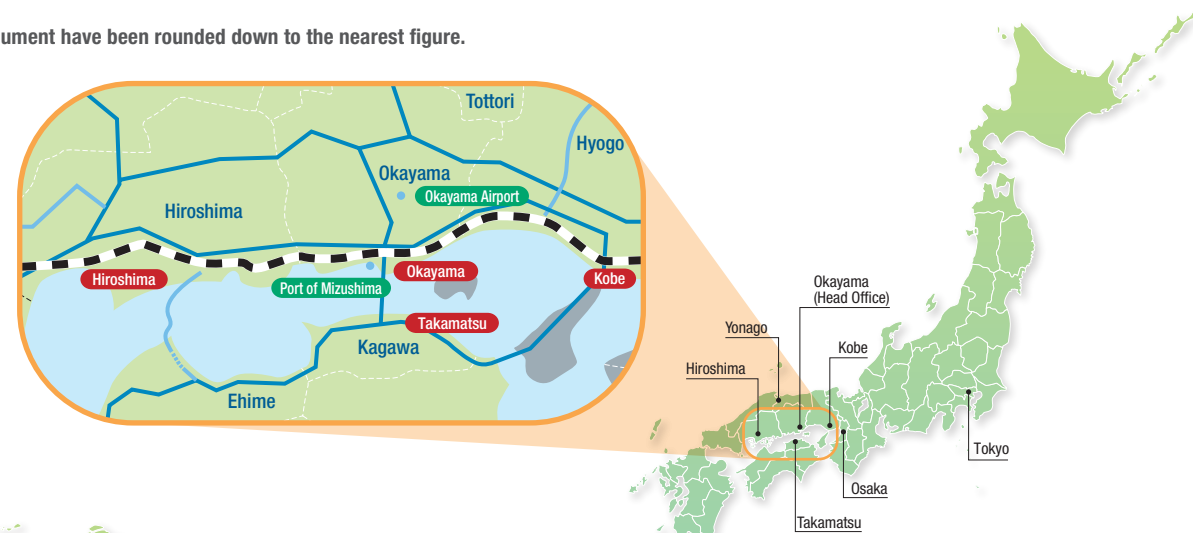
Chugin Group Philosophy / Corporate Principles.....	1
Corporate Vision.....	1
System of Principles.....	2
Chugin Value.....	2
Corporate Data.....	3
Consolidated Financial Highlights.....	4
Interview with the Management.....	5
Message from CFO.....	11
Management Plan, "Vision 2027: Plan for Creating the Future Together".....	15
Message from an Outside Director.....	17
Review of Operations.....	19
CSR / Compliance.....	21
Corporate Governance.....	23
Board of Directors and Audit & Supervisory Board Members.....	24
Comprehensive Risk Management System.....	25
Internal Control.....	27
Organization Chart.....	29
Principal Operations of the Chugoku Bank Group/ Shareholder Information.....	30
Service Networks.....	31
Financial Section.....	32
Consolidated Financial Statements.....	33
Independent Auditors' Report.....	74
Non-Consolidated Financial Statements.....	80
Disclosure Policy.....	83

Profile

Okayama Prefecture, home to the head office of the Chugoku Bank, is situated approximately 700 kilometers west of Tokyo. Facing the Seto Inland Sea, the prefecture is known throughout Japan as “the sunny land” due to its mild climate and consistently nice weather.

With a population of 1.89 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,805 billion (U.S.\$63,777 million), or an impressive 1.38% of Japan’s GDP. Manufacturing is the core industry in Okayama, having evolved around the Mizushima Waterfront Industrial District—the world’s leading petrochemical complex—which was constructed in the 1960s. Given the prefecture’s ever-improving highways, airports, and harbors, there is further growth anticipated, with the area serving as an important economic and cultural center for the Eastern Setouchi region.

*The amounts in this document have been rounded down to the nearest figure.



Corporate Data

(As of March 31, 2022)

Head Office

Address:	1-15-20, Marunouchi, Kita-ku, Okayama, Japan	Stated Capital:	15,149 million yen
Telephone:	(81) 86-223-3111	Number of Authorized Shares:	391,000,000
SWIFT Code:	CHGKJPJZ	Number of Issued and Outstanding Shares of Common Stock:	195,272,106
Website:	https://www.chugin.co.jp/	Number of Shareholders:	14,989
Date of Establishment:	December 21, 1930	Number of Employees:	2,725

Number of Employees

As of March 31	Number of Employees		
	2022	2021	2020
Employees	2,725	2,792	2,831

Note: Number of employees does not include part-time and temporary staff or overseas local staff.

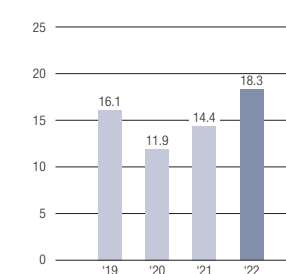
Consolidated Financial Highlights

The Chugoku Bank, Limited and its Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

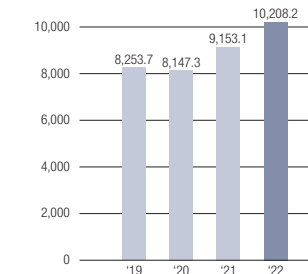
	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
For the year:			
Total income	¥ 128,880	¥ 116,303	\$ 1,053,027
Total expenses	103,470	95,393	845,412
Net income attributable to owners of parent	18,374	14,418	150,126
Per share of common stock (yen/U.S. dollars):			
Basic net income	¥ 98.43	¥ 76.66	\$ 0.804
Diluted net income	98.30	76.58	0.803
At year-end:			
Deposits	¥ 7,861,674	¥ 7,667,019	\$ 64,234,610
Loans and bills discounted	5,259,190	5,135,435	42,970,749
Securities	2,505,722	2,618,039	20,473,257
Total assets	10,208,209	9,153,162	83,407,214
Net assets	552,414	562,197	4,513,555
For the year:			
Cash flows from operating activities	649,889	656,480	5,309,984
Cash flows from investing activities	111,333	(227,992)	909,657
Cash flows from financing activities	(6,659)	5,642	(54,408)
Cash and cash equivalents at end of year	1,753,389	998,813	14,326,243

Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥122.39 = US\$1 in effect on March 31, 2022.
2. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).

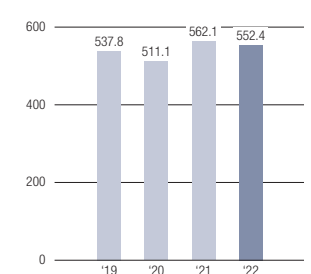
Net Income attributable to owners of parent
Billions of Yen



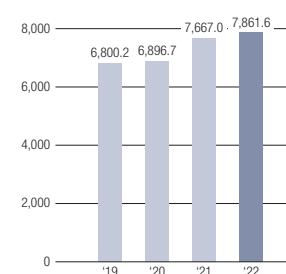
Total Assets
Billions of Yen



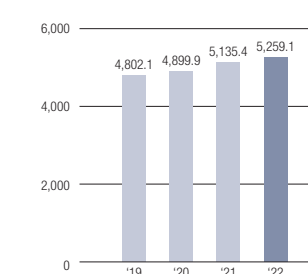
Net Assets
Billions of Yen



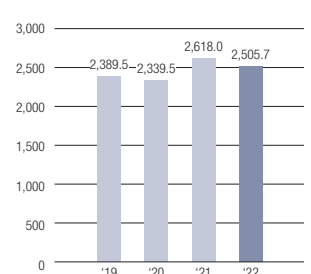
Deposits
Billions of Yen



Loans and Bills Discounted
Billions of Yen



Securities
Billions of Yen





We will reassess the value long-term perspective as that will help us achieve

We are deeply grateful to all our stakeholders including the investors and shareholders for their continued support. Voices calling for efforts to tackle the revitalization of regional economies and for the promotion of SDGs continue to grow on the back of the COVID-19 pandemic. The Chugoku Bank Group is making concerted efforts toward the formation of a business model geared toward new forms of growth. It will do this by engaging in initiatives designed around finding medium to long-term solutions to societal issues based on its long-term management plan and medium-term management plan. I would therefore like to take this opportunity to talk in more detail about our plans for future initiatives based on our business results for the previous fiscal year.

Director and President
Sadanori Kato

of the Chugoku Bank Group provides from a medium to we move to accelerate the formation of a business model sustainability

Using our response to the newly emerging issues faced by our customers during the COVID-19 pandemic as an opportunity for new forms of business

Let us first address the current business environment. The COVID-19 pandemic has been with us now for roughly two years, and against this backdrop, we have seen the business environment faced by our customers evolve at a rapid pace and its demands become ever more diverse in the process. It is therefore our belief that, as a regional bank, it is more necessary than ever that we build a business model that allows us to function beyond the standard framework of a financial intermediary, and therefore enable us to better address the specific issues faced by our customers. The environment surrounding regional banks is becoming increasingly severe owing to the effects of negative interest rates and other such factors, and yet, by building services that are able to respond to the diversifying issues faced by our corporate and individual customers, we remain firmly committed to pushing for further growth of our business as we enter this new era.

If we look at our corporate customers in particular, we can see that it is management issues that present the most obvious area of concern, with COVID-19 having quite an impact on management structures. We believe it is essential that more businesses and regional governments urgently respond to the challenges of decarbonization and digital transformation (DX)*. The roles that society expects banks to play are changing, with it now expected that banks not just fund projects designed at resolving these issues, but that they also propose highly specialized solutions and other such responses. With this, new opportunities for business formation are presenting themselves.

In order that we may take advantage of these new business trends, we are increasing the scope of our service menu through an expansion of our business axis and an improvement in our corporate value. We are working together with our customers through the making of proposals of comprehensive solutions based on business evaluations to tackle the diverse and complex issues facing their management systems, thereby helping in the push to revitalize regional economies.

*DX: The use of digital technologies to bring about transformative changes to businesses.

A holding company is scheduled to be established in October so that we may respond to the varied issues faced by our customers

In order that we may respond with speed and accuracy to these rapidly changing times, the Bank plans to establish a holding company called "Chugin Financial Group" in October of this year. The establishment of this holding company will maximize group synergy by strengthening integrated Group management based on the growth drivers of "business axis expansion," "efficient allocation of management resources," and "advancement of Group governance." Through this, we hope to respond to the diverse challenges faced by our customers. Ahead of the establishment of the holding company, in April of this year, the Group established "Chugin Capital Partners, Limited" as a 100% wholly owned subsidiary specializing in investment activities. Through this subsidiary, we hope to contribute to the revitalization of regional economies through the proactive support and nurturing of business succession type companies, start-ups, and regional revitalization companies. For example, in the future, we plan to establish a "Hands-on Support Type Business Succession Fund" as part of efforts to provide more involved management support to customers facing management issues. In addition, we plan to proactively offer funding-type support for regional revitalization companies, including support for urban renaissance initiatives that contribute to regional revitalization and renewable energy businesses; a vital area of business in the push toward decarbonization.

Furthermore, in addition to responding to customer demands for funding through the provision of loans and investments, the Bank also established "Chugin Human Innovations Co., Ltd.," a wholly owned subsidiary, in May of this year with the intention of focusing efforts toward the provision of solutions to human-resource related issues, something we are seeing high demand for from our customers who see it as an important management issue.

In doing this, we hope to offer specialized support in helping resolve customer management issues and in responding to the needs for specialized human resources, something essential for finding solutions to issues, and also to create and grow initiatives aimed at guiding and supporting regional businesses as part of a new profitable business venture for the Bank.



In April of this year, we also resolved to establish a wholly owned subsidiary of the Bank that will operate a consulting business. The subsidiary will be a specialized company that will proactively provide consulting services for issues around digital transformation (DX) and sustainability transformation (SX)*, for which there is increasing demand. We plan to staff the company with external consultancy specialists through which the company will provide advanced consultancy services. In addition to this, we will also form a business model that will enable us to provide one-stop solutions, covering everything from support for human resource nurturing, loans, leasing, and equity. This business is scheduled to begin operations in September and will be part of efforts to help find solutions to customer management issues and proactively support their main businesses.

*SX: The pursuit of sustainable management through the seeking of a balance between economic value and ESG (environment, social, corporate governance) matters.

Have customers trust in the earnest ambitions of the Chugoku Bank Group, and expand the range of solutions we offer

The year 2022 serves as the halfway point of our company's ten-year long-term management plan "Vision 2027," which commenced in 2017, and is also the final year of our medium-term management plan "Plan for Creating the Future Together: Stage II." After implementing the thorough structural reforms that comprised Stage I of the medium-term management plan, we moved on to the new challenge of establishing a holding company based on the outcome of our efforts to strengthen our organization and human resources as set forth in Stage II. We are steadily moving forward with the goals set out in the initial plan, but are also committed to finding new initiatives based on our firm resolve to constantly evolve and keep up with the ever-changing circumstances presented by this new era.

Of course, there are some areas among these that we, as a bank, do not have extensive experience in, and therefore we cannot expect that things will always be completely plain sailing from the get-go. However, by taking on new challenges free from the fear of failure, and by steadily building up results through these endeavors, we believe it should be possible to expand the range of solutions we can offer our customers. If we look at support for business succession, for example, the number of consultations proffered for the fiscal year ended March 31, 2022 had broken 1,000 relatives to a figure of 680 consultations for the previous year.

In Stage II of the medium-term management plan, we established 5 pillars around which our main growth strategy will revolve. The first of these pillars is "strengthening our efforts in revitalization of regional economies and SDGs." The second is "'deepening' the sales with customers first spirit." It is our belief that by actually backing up these initiatives with action rather than just words, more and more customers will come to see that Chugoku Bank is serious about achieving its goals.

For example, as part of our efforts toward the revitalization of regional economies, this year we once again offered our support to the 6th OKAYAMA INNOVATION SCHOOL with the aim of supporting the creation of new businesses. In fact, we are already seeing these efforts pay off, with some of the attending students actually going on to create or develop their own new businesses.

We have also launched another new initiative in the form of a course targeted at junior and senior high school students, and in terms of the long view, we are hoping to accelerate our support for entrepreneurs; something seen as indispensable for the revitalization of regional economies.

The Chugoku Bank Group is also developing an in-house venture system called "Chugin Open Lab" aimed at creating new business and finding resolutions to regional issues. This is a program for employees to use part of their work hours to work on projects to resolve issues they come across in their daily lives or realize new business ideas. We host a regular results briefing as part of this program, at which a range of interesting ideas is often put forward. Our policy is to promote those initiatives geared toward full-scale commercialization of plans that are particularly innovative or those with the potential for development.

The Open Lab initiative is also becoming increasingly more prominent among Chugoku Bank Group companies. We believe that such challenges within the Group are indispensable for achieving the revitalization of regional economies.

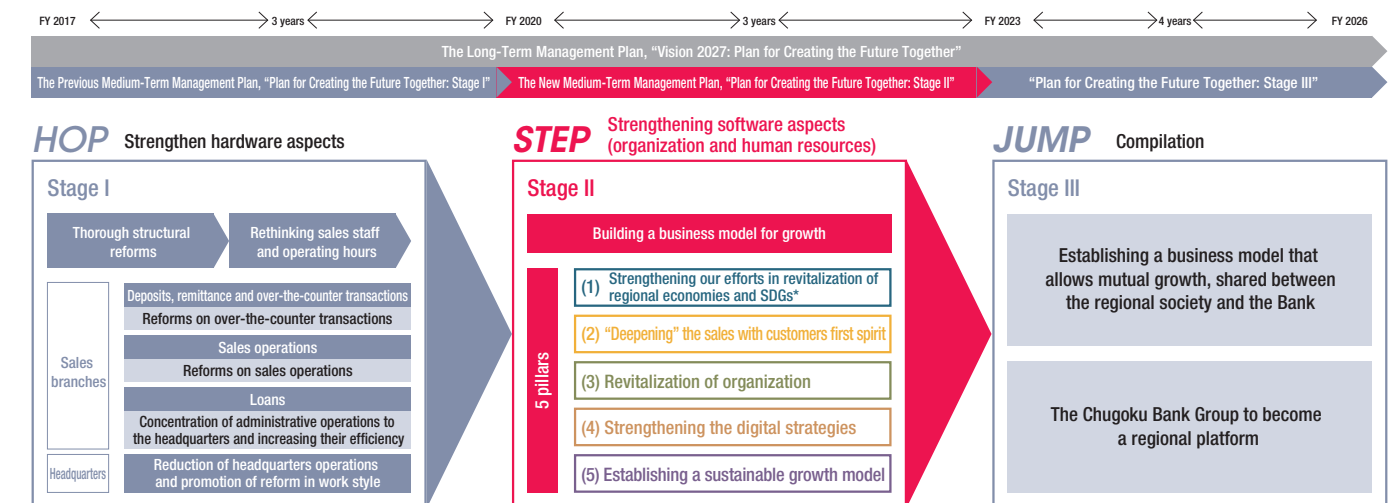
Leading the way in the fight against climate change presents a major business opportunity for our company

In terms of regional banks, it seems like the focus is almost entirely on the increasing uncertainty in the business environment as regional economies continue to suffer. However, it is for this very reason that I believe it is our mission as a regional bank to raise up the fortunes of regional economies. When our bank was established just over 90 years ago, the management team was deeply passionate about using the bank to help support the creation of new industries and to revitalize regional economies. To this day, we still find great satisfaction in tackling the issues facing local regions as part of efforts to help revitalize their economies. We feel that devoting ourselves to such regional revitalization efforts will also contribute to the Chugoku Bank Group's sustainable growth.

Okayama Prefecture has one of the highest proportions of manufacturing industries in all of Japan, including being home to the Mizushima Industrial Complex. For this reason alone, the region can be said to be facing some serious challenges when it comes to the move toward decarbonization and carbon neutrality. The region must work as a whole, including in the financing of industry-government-academia led projects, if it is to find solutions to these challenges. We believe that finding a way to allow Okayama Prefecture to succeed in meeting these difficult challenges will help us build a future business model geared toward the realization of carbon neutrality, and thereby help us achieve sustainability. Our aim in tackling these issues is to look at them from a medium to long-term perspective, and we will do this through the implementation of our medium-term and long-term management plans.

In May of last year, the Bank announced its support for the Task Force on Climate-related Financial Disclosures (TCFD). As well as supporting our region and customers in their move toward decarbonization, we also see our responsibility as a regional bank to be proactively involved in tackling climate change as both an important part of the Chugoku Bank Group's future growth strategy and a major business opportunity.

Positioning of "Plan for Creating the Future Together: Stage II"



*SDGs: The acronym of "Sustainable Development Goals." It sets forth the targets applicable to all international societies as determined by the UN Summit in September 2015.

Interview with the Management

The Bank has also set itself an investment and loan target of roughly ¥1.5 trillion to be achieved by 2030 as part of the “Sustainable Finance” program targeted at customers working toward various SDGs. In the future, it is expected that an increase in financial support will be accompanied by an increase in demand.

Introduction of a Regional Headquarter System as a means toward “deepening” sales with a customer first spirit

The third of the 5 pillars of Stage II is “revitalization of organization.” By introducing the new Regional Headquarter System and delegating certain authorities to these new regional headquarters, we have been successful in reforming our systems in such a way that enables sales operations to be developed according to the characteristics of the respective regions. In the past, the Bank would centrally decide upon measures at the Bank’s headquarters and then assign sales targets to each branch. However, this system has since undergone significant reform, with regional headquarters now able to set their own sales targets and decide upon which issues they would like to tackle.

There is a view that, in the short term, the results may not be so immediately apparent in terms of business performance when compared to having measures or uniform targets issued directly from headquarters; however, we believe that, over the medium to long term, by ensuring sales operations are focused around responding to regional and customer issues, it should be possible for us to make sales proposals centered around the customer first spirit, and thereby allow us to build an original business model that will grow and develop alongside these same regional societies.

During the transitional period while we reform our sales operations system, we will provide each region with a basic sales model that will help ensure the regional offices do not become lost with all the changes being made. We will then focus our efforts on building a business model aligned with the circumstances and characteristics of the respective regions. We are also aiming to hold monthly regional headquarter meetings where management teams and the heads of the various regional headquarters can come together and share their thoughts on the future direction of the Bank. In doing this, we hope to achieve a situation whereby the Bank can develop and grow together with these various regional societies while also delivering profitable results.

Back when I used to work in a sales branch, I sometimes had to really struggle to meet the targets issued by the Bank headquarters. On those occasions when I was struggling to meet these targets, I sometimes felt like I had no choice but to ask some of our more familiar customers for help. And, the thing that kept going through my mind in doing so was, “This is not something that a financial professional does.”

As we move forward into this new era, it is vital that we not only continue to develop products, services, and solutions that tackle the issues being faced by our customers, but also that we form greater connections between ourselves and the customers who actually are facing those very issues.

If we are to connect with these customers, we believe that it is essential that we reform our old legwork-heavy ways of doing things and start better utilizing IT technology.

In order for the Regional Headquarter System to take root and for us to switch to a new model for growth, it is vital that we also reform the mindset of our sales branches. To that end, directors visit each of the sales branches in turn whereby they will carefully convey the current thinking of the headquarters regarding new measures to be taken. Through this, we are working to improve engagement by encouraging honest exchanges of opinions with the staff working at these sales branches. We are currently in the process of expanding this initiative to other Group companies, where our focus is on sharing with these companies our values on the importance of sales from the perspective of the revitalization of regional economies and SDGs and of “deepening” sales with a customer first spirit.

With regard to the revitalization of our organization, our reforms are not limited solely to Chugoku Bank, but also are being aimed at the leading human resources in our Group companies. In the past, the usual plan of action was to employ experienced bank directors; however, we have since undergone a radical transformation in our thinking on this matter, and, since last year, have decided to appoint current executive officers of the Bank as presidents of our securities and leasing businesses. We also hope that the transferring of employees between the Bank and its Group companies will result in a greater penetration of our medium-term management plan and sales strategies, which should then help bring about a revitalization of our organization and subsequently lead to a further improvement in the Chugoku Bank Group’s business performance. In fact, the so-called bank-securities cooperation between banks and securities firms is expected to not only create synergy between the two entities, but also, as part of the shift away from savings to investments, resulting in an evolution of performance aligned with demands from regional customers for asset formation.

Accelerating the formation of a business model focused on sustainability

As a regional bank whose mission is to focus on regional sustainability, we believe that it is going to become increasingly important in this coming era that we form strong links with regional societies. As part of these more frank exchanges of opinion with our sales branches, we are seeing increased discussion over social issues such as what we can do for regional shopping districts and schools. We really feel that, by becoming more proactively involved in areas that are not directly connected to our primary business, we are seeing all of our employees act in a way that is conscious of how the Bank can contribute to the resolution of social issues. Recently, after a number of brass band clubs from high schools in Okayama prefecture had lost venues to perform during COVID-19, we worked in collaboration with local parties from the



prefecture to hold a concert where these bands could perform. Such initiatives as these do not directly contribute to the Bank’s income. However, we feel that our sincere efforts to help regional societies will encourage a range of people to look more proactively to tackle the issues facing their local area. On the business side of things, as the interest of our customers in SDGs increases, so too does customer interest in the handling of “SDGs private placement bonds” and “Chugin SDGs Support.” We believe that engaging in actions such as those mentioned here will lead to a revitalization of the entire region, including of our Bank.

Our aim is to be a trusted financial group that functions as a regional platform

And, thanks to these actions, we are seeing positive performance in terms of business results, with increases in income and profit for the fiscal year ended March 31, 2022. However, there is still work to be done when it comes to resolving the issues directly faced by the Bank, including those related to the 5 pillars of the medium-term management plan. Through our efforts and initiatives thus far, while we have seen steady results in terms of making reductions to expenses and improving productivity, there is no denying that income is, on occasion, subject to external environmental factors. The Bank’s ability to secure proceeds from fee income and consulting is dependent on the types of challenges that lie ahead. Also, although net interest income has not decreased, this has been propped up by external factors such as trends in overseas interest rates. The increase in housing loans too has been impacted by external factors such as favorable winds from low interest rates and government subsidies. Going forward, we will continue to implement the main growth strategies listed in Stage II of our medium-term management plan toward the production of results that will lead to Stage III, Compilation. And there will be no change regarding the continued importance of financial intermediation as the Bank’s primary mission. However, for us, financial support through loans is not the end of the road. We believe that, from the perspective of the revitalization of regional economies, it is vital that our sales operations be cognizant of providing the necessary management resources to our customers in such a way that they can grow sustainably. The issues that may need addressing in terms of sales operations tend to differ by region. For example, the customer may be slow to decarbonize their business, or perhaps they are looking for human resources to enable a business succession. Therefore, sales with a customer first spirit are more important than ever. We must develop a unique business model that grows together with regional societies by helping customers resolve their issues, whether that customer is a corporate entity or an individual.

From here on out, the entire Group will focus on the building of a business model geared toward new growth. Our aim with such efforts is to become a trusted financial group that functions as a regional platform. We humbly ask for the continued support of all our stakeholders, including all investors and shareholders. Thank you very much.



We implement financial management based on soundness, profitability, and shareholder returns as part of efforts to enable regional development and improve corporate value.

Senior Managing Director, Ikuhide Harada

1 Performance

Fiscal Year 2021

The current medium-term management plan, which began in April 2020, has had to contend with the difficulties presented by the spread of COVID-19. However, if we look at the Bank's performance in FY 2021, which was very much impacted by such environmental factors, consolidated ordinary profit increased by ¥4.6 billion year on year to ¥25.8 billion, while net income attributable to owners of parent increased by ¥3.9 billion year on year to ¥18.3 billion. In both cases, we were able to deliver a significant increase year on year that greatly exceeded the publicly announced figures. The fact that we were able to achieve two consecutive periods of growth is a major achievement in my opinion.

The penetration of consulting sales has meant that there has been a steady increase in items such as investment banking and income from assets under custody, exceeding the levels seen prior to the COVID-19 pandemic.

In the investment banking business, we are seeing steady increases in M&A, consulting services, and business matching.

For income from assets under custody, in addition to growth in investment trusts and financial products intermediary services driven by improved collaboration between the various banking, securities, and asset management Group companies, inheritance-related businesses, an area which we have been focusing on for a while now, has also seen increases in terms of the number of consultations and income, and is an area we hope to see more form in future.

However, the rate of growth from interest on loans, the Chugoku Bank Group's most important pillar when it comes to income, is slowing down primarily down to a halting of COVID-19 related financial support. We recognize that this is a major issue for the Group.

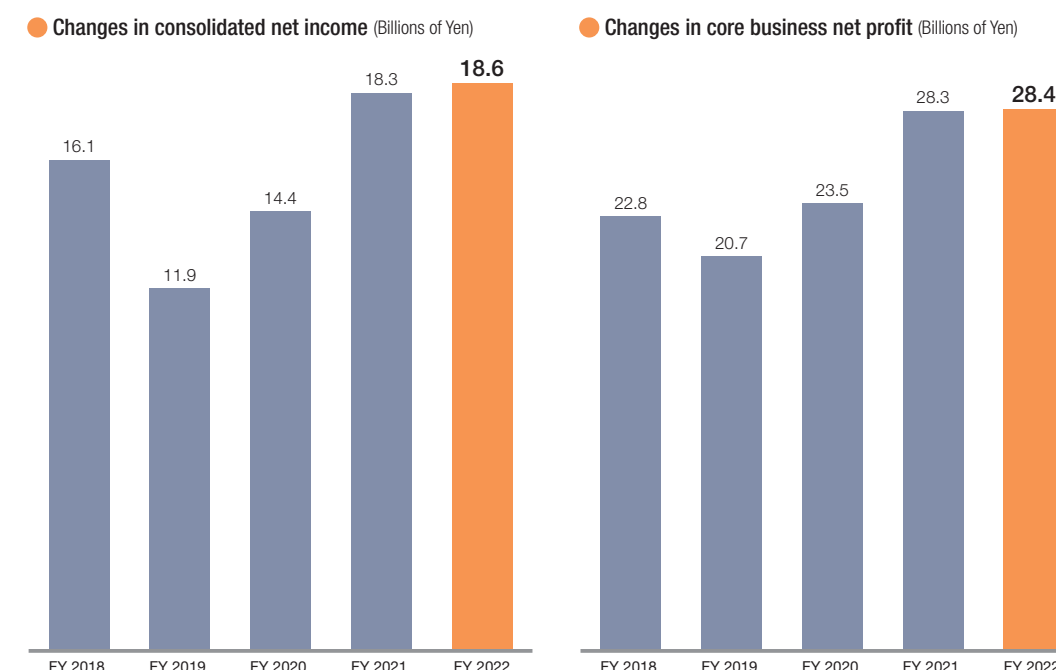
(Unit: Billions of Yen)

	Results in FY 2021	FY 2022		
		Forecast	Increase (Decrease)	
Consolidated	Consolidated ordinary profit	25.8	27.1	1.3
	Consolidated net income	18.3	18.6	0.3
	Core business gross profit	80.2	79.5	(0.7)
	Net interest income	61.6	61.8	0.2
	Net fee income	17.1	16.7	(0.4)
	Net other operating profits	1.5	0.9	(0.6)
	Expenses (decrease)	51.9	51.1	(0.8)
Core business net profit	28.3	28.4	0.1	
Non-consolidated	Credit costs (decrease)	7.6	6.7	(0.9)
	of which, general loans	5.0	2.3	(2.7)
	of which, individual loans	2.3	4.4	2.1
	Losses (gains) on sales of securities	3.0	3.0	0
	Other	(0.2)	0.2	0.4
	Ordinary profit	23.4	24.9	1.5
	Net income	16.9	17.3	0.4

Forecasts for FY 2022

As for financial performance forecasts for FY 2022, we are expecting consolidated ordinary profit to increase by ¥1.3 billion year on year to ¥27.1 billion and net income attributable to owners of parent to increase by ¥0.3 billion year on year to ¥18.6 billion.

In addition to still being in the process of recovering from the COVID-19 pandemic, there are now new concerns stemming from other external factors including the heightened geopolitical risk triggered by the situation in Ukraine, fluctuations in financial markets, and soaring prices in raw materials and resources. However, with this year being the final year of our medium-term management plan, we are keen to generate financial results that clearly demonstrate the effects of our various efforts and initiatives thus far, and are thus aiming for a third consecutive period of growth.



2 Progress of management plan

In FY 2017, the Chugoku Bank Group launched its 10-year long-term management plan, "Vision 2027: Plan for Creating the Future Together." As part of this long-term management plan, we have set out the following as KPIs for the final year of the plan (FY 2026): Net income attributable to owners of parent of ¥30.0 billion; Consolidated capital adequacy ratio to remain stable at 12%; Consolidated ROE of 5%. The current medium-term management plan is positioned as "Plan for Creating the Future Together: Stage II (FY 2020 to FY 2022)."

Under the current medium-term management plan, we have seen an increase in net interest income and net fee income in spite of the prolonged low interest environment, with the reasons for this being the effects of the BPR pushed in the previous medium-term management plan and an improvement in consulting sales operations. Further, we have also seen a steady improvement in our income levels due to reductions in expenses brought about by cost management practices and other factors.

The Chugoku Bank Group intends to transition to a holding company structure in October of this year. What this means is that we will be more active than ever before in tackling the increasingly complex and diverse sets of issues facing regions. Our approach is to not just proactively provide funds to tackle these regional issues, but to also aim to realize the KPIs set out in our long-term management plan by contributing to the development of regional economies through a strengthening of new businesses and by growing income in line with this regional development.

Stakeholders	KPIs	Results in FY 2021	Final year of medium-term management plan (FY 2022)	Final year of long-term management plan (FY 2026)
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	Level exceeding the final year of medium-term management plan ¥18.3 billion	¥15.0 billion	¥30.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.83%	Remain stable at 12%	Remain stable at 12%
	Consolidated ROE	3.29%	—	(Single year) 5% or higher

3 Capital policy / Shareholder returns

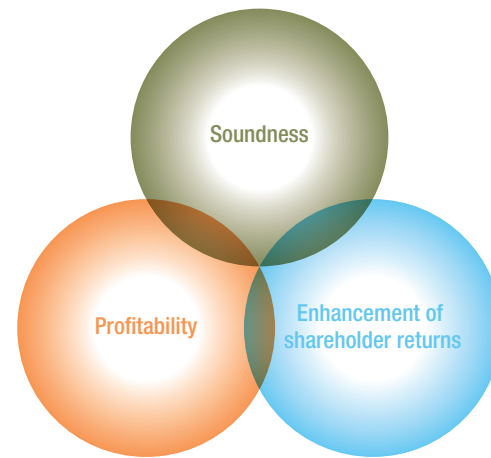
With regard to its capital policy, the Bank's approach is to find the correct balance between achieving "soundness," "profitability," and "enhancement of shareholder returns." Our aim is to deliver improvements in profitability and an increase in shareholder returns while also maintaining soundness as a regional bank that is responsible for regional financing.

We have set a KPI for soundness in our medium-term management plan of maintaining a stable consolidated capital adequacy ratio of 12%. This figure is the 10.5% limit for distribution of profit (minimum required level + regulatory capital buffer) plus an additional buffer in assumption of a certain level of stress. As we operate under such an uncertain environment, the members of the Chugoku Bank Group's Board of Directors are in constant discussion regarding the Bank's intended direction in terms of its business model and regarding the level of capital required to achieve that.

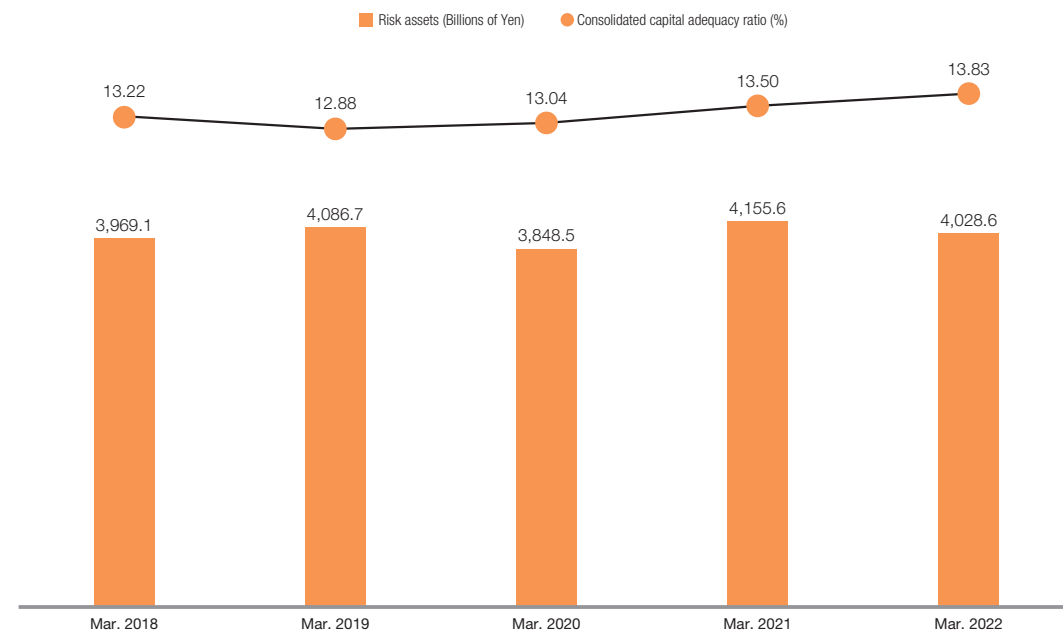
In terms of profitability, we will continue to assume risk, primarily in the form of regional business loans, but we are also aiming to make improvements by accelerating proactive growth investments in fields such as sustainability finance, new businesses, and digital sectors. Through this, we aim to achieve the KPIs set out in our long-term management plan. We are also aiming to improve capital efficiency by increasing the RORA (Return on Risk-Weighted Assets) level and by procuring low-cost regulatory capital through the issuing of subordinated bonds.

With regard to the enhancement of shareholder returns, our aim is to implement stable and continuous increases in dividends through improvements to our earning capacity and to implement flexible share buybacks, thereby achieving a figure of 35% or more for the total payout ratio. Based on this aim, we increased the dividend per share for FY 2021 by ¥5 to ¥28.

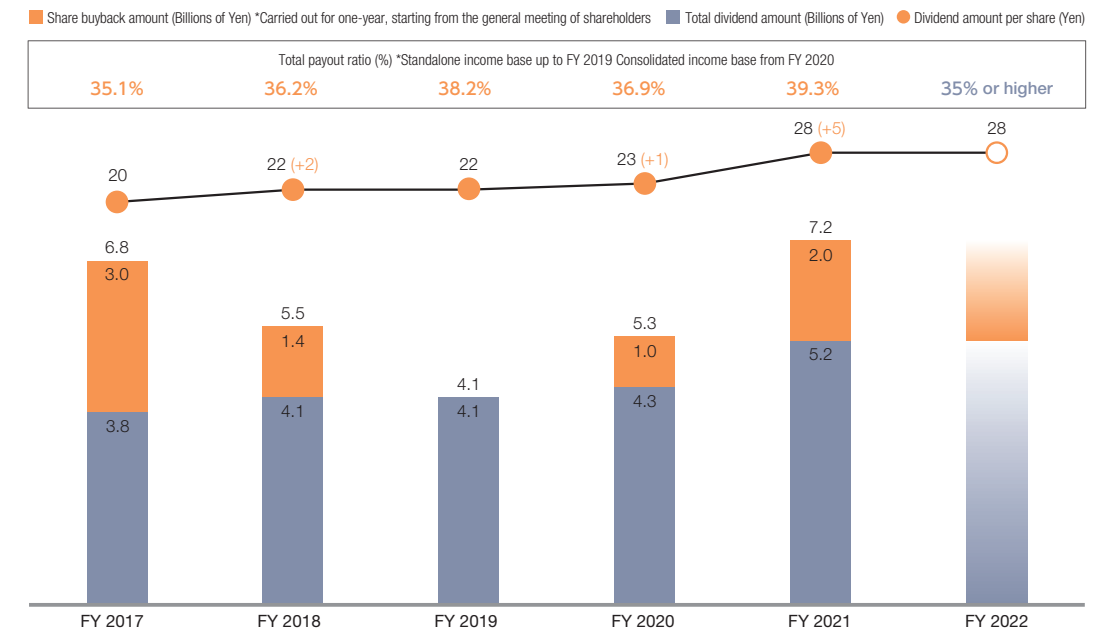
We will continue to enhance shareholder returns by making improvements to capital efficiency and increasing profitability based on the required capital level.



Consolidated capital adequacy status



Total payout amount

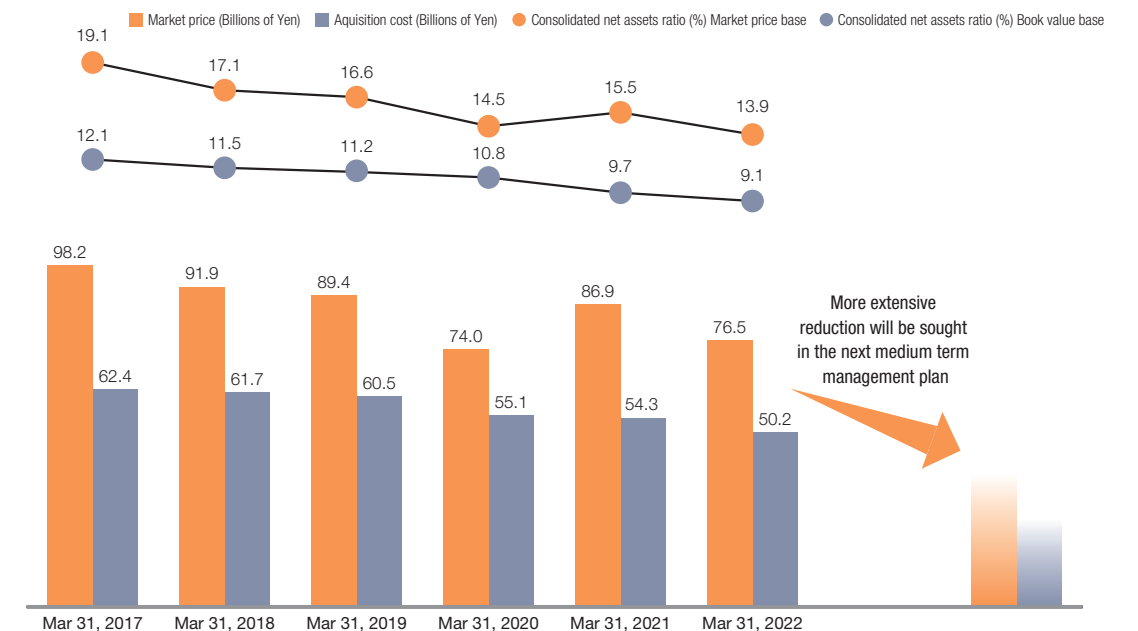


4 Cross shareholdings

Our basic approach is for cross shareholdings to be held only when deemed necessary for achieving sustainable growth of the holding party and the Chugoku Bank Group or for increasing corporate value. Looking at it from the perspective of capital efficiency and managing shareholding risk, we intend to promote a reduction of cross shareholdings upon dialogue with the holding parties.

In the event of cross shareholdings, we will perform regular and stringent evaluations of all stocks from the perspective of "profitability in light of capital costs," "relationship with the regional economy," and "management strategy viewpoints." During the course of the current medium-term management plan (March 31, 2020 to March 31, 2022), we have reduced the book value base by approximately ¥4.9 billion. Moving forward, we believe that even more extensive reductions are required, and will thusly continue evaluations of our targets for the medium to long term.

Changes in balance of cross shareholdings over time



Create with Our Community, Customers and Employees a Rich

Future that We Can All Share

In March 2017, we established our 10-year long-term management plan, "Vision 2027: Plan for Creating the Future Together." Our aim with this plan is to build a sustainable business model that can rise to meet the challenges presented by a shrinking population and other societal changes, and one that will enable everyone, not just the Chugoku Bank Group, but also the entire region, our customers, and employees to share in a prosperous future.

The current three-year medium-term management plan is Stage II of this long-term management plan.

HOP Strengthen tangible aspects

▶ Thorough structural reforms

▶ Rethinking sales staff and operating hours

¥21.2 billion
(Results in FY 2017)

STEP Strengthening intangible aspects (organization and human resources)

▶ Based on the results of the structural reforms carried out during the previous medium-term management plan (strategic investment, BPR), we will respond quickly to changes in the external environment and build a "business model unique to the Bank" that allows mutual growth, shared between the regional society and the Bank.

▶ We will strengthen intangible aspects (organization and human resources) by conducting a review of the "human resource system, internal training system, and performance award system, etc."



KPIs

Stakeholders	KPIs	Results in FY 2021	Final year of medium-term management plan (FY 2022)
Regional societies	Number of projects to address regional issues that contributed to the SDGs	Continuous improvement	Continuous improvement
	① Total of the number of start-ups for which we provided support*1 and the number of companies for which we provided support in business succession*2	133 customers (Total of two years)	Total of three years 200 customers
Customers	② Activities contributing to the improvement of financial literacy, etc.*3	397 events (Total of two years) over 7,000 attendees	Continuous improvement
	Customer satisfaction**4 (individuals and corporate)	Corporate Survey FY2020 Customer satisfaction: 74% Individual Survey FY2021 Customer satisfaction: 65%	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel expenses*5	49.75%	54% or higher
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	¥18.3 billion	¥15.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.83%	Remain stable at 12%
	Consolidated ROE	3.29%	—

*1 Number of start-ups for which we provided support: Number of supported customers that started business through our events for start-up support
 *2 Number of companies for which we provided support in business succession: Number of entrusted contracts for business succession consulting services
 *3 Activities contributing to the improvement of financial literacy, etc.: Number of events and study meetings held for the improvement of financial literacy and business skills, etc.
 *4 Customer satisfaction: Number of answers indicating "Satisfied" or "Almost satisfied" in the customer questionnaires
 *5 Labor share in core business net profit before payment of personnel expenses: Personnel expenses divided by (core business net profit + personnel expenses)



Chugin Financial Group, Inc.

Consolidated net income:
¥30 billion
(Target for FY 2026)

- ▶ Business axis expansion
 - ▶ Efficient allocation of management resources
 - ▶ Advancement of Group governance
- Advance to a comprehensive service bank centering on financing

FY 2017 to FY 2019 Stage I

FY 2020 to FY 2022 Stage II

FY 2023 to FY 2026 Stage III

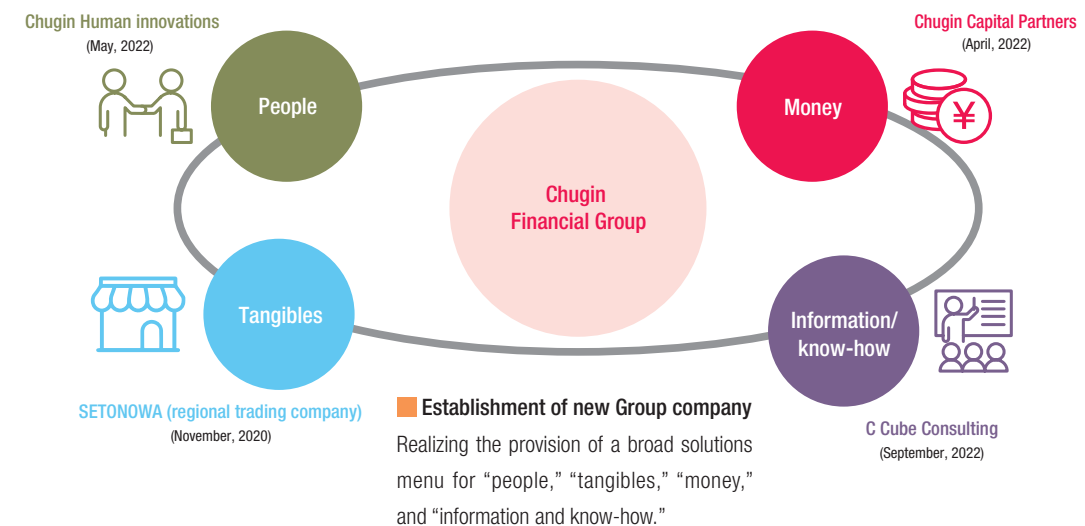
The Long-Term Management Plan, "Vision 2027: Plan for Creating the Future Together"

Progress and results of 5 pillars (summary)

	Initiatives thus far	Results from FY 2021	
1	Strengthening our efforts in revitalization of regional economies and SDGs ● Establishing a dedicated department and sustainability committee ● Promoting revitalization of regional economies together with regions and customers	Total of the number of start-ups for which we provided support 8 customers (Compared to FY 2019: +5 customers)	Supporting efforts of local authorities Decarbonization leading areas (Nishiwakura Village) Digital Rural Health Special Zone (Kibichuo Town)
2	"Deepening" the sales with customers first spirit ● Introducing Regional Headquarter System and self-imposed targets ● Deepening consulting sales business and acceleration of new businesses	Corporate related income ¥11.9 billion (Compared to FY 2019: +¥2.9 billion)	Individual related income ¥7.3 billion (Compared to FY 2019: +¥0.8 billion)
3	Revitalization of organization ● "Major overhaul" to human resource system for the first time in 17-years ● Promoting diversity	New personnel system Increasing work fields / Fostering a culture of autonomy and challenge (Intrapreneurship, establishment of new dedicated positions, lowering barriers on career paths, etc.)	
4	Strengthening the digital strategies ● Accelerating digitalization of sales, administrative, and headquarters operations ● Releasing "Chugin App"	Chugin App 70,000 users (Total over nine months)	
5	Establishing a sustainable growth model ● Controlling expenses, reorganizing branches, reallocating staff, etc.	OHR 64.7% (Compared to FY 2019 (7.5)pt)	
		Newly established companies: 3 companies (Consulting, recruitment, investments)	

Initiatives for regional platformers

Chugoku Bank aims, under its key "5 pillars" policy, to build a "platform for co-creation" by playing a key role in cooperation with the regional society.



Further accelerate efforts for move toward next medium-term management plan

Become an organization that can continuously create new value to the region

Message from an Outside Director

The awareness of each employee and their ability to communicate plays a huge role in the realization of “good management”

Outside Director **Akira Kodera**



Here we asked Outside Director Akira Kodera, who has been observing the Chugoku Bank Group since the formulation of the medium-term management plan “Vision 2027” what his views are on the Group as we enter this new phase and about its governance.

What is the general sentiment at present of the Chugoku Bank Group’s Board of Directors?

I have spent close to 50 years working at a trading company that is vertically segmented by product area. And throughout those 50 years, I have never lost sight of the mantra “All for one and one for all.” If we put that saying in the context of a company, it would be a situation where the company looks out for the wellbeing of each of its employees while simultaneously promoting growth by giving those employees the opportunity to upskill through study. As well as being able to fulfill their work responsibilities, those employees will then also be able to give their opinions and make proposals based on what they think is important for the development of the company. In such a way, I believe that any obstacle can be overcome if the company and its employees work together toward the same goal.

Although the environment surrounding our regional societies and regional banks remains tough, I always try to keep these words at the forefront of my mind when interacting with Group officers and employees, and also when taking part in Board of Directors meetings.

How do you view the progress and changes made to the management structure of the Chugoku Bank Group?

When I was appointed in 2016, the Group was right in the middle of formulating “Vision 2027: Plan for Creating the Future Together.” I feel like I have a personal attachment to this plan as I was given the opportunity to participate in discussions around its formulation and to give my opinions on it.

We have obviously been keeping an eye on its progress since its formulation, and in its first three years, starting in FY 2017, we were steadfastly focused on building a management foundation through the ongoing and steady implementation of the measures set out in the medium-term management plan. In the subsequent three years, from FY 2020 to FY 2022, we made concrete our vision through the formulation of the “5 pillars.” In preparation for the period covering FY 2023 to FY 2026, the final year of the plan, we are currently in the process of refining our ideas for new plans of attack. What I have observed thus far is that the Chugoku Bank Group is making good progress toward its aims.

In terms of income, we have seen an ongoing year-on-year fall once again, and we would like to humbly apologize to all our shareholders for any concern caused by this. However, we are relieved to see that there was an increase in profit in the fiscal year ended March 31, 2021, and that there was an increase in income and profit in the fiscal year ended March 31, 2022.

The primary responsibility of an outside director is to “oversee management”; however, above all, I try to observe matters from the perspective of individual shareholders and corporate shareholders who also happen to be customers of the Bank. And when I do this, I use this 10-year management plan strategy as a compass and as the starting point for all matters.

The key to the Group’s growth is to take the concept of “all for one and one for all” beyond the long-term management plan

What are your thoughts on the Chugoku Bank Group’s governance and the issues facing the Group?

Governance is a mechanism to enable management to carry out “good management” practices. In my opinion, “good management” means the type of management that recognizes and overcomes risk, rather than the type of management that avoids risk altogether. Furthermore, as financial products often encompass a number of complex risks, I believe it is important that, as a regional bank, we create mechanisms to protect our customers. At the same time, I expect that the awareness of each employee, and their ability to communicate and make proposals will play a huge role in Group’s ability to realize “good management.”

In 2019, we ran an open-theme in-house essay competition for our employees, and we received over 60 submissions in response. As one of the judges, I read through all of the submissions and found all of them to be passionate and powerful pieces. I was particularly moved by the insightful proposals from those staff who worked directly with, and had an intimate knowledge of, our customers from their time working on the front line of our sales branches.

Some of the proposals have actually been put into practice by the Bank, and are a good example of how a one for all approach can lead to “good management.”

One for all thinking in this way is vital in the sense of ensuring revitalization of our organization and for curbing any scandals or violations of the law within the Bank. The Board of Directors regularly receives reports on, and discusses the current state of, affairs regarding customer complaints.

At last year’s Board of Directors meeting, we heard opinions such as, seeing as how structured bonds carry with them complex risks and are not easy to comprehend, any sales of such should only be executed in accordance with the customer’s level of understanding. Or, whether regional bank credit costs should be used for local customers.

These opinions were put forward by internal directors, and are, I believe, a result of the implementation of “good management.”

What are your thoughts on the Chugoku Bank Group becoming a holding company?

When formulating “Vision 2027,” the possibility of becoming a holding company was discussed and closely examined. And so, as the transition to a holding company does not go against the overall trajectory of our 10-year strategy toward 2027, it was approved unanimously.

Net income for the fiscal year ended March 31, 2022 was ¥16.9 billion on a non-consolidated basis, and ¥18.3 billion on a consolidated basis. This ratio of non-consolidated to consolidated of 1.08x is too low when compared to other industries. We expect that the transition into a holding company will create synergy between our subsidiary companies and that “good management” will increase overall income. We have also established a recruitment company and a company specializing in investments as a new business axis for the Group, with plans also to establish a consulting company in the future. This really gives me a strong sense of a new dynamism to the overall Group.

What do you believe is the key to the Chugoku Bank Group achieving sustainable growth?

A basic policy for sustainability was resolved at a Board of Directors meeting in April of this year. Although the plan is to use initiatives geared toward the revitalization of regional economies, ESG, SDGs, climate change, and decarbonization as growth drivers toward increasing corporate value, there are some employees who feel there is some disconnect between linking “environmental, social, and regional development” with “improvement in corporate value” and they are pushing back slightly in response. And, it is precisely because employees with such a viewpoint exist that “good management” is necessary.

In June 2021, we established the Regional Headquarter System.

However, the key to fostering a sense of unity in and between these headquarters is to ensure that the heads of these regional headquarters, branch managers, and other senior staff display a sense of “all for one,” and that the non-senior employees act in accordance with the spirit of “one for all.” In particular, we believe it is important that female employees play an active role based on forming strong relationships with the region and customers. It is our hope that the heads of the various regional headquarters will be able to gain a firm understanding of the characteristics of their particular region and come up with unique ideas based on that, while also working closely together with the heads of other regional headquarters to ensure the implementation of “good management.”

What shape do you believe the future of the Chugoku Bank group takes?

After a lost couple of decades, Japanese corporate management has now shifted to one based on the concept of “good management.” The Chugoku Bank Group is also undergoing a similarly sometimes painful transition through its 10-year strategy. In and around 2027, when this 10-year strategy comes to an end, we expect to see a Group that has absolutely prioritized the building of relationships with the region and its customers and that has fully embraced the concept of “good management.”

Financial Condition

Results by business segment are as follows.

Banking business

Ordinary income increased by ¥11,247 million year on year, or 11.3%, to ¥110,337 million due to an increase in gains from sales of securities following the replacement of our portfolio of securities in response to the rise in U.S. interest rates at the end of last year. Ordinary profit increased by ¥4,363 million year on year, or 22.9%, to ¥23,408 million due to factors such as, in addition to a steady increase in fees and commissions, decreases in foreign currency procurement costs and general and administrative expenses.

Leasing business

Ordinary income increased by ¥886 million year on year, or 7.1%, to ¥13,339 million due to such factors as an increase in leases, while ordinary profit decreased by ¥289 million year on year, or 53.8%, to ¥248 million due to a rise in the lease cost rate and an increase in credit costs.

Securities business

Ordinary income increased by ¥313 million year on year, or 10.0%, to ¥3,424 million due to a steady increase in sales of stocks and investment trusts, etc., as a result of efforts to strengthen sales through revisions made to the bank-securities cooperation system. Ordinary profit increased by ¥305 million year on year to ¥541 million.

Other

Ordinary income decreased by ¥36 million year on year, or 0.6%, to ¥5,324 million, while ordinary profit increased by ¥265 million year on year, or 13.7%, to ¥2,194 million.

Earnings

Regarding the results for the fiscal year ended March 31, 2022, consolidated ordinary income increased by ¥12,264 million year on year, or 10.5%, to ¥128,565 million, due primarily to increases in gains from sales of securities, including government bonds and stocks. Consolidated ordinary expenses increased by ¥7,712 million year on year, or 8.1%, to ¥102,761 million due to increased losses from sales of securities such as foreign bonds in response to the increase in U.S. interest rates despite decreases in credit costs, fund procurement costs, and general and administrative expenses. Consolidated ordinary profit increased by ¥4,552 million year on year, or 21.4%, to ¥25,804 million due to a significant impact from an increase in fees and commissions and decreases in fund procurement costs and general and administrative expenses. Net income attributable to owners of parent increased by ¥3,956 million year on year, or 27.4%, to ¥18,374 million. Starting from the beginning of the fiscal year under review, we have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020). This standard has been retroactively applied to the figures from the previous fiscal year so as to enable an effective comparison and analysis between the current and previous fiscal years.

Cash Flows

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2022 increased by ¥754.5 billion year on year to ¥1,753.3 billion, due primarily to sales of securities following the replacement of our portfolio of securities in response to the rise in U.S. interest rates.

Cash flows from operating activities

Net cash provided by operating activities for the fiscal year ended March 31, 2022 decreased by ¥6.6 billion year on year to ¥649.8 billion in response to the rebound from the sharp increase in deposits that accompanied measures against COVID-19, such as the cash payments received in the previous fiscal year.

Cash flows from investing activities

Net cash provided in investing activities for the fiscal year ended March 31, 2022 increased by ¥339.2 billion year on year to ¥111.3 billion due to an increase in the sales of securities following the improvements made to our portfolio of securities in response to the rise in U.S. interest rates.

Cash flows from financing activities

Net cash used by financing activities for the fiscal year ended March 31, 2022 decreased by ¥12.2 billion year on year to ¥6.6 billion due to factors such as the issuance of bonds in the previous fiscal year and the acquisition of treasury stock in the current fiscal year.

Forecast for Next Term

For the fiscal year ending March 31, 2023, the Chugoku Bank Group forecasts consolidated ordinary income of ¥119,300 million, consolidated ordinary profit of ¥27,100 million and net income attributable to owners of parent of ¥18,600 million.

However, although the effects that the Bank has deemed difficult to reasonably estimate at this time have not been included, the Bank will promptly announce them once their impact on the forecasts becomes clear.

Dividend Policy

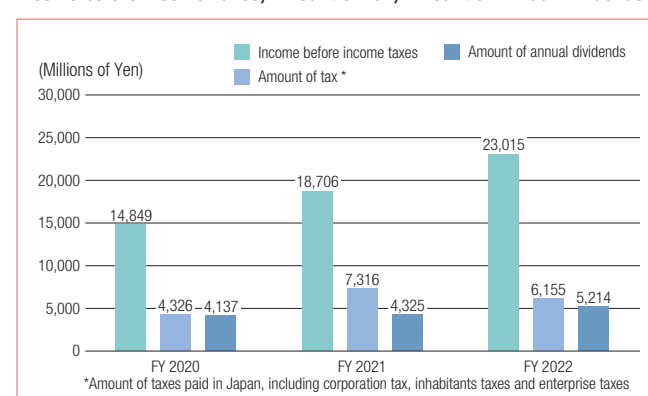
In light of the public nature and soundness of our banking business, the Bank makes it a basic policy to secure sufficient retained earnings while maintaining shareholder returns in order to maintain a firm financial standing capable of withstanding any challenging business environment.

Specifically, we aim to achieve a total payout ratio of 35%, which includes dividends and share buybacks. For the fiscal year ended March 31, 2022, the Bank will pay a year-end per-share dividend of ¥16.5 (annual per-share dividend of ¥28), based on the shareholder return ratio of 35% in our return policy. With respect to the expected dividends for the fiscal year ending March 31, 2022, the Bank plans to pay an annual per-share dividend of ¥28 (interim dividend of ¥14), changing the total payout ratio to "35% or more of net income attributable to owners of parent" through dividends and share buybacks.

Moreover, in the process of formulating the next medium-term management plan starting in FY 2023, we plan to review the return policy, and if there are any changes, we will announce them as soon as they are decided.

Under the Bank's basic policy on the number of dividend payout for a fiscal year, the Bank distributes a dividend twice a year (an interim dividend and a year-end dividend). The decision-making bodies for these dividends are the Board of Directors for the interim dividend and a general meeting of shareholders for the year-end dividend. The Bank has also included a provision in its Articles of Incorporation, which stipulates that it may distribute an interim dividend as permitted in Article 454, paragraph (5) of the Companies Act.

Income before Income Taxes, Amount of Tax, Amount of Annual Dividends



Capital Adequacy Ratios

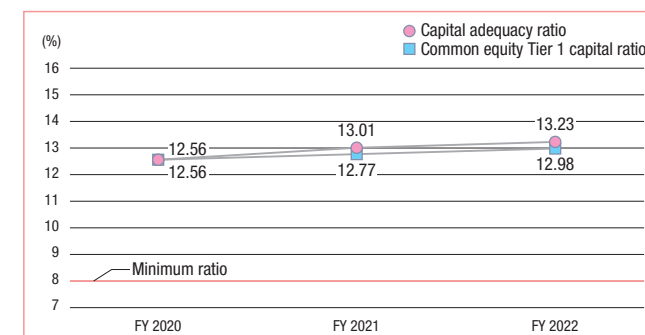
The Bank's capital adequacy ratio was 13.23% as of the end of March 2022.

The Bank calculates its capital adequacy ratio on the basis of the international BIS standards*.

*The international BIS standards call for at least 8% of capital adequacy ratio, at least 6% of Tier 1 capital ratio, and at least 4.5% of common equity Tier 1 capital ratio.

$$\text{Capital adequacy ratio (\%)} = \frac{\begin{matrix} (1) \text{ Common equity Tier 1 capital} \\ + \\ (2) \text{ Additional Tier 1 capital} \\ + \\ (3) \text{ Tier 2 capital} \end{matrix}}{(4) \text{ Risk-weighted assets}} \times 100$$

- (1) The amount of common equity Tier 1 capital represents the capital with the highest quality, comprising common stock, retained earnings and others.
- (2) The amount of additional Tier 1 capital comprises preference shares, equity instruments with high loss-absorbing capacity and others.
- (3) The amount of Tier 2 capital comprises subordinated bond, subordinated loans (limited to those which are assured to absorb loss, subordinated to savers and unsecured creditors) and others.
- (4) The amount of risk-weighted assets is derived by integrating the values of various categories of asset commensurate with the degree of their risk.



Risk-managed Loans (Non-consolidated)

The balance of risk-managed loans (balances of loans disclosed under the Financial Revitalization Act) increased by ¥4.1 billion year on year to ¥95.7 billion as of the end of March 2022 despite efforts to upgrade borrowers' status through business rehabilitation activities and reduction efforts including direct write-offs and elimination from balance sheet by debt sales.

In addition, the ratio of risk-managed loans (loans disclosed under the Financial Revitalization Act) (against the total credit balance) increased by 0.04 percentage points year on year to 1.77% as of the end of March 2022.

Further, while the Bank does not perform partial direct write-offs, if we were to perform partial direct write-offs, the ratio of risk-managed loans (loans disclosed under the Financial Revitalization Act) would have increased by 0.03 percentage points year on year to 1.53%.

Status of impaired loans			(Millions of Yen)
	End of March, 2022	End of March, 2021	
Loans to bankrupt customers	¥ 20,918	¥ 22,058	
Doubtful loans	46,492	38,375	
Loans past due three months or more	650	833	
Restructured loans	27,659	30,343	
Total	¥ 95,721	¥ 91,611	
The ratio of risk-managed loans (against the total loan balance) (%)	1.77	1.73	

Loans to Bankrupt Customers

Loans to borrowers that have been found or are likely to be found legally bankrupt through fillings for the commencement of bankruptcy, corporate reorganization or civil rehabilitation proceedings, and loans to borrowers of similar status.

Loans past due six months or more

Loans with a high probability of failure in the receipt of principal or interest under terms of the loan agreement due to the borrower's deteriorated financial status and/or business performance even though the borrower has yet to be in the state of bankruptcy. These loans do not include bankrupt and quasi-bankrupt loans.

Loans Past Due Three Months or More

Loans for which repayment of the principal or the interest has been overdue three months or more from the day following the due date, but not classified as either loans to bankrupt customers or loans in default defined above.

Restructured Loans

Loans for which arrangements have been reached in the borrowers' favor to ensure their business rehabilitation or to assist their management to carry on, including reductions in or exemption of the interest rate, postponed payment of the interest, a grace period for repayment of the principal, and debt forgiveness, but not classified as either loans to bankrupt customers, loans in default or loans past due three months or more defined above.

Ratings

Ratings is a ranking in terms of its certainty in performing obligations (creditworthiness) to indicate whether it is reliable enough to repay the principal and interest of savings deposited by its customers, as well as its financial soundness, based on the examination of its financial position along with its external business environment by a rating agency operating as a fair third party. The Chugoku Bank has obtained ratings from Moody's as well as Rating and Investment, Inc. (R&I), and is ranked as one of the best among the Japanese banks.

Rating symbols and gradations			
Moody's		R&I	
* Long-term deposit rating	* Short-term deposit rating	* Baseline Credit Assessment (BCA)	* Long-term credit rating
Aaa		aaa	AAA
Aa1		aa1	AA+
Aa2		aa2	AA
Aa3		aa3	AA-
A1		a1	A+
A2		a2	A
A3		a3	A-
Baa1		baa1	BBB+
Baa2		baa2	BBB
Baa3		baa3	BBB-
Ba1		ba1	BB+
Ba2		ba2	BB
Ba3		ba3	BB-
B1		b1	B+
B2		b2	B
B3		b3	B-
Caa1		caa1	CCC+
Caa2		caa2	CCC
Caa3		caa3	CCC-
Ca			CC
C			D

Note: P-1 (PRIME-1) is indicated between Moody's Aa3 and A1, and R&I AA- and A+.

Social Contribution through Business

Policy on Initiatives Related to Management Support for SMEs (Basic policy concerning promotion of regional financing)

- ▶ As its corporate principles, the Bank strives to “Remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services.” By providing superior comprehensive financial services to regional customers, the Bank will work to contribute to the revitalization and continuous growth of regional society.
- ▶ To achieve this, in addition to its role as a provider of funds marked most significantly by loans, the Bank recognizes as an important issue the revitalization of regional economies through consulting that corresponds to the life stage of customers, which includes start-up and new business support, growth support, management improvement and business renovation support, and business continuity.
- ▶ The following three items have been defined as the “policy on initiatives concerning promotion of regional financing,” and the Bank will work to expand its activities in these areas.

Making Full Use of Our Consulting Function According to the Life Stage of Our Customers

- The Bank’s policy is to fully comprehend customer companies’ management challenges on business and financial terms by evaluating their commercial viability, and also to commit to fulfilling our consulting function in coordination with outside experts.
- In “supporting start-ups/new businesses, growth support such as development of sales channels and support for overseas expansion, and business continuity support,” we are strengthening our consulting functions through unified support from the start-up consideration stage until commercialization, various business meetings, and business matching, etc.
- In “management improvement and business rehabilitation supporting,” we further enhance our supporting activities for management improvement through integration among the Bank’s branches and headquarters to propose the right solutions at the right time, based on comprehension of the business content of our customers. In addition, we actively employ outside expert organizations such as REVIC and the Revitalization Support Council and various funds to provide more advanced methods of assistance in the management improvement and business rehabilitation supporting field.

Contributing to Regional Creation and Revitalization of Regional Economies

- By setting up a “Comprehensive Town, Person, and Work Creation Strategy Structure,” the Bank actively participates in each local government from the regional comprehensive strategic planning stage.
- In the strategy execution stage as well, the Bank continues to work in cooperation with local governments for regional creation via initiatives such as new business proposals and participation in business operation conferences that leverage its knowledge and networks.
- The Bank collects and analyzes various forms of information from the region, and actively promotes industry-academia-government-finance cooperation. In addition, the Bank is strengthening efforts to support the cultivation of growth fields and efforts to promote the region.

Actively Offering Information to the Regional Society and Our Customers

- The Bank actively offers information about specific activities and their results with regard to efforts related to community-based financial services. We will strive to improve our services even further in order to earn the trust and support of our regional customers.

Wide-reaching Social Contribution beyond Business

The Bank is engaged in a wide range of activities to contribute to the regional community.

These activities include a think-tank run by the Group’s Okayama Economic Research Center, and support for sports, culture, education, and community events, as well as providing time deposits in aid of the Association of Medical Doctors of Asia (AMDA), parenting support, and environmental conservation activities.

Compliance System Overview

Compliance and morale take precedence over everything else.

Compliance and morale mean observing not only laws and regulations and internal rules of the Bank, but also socially-demanded codes of conduct and ethical behavior. All the officers and employees of the Chugoku Bank are aware of the social responsibilities that are required of us. We believe that a critical challenge in our operations is strengthening our compliance framework to meet the expectations of our local customers and stockholders. This is seen as one of our CSR activities.

Some of our compliance activities are as follows:

1. We concrete measures such as the enactment of the Corporate Code of Conduct as the basis for ethical conduct in the course of management and operations; the Guidelines for the Conduct of Bank Clerks, which bank clerks should observe in the course of their duties; the Compliance Manual which are the reference manuals for compliance at the Bank.
2. We establish the Compliance Committee and assign Legal Compliance Supervisors at the various branches and offices.
3. We try to ensure that an awareness of compliance permeates the organization by various types of seminars.
4. We create a Compliance Program each year as a plan for the practical implementation of compliance and verify the progress on and degree of achievement on a regular basis.
5. With the objective of preventing inappropriate behavior by bank staff and facilitating the early detection of unethical activities, we have adopted a system wherein employees may report any wrongdoing directly to top management.
6. The Chugoku Bank Group is taking a firm stance against anti-social forces that threaten social order and safety and prevent the development of a sound economy and society. As an organization, we also collaborate with external bodies with expertise in this area, such as the police, in dealing with inappropriate demands by such anti-social forces.

The Bank takes the approach of giving compliance and morals the highest priority and is emphasizing compliance within its corporate culture.

Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism

As global threats of nuclear weapons, missiles, and terrorism continue to increase, cutting off financial sources leading to criminals and terrorists is an issue that needs to be addressed jointly by the Japanese and international communities, and measures to prevent money laundering and terrorist financing now bear greater importance.

The Financial Services Agency established and released the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism which outlines the basic approach that financial institutions should take in implementing effective countermeasures. In such climate, the Bank formulated the following policy and takes measures to prevent the flow of funds to criminal syndicates, to maintain safe and convenient financial services, and to create an environment making it difficult for criminal syndicates to engage in activities.

Policy on Anti-Money Laundering and Combating the Financing of Terrorism

The Chugoku Bank, Limited

The Chugoku Bank Group (hereinafter, the “Group”) recognizes that measures for anti-money laundering and combating the financing of terrorism (hereinafter, “AML/CFT”) is a priority task required not only domestically but also from the rest of the global community. Based on this recognition, the Group shall take the initiative in establishing the management system in which it shall execute agile and effective responses to ever-changing international situations and the risks facing the Group, and set forth the following policy as a basis for execution of operations.

1. Management Policy

In order to execute agile and effective responses to changes in international situations, the Group shall take proactive steps to establish and maintain the management system based on the concept of “risk-based approach,” in which it shall identify and assess its money laundering and the financing of terrorism (hereinafter, “ML/FT”) risks in a timely and appropriate manner and take mitigation measures that are proportionate to the risks.

2. Organizational Structure and Officer

The Group shall define AML/CFT as one of its critical management agenda and shall clarify the internal roles and responsibilities for that purpose. The Group shall appoint the officer in charge of the Compliance and Risk Management Department of the Chugoku Bank as the supervisory manager for AML/CFT. A dedicated division shall be newly established within the Compliance and Risk Management Department of the Chugoku Bank to provide the centralized function of ensuring the execution of measures for AML/CFT.

3. Measures for AML/CFT under Laws and Regulations

The Group shall establish an internal system capable of carrying out timely and appropriate measures for AML/CFT under laws and regulations, including, but not limited to, verification at the time of transaction, retention of transaction records, confirmation of sanctions including freezing of assets, and notification of suspicious transactions.

4. Administration of Customer Information and Policy for Handling Customers

The Group shall establish an internal system for making appropriate investigations about the basic information of customers in the course of the transactions with them and for carrying out measures that are proportionate to their attributes.

Furthermore, the Group shall determine and carry out required risk mitigation measures by way of making periodic investigations and analyses on the history of transactions with customers.

5. Transaction Monitoring and Screening

The Group shall determine and carry out required risk mitigation measures by way of investigating and analyzing the status of transactions by the use of reports submitted by its branches or detection made by its computer systems for any unusual transactions or transactions subject to sanctions.

6. Management of Correspondent Banks

The Group shall endeavor to collect sufficient information about its correspondent banks, conduct an appropriate assessment on them, and carry out appropriate measures that are proportionate to the risks involved. No relationship shall be established or maintained with any shell banks without a physical presence or operations.

7. Development Training of Directors and Employees

The Group shall continually conduct training or other programs for all of its Directors and employees to deepen their understanding and raise their awareness of AML/CFT, in an effort to develop and retain human resources having expertise and fitness for the given roles.

8. Verification of Status of Compliance

The Group shall inspect the status of compliance with regard to AML/CFT, and based on the results of such inspections, shall continually make efforts to improve its risk management system against ML/FT.

I Corporate Governance of the Bank

Basic principles

The Bank is committed to strengthening and enhancing the corporate governance based on our corporate principles and management vision, in order to achieve a sound and sustainable growth and a medium- to long-term improvement of the corporate value, while considering profits of all stakeholders related to the Bank including the shareholders, customers, regional society, and employees.

1. The Bank strives to establish an appropriate corporate governance framework while the Board of Directors, the Audit and Supervisory Committee, and Directors recognize the fiduciary responsibility to the shareholders.
2. The Bank strives to ensure the appropriateness of the business executions and the effectiveness of audits and supervision by measures such as determining management policies and execution of important duties through adequate discussion in the Board of Directors and accurate execution of duties by Directors involved in the execution of business, alongside audits by the Board of Directors, audits by the Audit and Supervisory Committee, and appropriate maintenance and operation of the internal control system based on laws and regulations such as the Companies Act.
3. The Bank is committed to establishing the environment where the rights of shareholders are respected and properly executed, constructive dialogue is made with shareholders, and active disclosure is made for corporate information including non-financial statements, etc., as well as ensuring the real equality of shareholders.

Corporate governance framework

The Bank has adopted the form of a company with an Audit and Supervisory Committee as its organizational design pursuant to the Companies Act.

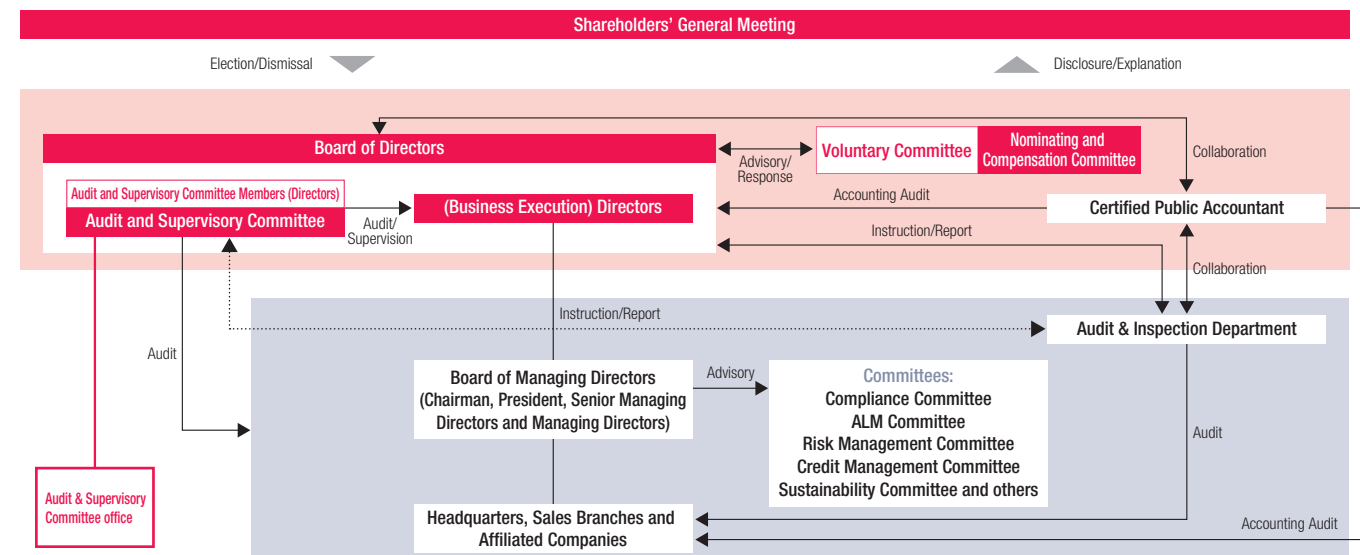
Since voting rights at the Board of Directors are granted to Directors serving as Audit and Supervisory Committee Members at a company with an Audit and Supervisory Committee, highly effective audit and supervisory system over the Board of Directors and Directors has been secured.

In addition, since a part of the authority of the Board of Directors can be delegated to Directors pursuant to provisions of the Companies Act, prompt management decision-making of the Bank is ensured and matters submitted to the Board of Directors are narrowed down to highly important proposals, leading to discussions at the Board of Directors becoming even more enriched.

Also, to ensure mobility in management decision-making, the Bank has established “Board of Managing Directors,” which comprises eight Executive Directors, including the President, and discusses matters delegated by the Board of Directors.

With regard to items such as risk management, which are important for conducting proper corporate activities, the Bank has established various kinds of committee structures as advisory bodies of the Board of Managing Directors to discuss such items flexibly.

Corporate governance framework



Directors



Director and President: **Sadanori Kato**
 Senior Managing Director: **Koji Terasaka**
 Senior Managing Director: **Ikuhide Harada**
 Chairman: **Masato Miyanaga**



Managing Director: **Shinichi Taniguchi**
 Managing Director: **Tatsuo Hiramoto**
 Managing Director: **Hiromichi Kato**
 Managing Director: **Soichi Yamamoto**
 Outside Director: **Akira Kodera**

Directors (Audit and Supervisory Committee Members)



Full-time of Audit and Supervisory Committee Member: **Hiroyuki Ohara**
 Full-time of Audit and Supervisory Committee Member: **Kotaro Kogame**
 Outside Audit and Supervisory Committee Member: **Hiromichi Furuya**
 Outside Audit and Supervisory Committee Member: **Toshihide Saito**
 Outside Audit and Supervisory Committee Member: **Kazuhiro Tanaka**
 Outside Audit and Supervisory Committee Member: **Yukiyo Kiyono**
 Outside Audit and Supervisory Committee Member: **Yasuhiro Hitomi**

*Messrs. Akira Kodera, Hiromichi Furuya, Toshihide Saito, Kazuhiro Tanaka, Ms. Yukiyo Kiyono, and Mr. Yasuhiro Hitomi are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

Comprehensive Risk Management System

Comprehensive Risk Management System

The Bank defines risk management as one of its critical management agenda and aims at well-balanced management in pursuit of enhanced profitability while maintaining operational soundness through further development of comprehensive risk management.

To this end, risks are managed in accordance with the basic risk management rules which set out policies and framework of risk management for the entire Bank along with other basic matters on the subject.

Risks assumed by banks include credit risks, market risks, liquidity risks and operational risks.

At the Chugoku Bank, we have established a system for managing the various types of risks comprehensively through the establishment of a controller for risk management as well as various committees such as the Asset and Liability Management (ALM) Committee. We also designate sections in charge of each risk and analyze the status of these risks by risk category, and evaluate and manage them for the entire bank.

We have also established a system to ensure proper risk management on a continual basis under which the Audit & Inspection Department monitors the status of risk management by the various divisions.

In order to ensure the effectiveness of the comprehensive risk management, the Bank assesses and verifies the degree of capital adequacy by comparing its own capital with the total amount of risk the Bank is exposed to, as derived by aggregating the amounts of credit, market and operational risks calculated by statistical and other methods.

Meanwhile, stress tests are conducted to assess and verify the risk events, for which amount of each category of risk is unlikely to have been fully identified.

The results of such assessment and verification are utilized for the development and review of the operation plan and risk management policies, to ensure operational soundness while enhancing profitability at the same time.

Furthermore, to ensure operational soundness on a constant basis, the Bank makes it a principle to conduct risk-taking within the limit of capital, whereby risk amounts are monitored and managed within the risk limits established for each risk category.

Credit Risk Management

Credit risk refers to the risks of losses incurred when the value of assets (including off-balance-sheet assets) declines or becomes worthless due to changes in the financial status of those to whom credit is provided.

The Bank's basic credit risk management policy is, (within the scope of its management capabilities), to ensure that return is commensurate with risks in its transactions and to appropriately manage the credit risks of the diverse transactions of each of its divisions and business sections using credit risk assessment and management methods that suit the special characteristics of each transaction in order to maintain a sound asset structure. The Bank carries out its credit risk management appropriately based on its Credit Risk Management Standards and various detailed management methods provided for in the Bank's operating regulations.

Based on this framework, the Credit Rating Center and Credit Supervision Department manage the risks of the individual loans of the operational divisions (branches and loan sales departments at the headquarters). The Compliance and Risk Management Department, which is completely independent of the loan sale, screening, and approval process, is responsible for managing overall credit risks. The Bank has also established an auditing system for credit risks, appointing a Credit Screening Supervisor in the Audit & Inspection Department who bears the responsibility for conducting internal audits for credit risks.

Specifically, credit risk management entails determining the overall condition of the customer's business through credit ratings, self-assessment, and other methods. This information is utilized to carry out credit screening for individual loans, administer the loans after they have been extended, and properly

determine write-offs and reserves. From the perspective of loan portfolio management, the Chugoku Bank strives to strengthen control of credit risks and its ability to earn stable income by monitoring the loan balance composition and credit risks and cost adjusted income.

Risk managers verify that calculated credit risk exposure is within the credit risk limits set under the credit risk management plan, conduct stress tests to assess the Bank's degree of capital adequacy, and report results regularly to the Board of Directors and other management bodies.

Credit concentration risks are managed by grasping and controlling credit exposure by debtor, industry and country, the status of which is reported to the Board of Directors and other management bodies on a regular basis.

In addition, the Bank's "Credit Management Committee" investigates and analyzes large borrowers with regard to their multidimensional conditions to discuss appropriate policies to cope with their current financial status. These policies are subsequently deliberated on by the Board of Managing Directors; their decisions are regularly reported to the Board of Directors, with a view to conducting proper management of large borrowers' credit risks.

Market Risk Management

Market risk refers to the risks of incurring losses from fluctuations in profits arising from assets and liabilities and the risks of incurring losses from fluctuations in the value of assets and liabilities (including those off balance sheet) due to fluctuations in market risk factors such as interest rates, exchange rates and share prices.

The Bank's basic risk management policy for market risks is to determine and analyze risks from the point of view of both price and return on asset movements as well as assessing the risks from various angles, using stress tests and other methods. The Bank carries out its market risk management appropriately based on its Market Risk Management Standards, which stipulate the framework and systems for market risk management, and various detailed management methods provided for in the Bank's operating regulations.

The structure for market risk management is divided into the business operations division (front office) and the administrative division (back office). We have also established a risk management division (middle office). These serve as reciprocal restraints.

Trading limits and loss limits have been set for trading operations, the goal of which is to earn trading profit from buying and selling securities in market operations. These are managed to ensure that losses in excess of a certain amount do not occur. Banking operations (investment securities) are managed for risks by taking the risk-return balance into consideration through ALM analysis, Value at Risk (VaR) analysis and other means to ensure stable profits over the medium and long term. We have also established a system for the flexible management of market risks as well as credit risks and liquidity risks related to market operations.

Market risk management for the entire bank, including lending and deposit services, is carried out by analyzing risks from multiple aspects, such as the calculation of interest rate risks. The Risk Management Committee and the ALM Committee discuss the overall management of assets and liabilities and consider management and lending policies.

Liquidity Risk Management

Liquidity risk refers to the risks of incurring losses (hereafter, "fund procurement risks") when it becomes difficult to secure the requisite funds or when procuring funds at a much higher than normal interest rate becomes necessary due to a mismatch between the timing of use and procurement or to an unexpected outflow of funds, or to risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (hereafter, "market liquidity risks").

The Bank recognizes fund procurement as an important management issue

and its basic fund procurement risks policy is to ensure a stable supply of funds. The Bank's basic policy for managing market liquidity risks is to take into consideration the special features of markets for individual products, such as market size, liquidity, and other factors and pay careful attention to their market liquidity. The Bank carries out its fund procurement risks and market liquidity risk management appropriately based on its Market Liquidity Risk Management Standards, which stipulate the framework and systems for fund procurement risks and market liquidity risk management.

Funds procurement risks are subject to strict management and this is divided between the funds procurement division, which procures funds, and the funds procurement risk management division, which monitors the status of the procurement of those funds.

The funds procurement management division carefully monitors the daily status of funds procurement for market operations and other operations and works to limit the risks involved in the procurement of funds. The funds procurement risk management division determines the management policies for risks of procuring funds such as policies on holding highly liquid assets and setting limits on procurement from the market. The funds procurement risk management division monitors developments to ensure there are no problems with the status of funds procurement in the funds procurement management division.

Deposits comprise the vast majority of procurement for the Chugoku Bank and the procurement of funds is stable. However, we are working to diversify the means of procurement to prepare for unforeseen circumstances by procurement from the market utilizing marketable securities held by the Bank.

Operational Risk Management

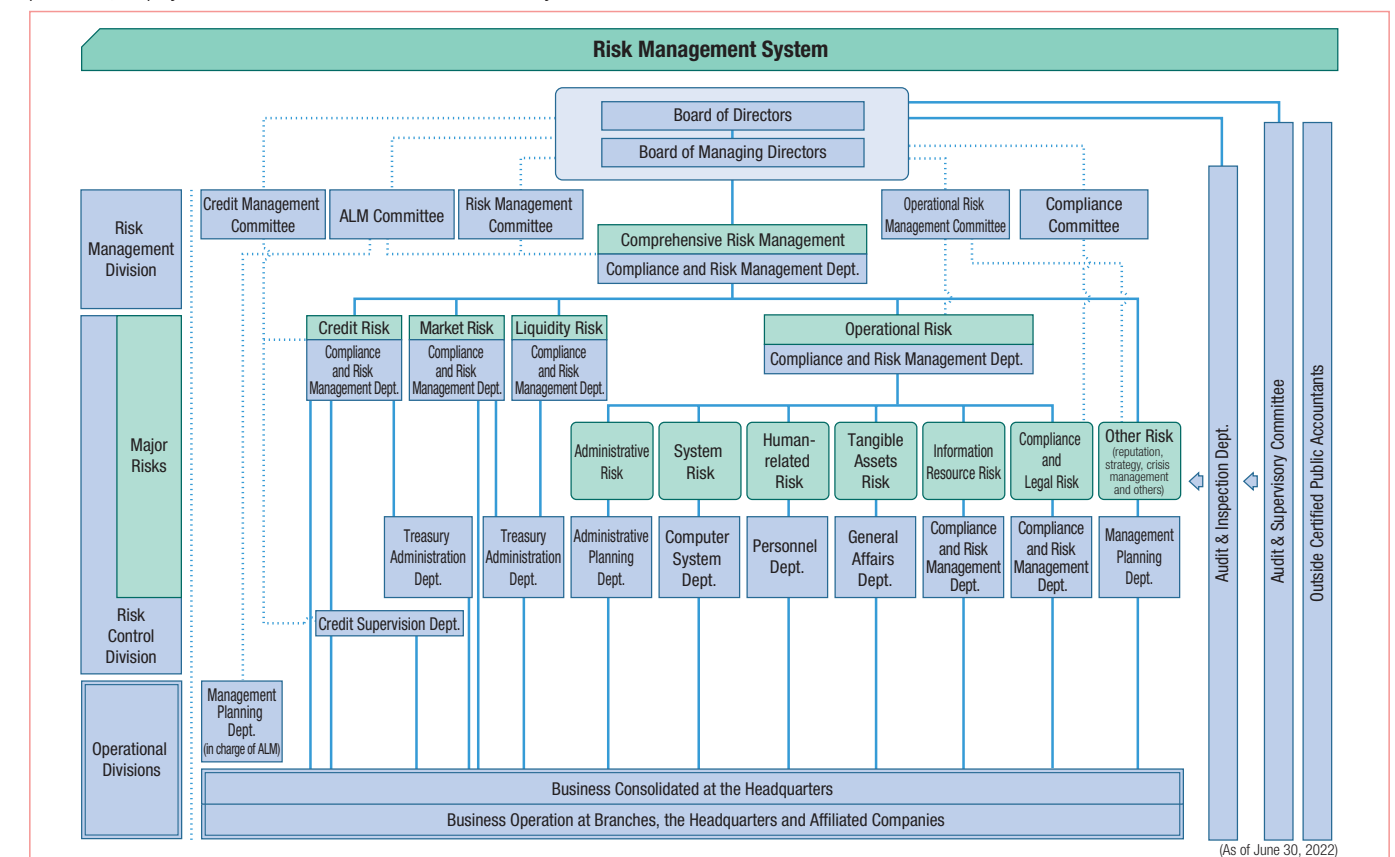
Operational risk refers to risks of losses arising from bank operational processes, employees' and officers' activities or an unsuitable system or due to

external circumstances.

The Chugoku Bank's basic policy on the management of operational risks is to establish a solid organizational structure and mechanism, under which it performs continuous management of operational risks with the aim of preventing their realization or minimizing their impact should they occur. To this end, the Bank has established its Operational Risk Management Standards and other risk management standards and rules for each category of risks. In accordance with these standards and rules, it conducts appropriate management of overall operational risks.

The Bank separates operational risks into six categories: 1) administrative, 2) system, 3) human-related, 4) tangible assets, 5) information resource, and 6) compliance and legal risks; each category of risk is overseen and controlled by a designated division in charge of specific risks, drawing on its specialized point of view. In addition, the Bank has established the Compliance and Risk Management Department, which is independent of the administrative division and operating divisions from an organizational and operational perspectives, and it conducts the operation of the Operational Risk Management Committee and the integrated monitoring and management of overall operational risks as the supervisory division for the Bank's operational risk management.

As an operational risk management method, specifically, the Chugoku Bank implements Risk Control Self-Assessment (RCSA) programs. In addition to assessing risks, these programs upgrade risk management measures, such as controlling, transferring, and avoiding risks, based on the formulation of measures to prevent recurrence. These procedures involve collecting and analyzing operational risk loss event data as a method of capturing risks and establishing response measures. Moreover, to increase the efficiency of operational risk management, the Bank is endeavoring to set up a Plan-Do-Check-Act (PDCA) cycle for risk management.



Fundamental Policy for Establishment of Internal Control System (Excerpt)

The Bank has formulated a fundamental policy concerning the establishment of an internal control system to ensure appropriateness of operations pursuant to a resolution of the Board of Directors. An outline of the policy is as follows.

1. System ensuring that the execution of duties by Directors conforms to applicable laws, regulations and the Articles of Incorporation

(1) Directors shall execute their duties based on the Corporate Code of Conduct, which sets forth the Bank's corporate ethics, and the Guidelines for the Conduct of Bank Clerks, which must be taken into account in the course of duties, and comply with the Rules for Directors, which codify basic considerations for directors. In principle, Board of Directors meetings shall be held once a month, and on other occasions as required, to promote communication among directors and enable mutual supervision of the execution of duties. The Board shall be operated in accordance with the Board of Directors Regulations in order to prevent violations of laws and the Articles of Incorporation by ensuring proper business activities. The Bank is a company with an Audit & Supervisory Committee system, wherein each Audit & Supervisory Committee Member audits the progress of the execution of duties by directors according to the policy and the division of tasks set forth by the Audit & Supervisory Committee and, when necessary, voices opinion, prohibits action by a director and/or devises other appropriate measures.

(2) The Board of Directors shall establish systems to cut off and resolutely eliminate any and all relationships with anti-social forces.

2. System for retaining and maintaining information regarding the execution of duties by Directors

With respect to information concerning the execution of duties by Directors, the Bank shall retain the minutes of the Board of Directors meetings, along with other relevant materials, for a period of 10 years in accordance with the Board of Directors Regulations, and maintain them in a state that renders them accessible as needed. Other important documents shall also be maintained in an appropriate manner, depending on the storage medium, in accordance with the Information Asset Management Standards and internal regulations, and shall be maintained in a state that renders this information accessible as needed.

3. Regulations and other systems concerning managing exposure to loss

(1) The Bank recognizes (a) credit risks, (b) market risks, (c) liquidity risks, (d) operational risks and (e) other risks which could have a serious impact to the business as key risks involved in the execution of the Bank's operations. Specific risks shall be identified and managed, and a comprehensive risk management system established. A detailed definition of each risk shall be provided in the basic risk management rules.

(2) The Bank shall establish an equity capital management system and an asset evaluation management system to ensure the soundness and appropriateness of the Bank's operations through sufficient capital adequacy proportionate to the risks.

(3) Each type of risk shall be managed in accordance with the basic risk management policy set forth in the basic risk management rules and other regulations pertaining to risk management. The Compliance and Risk Management Department shall be responsible for the comprehensive management of the Bank's risks, a responsible department shall be

assigned to each type of risk and such committees as the Risk Management Committee shall be established to ensure appropriate risk management.

(4) A risk management plan shall be created when formulating strategic objectives, such as business plans or the Medium-Term Management Plan. The management status of each type of risk shall be reported to the Board of Directors on a regular basis.

(5) The Bank shall establish necessary systems, including the Emergency Countermeasures Headquarters in the event of unforeseen circumstances, and respond appropriately to prevent the spread of damage in accordance with the Risk Management Manual.

4. System to ensure the efficient execution of duties by directors

(1) Matters that impact the Bank's operations, deemed to be significant matters requiring the resolution of the Board of Directors, shall be discussed and deliberated on in advance in the presence of the Audit & Supervisory Committee Members by the Board of Managing Directors, which is comprised of the chairman, vice chairman, president, vice president, senior managing director and managing directors.

(2) Business execution pursuant to a resolution of the Board of Directors shall be in accordance with the decision-making authority and procedures stipulated in the Rules Defining the Extent of Job Authority and various other rules.

5. System ensuring that the execution of duties by employees conforms to applicable laws, regulations and the Articles of Incorporation

(1) The Bank shall establish the Corporate Code of Conduct, the Guidelines for the Conduct of Bank Clerks, the Rules on Compliance with Laws and Regulations etc., and the Compliance Manual in order to ensure a compliance framework. The contents of employment regulations and other rules, as well as guidelines for the handling of business affairs and other guidelines, shall be in compliance with all pertinent laws and the Articles of Incorporation.

(2) A Compliance Committee chaired by the president shall be established to foster a corporate culture that emphasizes compliance, enhancing compliance systems and monitoring the status of legal compliance. The Compliance and Risk Management Department shall be responsible for overall compliance management and shall examine various measures related to the compliance.

(3) Various measures shall be taken in a systematic manner in order to establish a compliance framework, such as the formulation and review of the annual Compliance Program, which serves as the Bank's basic compliance policy and implementation plan, as well as periodic compliance-related checks and compliance training.

(4) The Audit & Inspection Department shall be established as an internal audit department independent from the business execution departments, and shall perform audits to ensure that employee duties are in compliance with laws, regulations, the Articles of Incorporation and other obligations.

(5) Should legal violations or other compliance-related facts be detected, an appropriate response shall be taken in accordance with employee regulations via the Management Help Line and other means as an internal reporting system.

6. System ensuring the appropriateness of operations throughout the Chugoku Bank Group comprising the Bank and its subsidiaries

(1) Chugoku Bank Group Management Regulations shall be formulated in order to ensure appropriateness of business operations and effective business management with respect to each company of the Chugoku Bank Group. Each Group company shall formulate its own rules in accordance with the Bank's rules and establish systems befitting its business content and organizational structure to ensure the appropriateness of its business operations.

(2) The Bank shall formulate standards related to deliberation and reporting for each company in the Chugoku Bank Group and shall manage the business of the Group companies based on a system for making final decisions and receiving reports in accordance with said standards. Of the final decisions and reporting matters to the Bank, those of importance shall be reported to the Bank's Audit & Supervisory Committee Members. The Bank shall conclude an audit agreement with each Group company and conduct internal audits.

(3) Each group company shall formulate the basic risk management rules to assess and manage each type of risk as well as to establish the system of a comprehensive risk management while they deliberate and report the predetermined matters in accordance with the Chugoku Bank Group Management Regulations. The Bank shall respond appropriately to prevent the spread of damage in accordance with the Risk Management Manual in the event of unforeseen circumstances.

(4) Business execution pursuant to a resolution of the Board of Directors in each Chugoku Bank Group company shall be in accordance with the decision-making authority and procedures stipulated in the Rules Defining the Extent of Job Authority and various other rules.

(5) Each group company of the Chugoku Bank Group shall establish the Corporate Code of Conduct, the Guidelines for the Conduct of Bank Clerks and the Compliance Manual to ensure a compliance framework. The contents of employment regulations and other rules shall be in compliance with laws, regulations and the Articles of Incorporation.

(6) The Chugoku Bank Group shall formulate regulations concerning the Management Help Line, an internal reporting system whereby employees can report any wrongdoing directly to top management in order to maintain the sound operation thereof.

(7) Each Group company shall report any legal violations in business management or content of management guidance by the Bank as well as any other compliance-related issues to the Bank's Audit & Supervisory Committee Members.

(8) The Chugoku Bank Group shall comply with all laws, standards and other obligations concerning accounting practices and establish an internal control system to ensure the appropriateness of the Group's financial reporting.

7. Provisions for hiring assistants to the Audit & Supervisory Committee Members, if required, their independence from directors (excluding directors who are the Audit & Supervisory Committee Members) and ensuring of the effectiveness of directions to the assistants by the Committee Members

(1) The Bank shall place assistants to the Audit & Supervisory Committee

Members in the Secretariat as employees who are to assist the Audit & Supervisory Committee Members with their duties.

(2) Employees who are to assist the Audit & Supervisory Committee Members shall be stipulated to perform investigation, planning, management and instruction concerning the audits of the Committee Members, which is ordered by the Members, without performing additional work related to the execution of duties by directors. The Audit & Supervisory Committee Members shall be consulted and their agreement obtained before a decision is made regarding the evaluation, appointment and reassignment of employees who are to assist the Audit & Supervisory Committee Members with their duties to ensure independence from directors (excluding directors who are the Audit & Supervisory Committee Members.)

8. System for reporting to the Audit & Supervisory Committee Members

(1) In accordance with the Standards of Reporting to Audit & Supervisory Committee Members, directors and employees shall report to the Audit & Supervisory Committee Members matters that may have a significant impact on the Bank's business and other matters essential to report in a timely manner. Notwithstanding the foregoing, the Audit & Supervisory Committee Members may also request reports from directors and employees as required.

(2) In accordance with the Chugoku Bank Group Management Regulations and the standards related to deliberation and reporting for the subsidiaries, those who are reported from directors, Audit & Supervisory Board Members and the others in the subsidiaries shall report to the Audit & Supervisory Committee Members important matters which may have impact on the Bank's business and other matters essential to report, to the Audit & Supervisory Committee Members in a timely manner.

(3) The Bank and the subsidiaries shall not give any disadvantageous treatment such as dismissal to directors and employees who reported the matter due to the report.

9. Matters for policies for procedures for advance payment or reimbursement of expense incurred from the execution of duties by the Audit & Supervisory Committee Members and for handling of the other expense or debt incurred regarding the execution of the duties

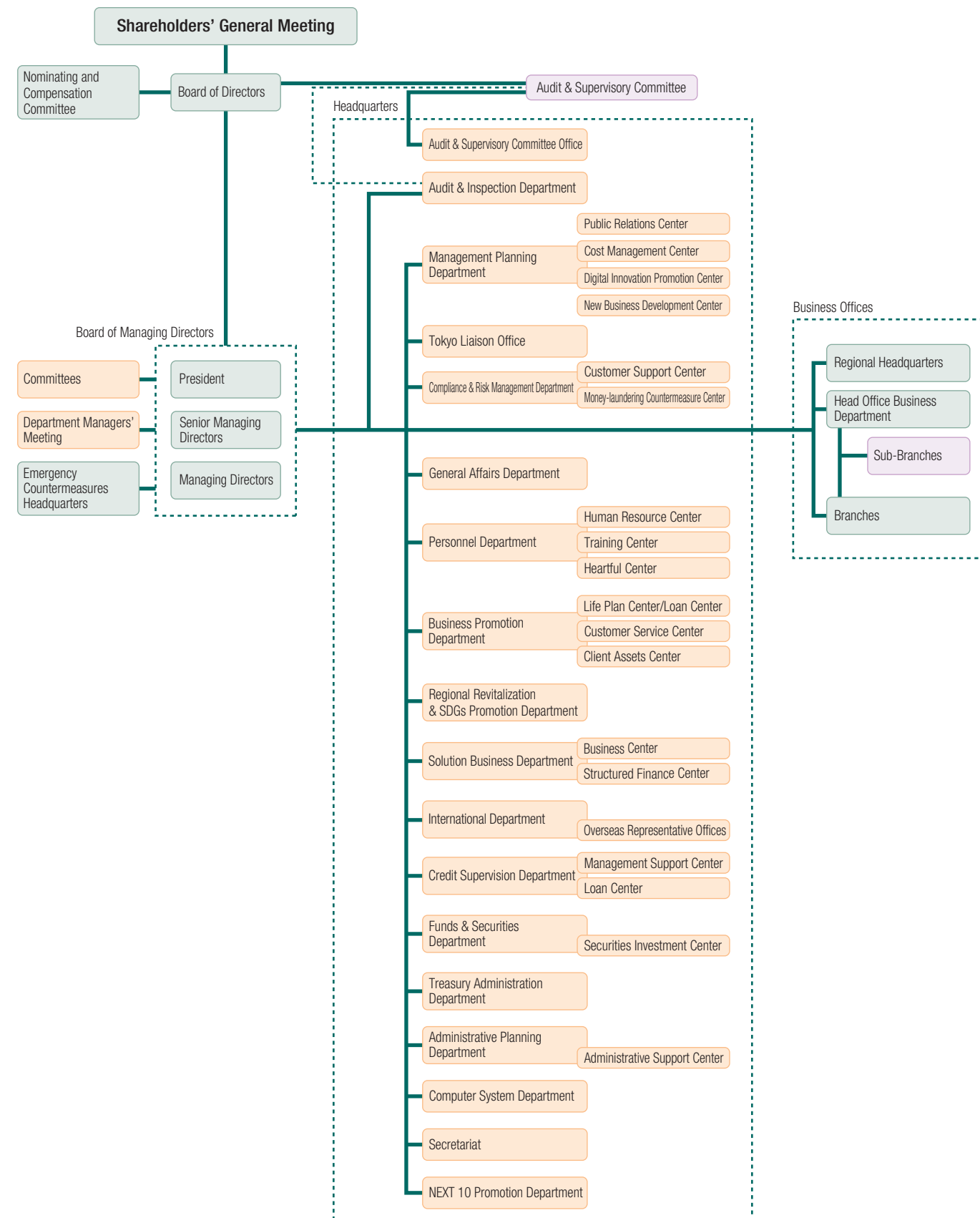
In accordance with the Auditing Standards for Audit & Supervisory Committee, the Bank shall include a budget in advance for the expenses acknowledged by the Audit & Supervisory Committee to be necessary for the execution of duties. Expenses expended urgently or temporary may be claimed to the Bank for reimbursement after the event.

10. System to ensure that audits of the Audit & Supervisory Committee Members are implemented effectively

The Bank works to ensure the effectiveness of the audits performed by the Audit & Supervisory Committee Members by having them attend meetings where decisions that have a significant impact on business management are made, as well as through the circulation of important documents to them and their collaboration with the Internal Audit Department, certified public accountants and outside certified public accountants in accordance with the Audit & Supervisory Committee Regulations and the Auditing Standards for Audit & Supervisory Committee. Representative Directors shall exchange opinions with the Audit & Supervisory Committee on a regular basis, and enhance mutual awareness of such matters as to the issues to be addressed by the Bank and improvement of the environment for Audit & Supervisory Committee Members.

Organization Chart

(As of June 30, 2022)



Principal Operations of the Chugoku Bank Group

Chugoku Bank Group, which comprises the Bank along with seven subsidiaries, is positioned to offer a wealth of financial services, including corporate and personal banking, leasing and securities businesses, and more.

Organizational Chart for the Chugoku Bank Group

Business segment

Business segment	Business segment
The Chugoku Bank, Limited	Banking business
Domestic offices: Head office, 137 branch offices, 5 sub-branch offices, 15 branch-in-branch offices, 2 branch-in-branch sub-branch offices, 2 special sub-branch office, 1 representative office, 1 internet branch	
Locations with ATM installed Outside branches: 213 locations (234 ATMs)	
Overseas offices: 1 branch and 4 representative offices	
Consolidated subsidiaries	
CBS Company, Limited	Consigned administrative operations for banks
The Chugin Operation Center Co., Limited	Deposits, loans, exchanges, direct debits, public money services, Business processing and document management of investment trusts
The Chugin Credit Guarantee Co., Limited	Credit guarantee business
The Chugin Lease Company, Limited	Leasing businesses
The Chugin Card Company, Limited	Credit card business
Chugin Asset Management Company, Limited	Asset management business
Chugin Securities Co., Ltd.	Securities business

(As of March 31, 2022)

Shareholder Information

(As of March 31, 2022)

Breakdown of Types of Shareholders

Category	Number of shareholders	Number of shares	
		(Hundreds of shares)	Percentage
Government and local authorities	2	91	0.00
Financial institutions	39	520,659	26.69
Securities firms	24	23,867	1.22
Other corporations	503	517,734	26.54
Foreign investors			
Non-Individuals	184	290,579	14.89
Individuals	1	2	0.00
Individuals	11,893	598,160	30.66
Total	12,646	1,951,092	100.00
Number of shares held in less than trading units	—	162,906	—

Major Shareholders

Unit: 1,000 shares

Name of Shareholders	Number of holding shares	Percentage of outstanding shares
The Master Trust Bank of Japan, Ltd.	23,210	12.49
Custody Bank of Japan, Ltd.	7,824	4.21
Okayama Tochisouko Co., Ltd.	5,358	2.88
Nippon Life Insurance Company	4,756	2.56
Meiji Yasuda Life Insurance Company	4,754	2.55
KURABO INDUSTRIES LTD.	4,559	2.45
CP CHEMICAL INCORPORATED	4,478	2.41
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4,381	2.35
Chugoku Bank Employee Stock Ownership Plan	4,349	2.34
Shizuka Forestry Co., Ltd.	2,370	1.27
Total	66,043	35.55

Service Networks

(As of June 30, 2022)

INTERNATIONAL DIVISION:

Head Office, Okayama

1-15-20, Marunouchi, Kita-ku,
Okayama, Japan

International Department

Telephone: (81) 86-234-6539
Facsimile: (81) 86-227-6000
SWIFT: CHGKJPJZ

Funds and Securities Department

Telephone: (81) 86-234-6503
Facsimile: (81) 86-234-6595

Treasury Administration Department

Telephone: (81) 86-234-6664
Facsimile: (81) 86-234-7439
SWIFT: CHGKJPJT

Tokyo Office

1-5-5, Muromachi Chibagin Mitsui Building,
Nihonbashi-Muromachi, Chuo-ku,
Tokyo, Japan

Funds and Securities Department

Telephone: (81) 3-3243-0459
Facsimile: (81) 3-5255-7750

OVERSEAS OFFICES:

Hong Kong Branch

Rooms 601 & 609-610,
6th Floor Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong,
People's Republic of China
Telephone: (852) 2523-0312
Facsimile: (852) 2521-8730

Shanghai Representative Office

Room 2007, Shanghai
International Trade Center,
2201 Yan-an Road (West),
Shanghai, People's Republic of China
Telephone: (86) 21-6275-1988
Facsimile: (86) 21-6275-1989

Representative Office Registered in Singapore

16 Collyer Quay, #23-03
Singapore 049318
Telephone: (65) 6536-7757
Facsimile: (65) 6536-7767

New York Representative Office

150 East 52nd Street, 17th Floor,
New York, NY 10022, U.S.A.
Telephone: (1) 212-371-7700
Facsimile: (1) 212-371-7173

Bangkok Representative Office

689, Bhiraj Tower at EmQuartier,
19th Floor, Room No. 1901,
Sukhumvit Road, Khlong Tan Nuea,
Watthana, Bangkok 10110, Thailand
Telephone: (66) 2-261-2676
Facsimile: (66) 2-261-2677

FOREIGN EXCHANGE OFFICES:

Head Office Business Department

1-15-20, Marunouchi, Kita-ku, Okayama

Okayama-Minami Branch

1-8-11, Aoe, Kita-ku, Okayama

Okayama-Nishi Branch

3-101, Toiya-cho, Kita-ku, Okayama

Saidaiji Branch

3-7-1, Saidaiji-Naka, Higashi-ku, Okayama

Katakami Branch

36-1, Higashi-Katakami, Bizen, Okayama

Kojima Branch

2-1-33, Kojima Ajino, Kurashiki, Okayama

Kurashiki Branch

257-1, Bakuro-cho, Kurashiki, Okayama

Kurashiki Ekimae Branch

2-2-2, Achi, Kurashiki, Okayama

Mizushima Branch

4-32, Mizushima Nishiyayoi-cho, Kurashiki, Okayama

Hayashima Branch

1380, Hayashima, Hayashima-cho,
Tsukubo-gun, Okayama

Soja Branch

1-4-20, Ekimae, Soja, Okayama

Kasaoka Branch

2-8, Rokuban-cho, Kasaoka, Okayama

Ibara Branch

176-5, Ibara-cho, Ibara, Okayama

Tsuyama Branch

30-7, Sange, Tsuyama, Okayama

Fukuyama Branch

1-1, Momiji-cho, Fukuyama, Hiroshima

Onomichi Branch

2-9, Higashi-Gosho-cho, Onomichi, Hiroshima

Mihara Branch

1-11-7, Minatomachi, Mihara, Hiroshima

Shinichi Branch

593-7, Shinichi, Shinichi-cho, Fukuyama, Hiroshima

Kure Branch

3-6-1, Hon-dori, Kure, Hiroshima

Fuchu Branch

1-3, Fukawa-cho, Fuchu, Hiroshima

Hiroshima Branch

15-4, Hatchobori, Naka-ku, Hiroshima

Hiroshima Higashi-Branch

1-5-2, Minamikanaya, Minami-ku, Hiroshima

Takamatsu Branch

3-6, Marugamemachi, Takamatsu, Kagawa

Sanbonmatsu Branch

610-4, Sanbonmatsu, Higashi-Kagawa, Kagawa

Sakaide Branch

1-2-2, Kyomachi, Sakaide, Kagawa

Marugame Branch

207-6, Futaimachi, Marugame, Kagawa

Kawanoe Branch

4062-4, Kawanoe-cho, Shikoku-chuo, Ehime

Yonago Branch

1-1-1, Higashi-Fukuhara, Yonago, Tottori

Kobe Branch

2-6-1, Sakaemachi-dori, Chuo-ku, Kobe, Hyogo

Himeji Branch

108, Shirogane-cho, Himeji, Hyogo

Osaka Branch

3-6-1, Aioi Nissay Dowa Insurance Midouji Building,
Hirano-machi, Chuo-ku, Osaka

Tokyo Branch

1-5-5, Muromachi Chibagin Mitsui Building,
Nihonbashi-Muromachi, Chuo-ku, Tokyo

Foreign Remittance Offices

96 Offices

Financial Section

(As of June 30, 2022)

Location	Number of Offices
Okayama Pref.	110
Hiroshima Pref.	26
Tottori Pref.	1
Kagawa Pref.	16
Ehime Pref.	1
Hyogo Pref.	6
Osaka Pref.	1
Tokyo	1
Liaison Offices	1
Overseas Offices	5
Internet Branch	1

Consolidated Financial Statements Consolidated Balance Sheets

The Chugoku Bank, Limited and its Consolidated Subsidiaries
March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS:			
Cash and due from banks (Notes 22 and 26).....	¥ 1,757,165	¥ 1,000,773	\$ 14,357,096
Call loans	446,381	125,878	3,647,201
Other debt purchased (Notes 7 and 11).....	20,532	21,485	167,758
Trading account securities (Notes 7, 14 and 22)	2,834	1,148	23,155
Money trusts (Notes 8 and 22).....	27,600	27,300	225,508
Securities (Notes 7, 10, 14 and 22).....	2,505,722	2,618,039	20,473,257
Loans and bills discounted (Notes 10, 11, 14 and 22).....	5,259,190	5,135,435	42,970,749
Foreign exchange (Note 10).....	6,282	8,333	51,327
Lease receivables and investments in leased assets.....	25,403	24,291	207,557
Other assets (Notes 10, 14, 19, 22 and 23).....	139,182	162,723	1,137,200
Tangible fixed assets (Note 12)	36,855	38,766	301,127
Intangible fixed assets (Note 13)	1,484	2,437	12,125
Deferred tax assets (Note 15)	827	809	6,757
Customers' liabilities for acceptances and guarantees (Note 10).....	30,918	32,031	252,618
Reserve for possible loan losses (Note 3).....	(52,172)	(46,291)	(426,276)
Total assets	¥ 10,208,209	¥ 9,153,162	\$ 83,407,214
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 14 and 22)	¥ 7,861,674	¥ 7,667,019	\$ 64,234,610
Call money	110,709	71,293	904,559
Payables under repurchase agreements (Note 14)	191,006	129,640	1,560,634
Payables under securities lending transactions (Notes 14 and 22).....	588,355	172,747	4,807,214
Commercial paper (Note 16).....	55,017	54,228	449,522
Borrowed money (Notes 14,16 and 22)	674,134	286,194	5,508,080
Foreign exchange	625	289	5,106
Bonds payable (Note 17)	10,000	10,000	81,706
Due to trust account.....	6,935	4,857	56,663
Other liabilities (Notes 16, 19, 22 and 23)	122,071	143,853	997,393
Accrued employees' bonuses	1,479	1,332	12,084
Accrued directors' bonuses	25	27	204
Reserve for directors' retirement benefits	46	67	375
Reserve for reimbursement of deposits	60	307	490
Reserve for point program	108	88	882
Net defined benefit liability (Note 18).....	1,804	6,624	14,739
Deferred tax liabilities (Note 15)	813	10,354	6,642
Reserves under special laws.....	7	6	57
Acceptances and guarantees.....	30,918	32,031	252,618
Total liabilities	¥ 9,655,795	¥ 8,590,965	\$ 78,893,659
Net assets (Note 25):			
Shareholders' equity			
Common stock			
Authorized shares: 391,000,000 shares in 2022 and 2021			
Issued shares: 195,272,106 shares in 2022 and 2021	¥ 15,149	¥ 15,149	\$ 123,776
Capital surplus.....	8,153	8,153	66,614
Retained earnings	476,938	463,305	3,896,870
Less treasury stock, at cost			
9,520,961 shares in 2022 and 7,213,056 shares in 2021	(11,623)	(9,622)	(94,966)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 9).....	67,608	96,574	552,398
Net deferred losses on hedging instruments	(606)	(5,320)	(4,951)
Accumulated adjustments for retirement benefits (Note 18).....	(3,461)	(6,258)	(28,278)
Total.....	63,540	84,994	519,160
Subscription rights to shares (Note 27).....	256	217	2,091
Total net assets.....	552,414	562,197	4,513,555
Total liabilities and net assets.....	¥ 10,208,209	¥ 9,153,162	\$ 83,407,214

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Income (Note 23):			
Interest and dividends on:			
Loans and discounts	¥ 45,138	¥ 45,813	\$ 368,804
Securities	19,536	18,871	159,620
Other	1,735	762	14,175
Fees and commissions.....	19,250	18,640	157,284
Other operating income.....	31,208	23,240	254,988
Bad debt recovered.....	42	0	343
Other income.....	11,967	8,973	97,777
Total income.....	128,880	116,303	1,053,027
Expenses:			
Interest on:			
Deposits.....	684	870	5,588
Borrowings.....	215	1,078	1,756
Other	4,356	4,953	35,591
Fees and commissions.....	3,485	3,605	28,474
Other operating expenses.....	24,396	14,162	199,330
General and administrative expenses	56,109	57,285	458,444
Reserve for possible loan losses	8,179	8,736	66,827
Losses on impairment of fixed assets (Note 12)	505	249	4,126
Other expenses.....	5,537	4,448	45,240
Total expenses.....	103,470	95,393	845,412
Income before income taxes.....	25,409	20,910	207,606
Income taxes (Note 15):			
Current	7,140	8,332	58,338
Deferred.....	(106)	(1,840)	(866)
Total income taxes.....	7,034	6,491	57,472
Net income.....	18,374	14,418	150,126
Net income attributable to non-controlling interests.....	—	—	—
Net income attributable to owners of parent.....	¥ 18,374	¥ 14,418	\$ 150,126
Per share of common stock			
Basic net income.....	¥ 98.43	¥ 76.66	\$ 0.804
Diluted net income.....	98.30	76.58	0.803
Cash dividends applicable to the year (Note 25).....	28.00	23.00	0.228

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net income.....	¥ 18,374	¥ 14,418	\$ 150,126
Other comprehensive income (Note 21):			
Net unrealized gains (losses) on available-for-sale securities	(28,965)	33,586	(236,661)
Net deferred gains (losses) on hedging instruments	4,713	6,136	38,508
Adjustments for retirement benefits	2,797	963	22,853
Total other comprehensive income	(21,454)	40,685	(175,292)
Comprehensive income	¥ (3,079)	¥ 55,104	\$ (25,157)
Comprehensive income attributable to:			
Owners of parent	¥ (3,079)	¥ 55,104	\$ (25,157)
Non-controlling interests	—	—	—

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen									
	2022									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Subscription rights to shares	Total net assets
Net unrealized gains (losses) on available-for-sale securities					Net deferred losses on hedging instruments	Accumulated adjustments for retirement benefits				
Balance at beginning of year.....	¥ 15,149	¥ 8,153	¥ 463,305	¥ (9,622)	¥ 96,574	¥ (5,320)	¥ (6,258)	¥ 84,994	¥ 217	¥ 562,197
Cumulative effects of changes in accounting policies			(335)							(335)
Restated balance	15,149	8,153	462,969	(9,622)	96,574	(5,320)	(6,258)	84,994	217	561,861
Net income attributable to owners of parent			18,374							18,374
Cash dividends			(4,406)							(4,406)
Purchases of treasury stock				(2,000)						(2,000)
Net changes in items other than shareholders' equity					(28,965)	4,713	2,797	(21,454)	39	(21,415)
Net changes during the year	—	—	13,968	(2,000)	(28,965)	4,713	2,797	(21,454)	39	(9,446)
Balance at end of year.....	¥ 15,149	¥ 8,153	¥ 476,938	¥ (11,623)	¥ 67,608	¥ (606)	¥ (3,461)	¥ 63,540	¥ 256	¥ 552,414

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen									
	2021									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Subscription rights to shares	Total net assets
Net unrealized gains (losses) on available-for-sale securities					Net deferred losses on hedging instruments	Accumulated adjustments for retirement benefits				
Balance at beginning of year.....	¥ 15,149	¥ 8,153	¥ 453,024	¥ (9,622)	¥ 62,987	¥ (11,456)	¥ (7,221)	¥ 44,308	¥ 179	¥ 511,193
Net income attributable to owners of parent			14,418							14,418
Cash dividends			(4,137)							(4,137)
Purchases of treasury stock.....				(0)						(0)
Disposals of treasury stock.....			(0)	0						0
Net changes in items other than shareholders' equity					33,586	6,136	963	40,685	37	40,723
Net changes during the year	—	—	10,280	(0)	33,586	6,136	963	40,685	37	51,003
Balance at end of year.....	¥ 15,149	¥ 8,153	¥ 463,305	¥ (9,622)	¥ 96,574	¥ (5,320)	¥ (6,258)	¥ 84,994	¥ 217	¥ 562,197

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)									
	2022									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Subscription rights to shares	Total net assets
Net unrealized gains (losses) on available-for-sale securities					Net deferred losses on hedging instruments	Accumulated adjustments for retirement benefits				
Balance at beginning of year.....	\$ 123,776	\$ 66,614	\$ 3,785,480	\$ (78,617)	\$ 789,067	\$ (43,467)	\$ (51,131)	\$ 694,452	\$ 1,773	\$ 4,593,488
Cumulative effects of changes in accounting policies			(2,737)							(2,737)
Restated balance	123,776	66,614	3,782,735	(78,617)	789,067	(43,467)	(51,131)	694,452	1,773	4,590,742
Net income attributable to owners of parent			150,126							150,126
Cash dividends			(35,999)							(35,999)
Purchases of treasury stock.....				(16,341)						(16,341)
Net changes in items other than shareholders' equity					(236,661)	38,508	22,853	(175,292)	318	(174,973)
Net changes during the year	—	—	114,126	(16,341)	(236,661)	38,508	22,853	(175,292)	318	(77,179)
Balance at end of year.....	\$ 123,776	\$ 66,614	\$ 3,896,870	\$ (94,966)	\$ 552,398	\$ (4,951)	\$ (28,278)	\$ 519,160	\$ 2,091	\$ 4,513,555

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
	Cash flows from operating activities		
Income before income taxes	¥ 25,409	¥ 20,910	\$ 207,606
Depreciation	4,460	4,474	36,440
Losses on impairment of fixed assets	505	249	4,126
Share-based compensation expenses	39	37	318
Provision of reserve for possible loan losses	8,179	8,736	66,827
Increase (decrease) in reserve for point program	19	(6)	155
Increase (decrease) in reserve for directors' retirement benefits	(20)	(14)	(163)
Increase (decrease) in accrued employees' bonuses	147	(63)	1,201
Increase (decrease) in accrued directors' bonuses	(2)	(3)	(16)
Increase (decrease) in net defined benefit liability	(795)	(10,234)	(6,495)
Increase (decrease) in reserve for reimbursement of deposits	(247)	(335)	(2,018)
Interest and dividend income	(66,411)	(65,448)	(542,617)
Interest expense	5,256	6,904	42,944
Losses (gains) related to securities, net	(3,057)	(5,037)	(24,977)
Losses (gains) on money trusts, net	(98)	(109)	(800)
Foreign exchange losses (gains), net	(42,644)	(5,163)	(348,427)
Losses (gains) on disposals of fixed assets, net	(167)	11	(1,364)
Decrease (increase) in trading account securities, excluding foreign exchange contracts	(1,685)	167	(13,767)
Decrease (increase) in call loans and other debt purchased	(319,550)	(62,557)	(2,610,915)
Increase (decrease) in payables under repurchase agreements	61,366	4,935	501,397
Decrease (increase) in due from banks, excluding the Bank of Japan	(1,816)	9,715	(14,837)
Increase (decrease) in commercial paper	788	21,617	6,438
Decrease (increase) in foreign exchange assets	2,050	3,626	16,749
Decrease (increase) in loans and bills discounted	(126,053)	(238,621)	(1,029,928)
Decrease (increase) in lease receivables and investments in leased assets	(1,112)	(161)	(9,085)
Decrease (increase) in other assets	24,194	(19,468)	197,679
Increase (decrease) in deposits	194,654	770,274	1,590,440
Increase (decrease) in borrowed money	387,940	128,828	3,169,703
Increase (decrease) in call money	39,416	41,224	322,052
Increase (decrease) in foreign exchange liabilities	335	17	2,737
Increase (decrease) in payables under securities lending transactions	415,607	(44,416)	3,395,759
Increase (decrease) in due to trust account	2,077	1,548	16,970
Increase (decrease) in other liabilities	(12,947)	28,207	(105,784)
Interest and dividends received	70,273	69,155	574,172
Interest paid	(6,276)	(8,461)	(51,278)
Subtotal	659,839	660,539	5,391,281
Income taxes paid	(9,952)	(4,088)	(81,313)
Income taxes refund	2	30	16
Net cash provided by operating activities	649,889	656,480	5,309,984
Cash flows from investing activities			
Purchases of securities	(1,053,057)	(949,024)	(8,604,109)
Proceeds from sales of securities	878,116	410,210	7,174,736
Proceeds from redemption of securities	288,408	314,319	2,356,467
Purchases of money trusts	(407)	(205)	(3,325)
Proceeds from money trusts	205	114	1,674
Purchases of tangible fixed assets	(2,023)	(2,605)	(16,529)
Purchases of intangible fixed assets	(599)	(820)	(4,894)
Proceeds from sales of tangible fixed assets	689	18	5,629
Net cash provided by (used in) investing activities	111,333	(227,992)	909,657
Cash flows from financing activities			
Issuance of subordinated bonds	—	10,000	—
Cash dividends paid	(4,406)	(4,137)	(35,999)
Purchases of treasury stock	(2,000)	(0)	(16,341)
Repayments on lease obligations	(253)	(220)	(2,067)
Proceeds from sales of treasury stock	—	0	—
Net cash used in (provided by) financing activities	(6,659)	5,642	(54,408)
Effect of exchange rate changes on cash and cash equivalents	13	10	106
Net increase in cash and cash equivalents	754,576	434,140	6,165,340
Cash and cash equivalents at beginning of year	998,813	564,672	8,160,903
Cash and cash equivalents at end of year (Note 26)	¥ 1,753,389	¥ 998,813	\$ 14,326,243

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Chugoku Bank, Limited and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of The Chugoku Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, the Japanese Banking Law and the Japanese Uniform Rules for Bank Accounting 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 reformatted and translated into English with some expanded descriptions from the consolidated financial statements of 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. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act, amounts of less than ¥1 million have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into the U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate as at March 31, 2022, which was ¥122.39 for US\$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 the U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(a) Principles of Consolidation

Scope of Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

The consolidated financial statements include the accounts of the Bank and its seven significant subsidiaries after elimination of all significant intercompany transactions, balances and unrealized profits.

Seven (seven in 2021) investment partnerships and one (one in 2021) subsidiary, of which the Bank owns a majority of the voting rights, were excluded from the scope of consolidation for the year ended March 31, 2022 because the total amounts of their assets, net income and retained earnings were immaterial and their exclusion from the scope of consolidation would not hinder a rational judgment regarding the consolidated financial position or results of operations.

Investments in the seven (seven in 2021) investment partnerships, one (one in 2021) subsidiary and one (one in 2021) affiliated company also were not accounted for by the equity method for the year ended March 31, 2022 because their exclusion had no significant effect on the consolidated financial statements.

One (one in 2021) company, of which the Bank owns between 20% and 50% of the voting rights (execution rights), was not recognized as an affiliate accounted for using the equity method for the year ended March 31, 2022 because it is held by the Bank's unconsolidated subsidiary for the purpose of incubating investees or earning capital gains through business transactions and not for the purpose of controlling the entity.

Balance Sheet Date of Subsidiaries

The balance sheet date of all consolidated subsidiaries is March 31, the same as that of the Bank.

Goodwill

Goodwill is amortized using the straight-line method over a period of five years. Goodwill which is immaterial in amount is fully charged as loss when incurred.

(b) Trading Account Securities, Securities and Money Trusts

Trading account securities are stated at fair value (cost of sales is computed by the moving-average method). Gains and losses realized on 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. Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving average method. Investments in affiliated companies that are not accounted for by the equity method are stated at cost determined by the moving average method. Available-for-sale securities are stated at fair value. Unrealized gains and losses on these securities, net of applicable income taxes, are reported as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving average method.

Available-for-sale securities without a market price are stated at cost using the moving average method.

Securities constituting trust assets of money trusts are stated in the same manner as trading account securities.

(c) Derivatives and Hedge Accounting

Derivatives are stated at fair value.

The Bank applies the deferred method of hedge accounting for transactions entered into to hedge the interest rate risks associated with various financial assets and liabilities as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guideline No. 24, March 17, 2022) issued by the Japanese Institute of Certified Public Accountants ("JICPA"). The effectiveness of the hedges is assessed for each identified group of hedged loans and securities and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

The Bank applies the deferred method of hedge accounting for transactions entered into to hedge foreign exchange risks associated with various foreign currency-denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In addition to the above methods, the Bank applies the fair value hedge method to portfolio hedges for foreign exchange risks associated with foreign securities, except for bonds, identified as hedged items in advance as long as the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the acquisition cost of the hedged foreign securities in foreign currency.

(d) Tangible Fixed Assets

Tangible fixed assets owned by the Bank and its consolidated subsidiaries are stated at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the asset. For the Bank, estimated useful lives are mainly as follows:

Buildings.....	4 to 40 years
Other.....	2 to 20 years

For consolidated subsidiaries, the useful life of an asset is mainly based on the Corporation Tax Law of Japan.

Lease assets with respect to finance leases that do not transfer ownership of the lease assets and are recorded in "Tangible fixed assets" are depreciated using the straight-line method over the term of the lease, assumed to be the useful life, with a salvage value of zero or the guaranteed amount.

(e) Intangible Fixed Assets

Intangible fixed assets are depreciated using the straight-line method. Costs of software for the Bank's internal use are amortized based on the useable period determined by the Bank (five years).

(f) Foreign Currency Translation

The Bank's assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(g) Reserve for Possible Loan Losses

The Bank writes off loans and makes 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 the portion estimated to be recoverable due to security interests or guarantees.

For large borrowers who are likely to become bankrupt and borrowers with restructured loans, if the cash flows from the collection of principal and interest can be reasonably estimated, a reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans.

For unsecured and unguaranteed portions of loans to customers not presently in these circumstances but who face a high probability of so becoming, 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 other loans such as normal loans and loans requiring special attention, the estimated loss for the average remaining term on loans and other transactions or the estimated loss over the next three years is recorded, and these estimated losses are calculated by using the loss ratio, derived from the average rate for the Bank's actual rate of loan losses for a fixed past period based on the three-year historical default rate or the past average rate with the long-term perspective such as business cycles, and adding to that the necessary corrections for future estimates. A specific reserve for loans to borrowers in certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans.

Assessment and classification are conducted by each business department and Credit Supervision Department utilizing the internal rules on self-assessment of assets and audited by the Risk Management Department (an independent department). The reserve for possible loan losses is provided based on the auditing results.

Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on historical loan loss ratios and for certain doubtful claims in the amount deemed uncollectable based on individual assessments.

(h) Accrued Employees' Bonuses

Accrued employees' bonuses are provided for the future payment of bonuses to employees in the amounts of the estimated bonuses attributable to the current fiscal year.

(i) Accrued Directors' Bonuses

Accrued directors' bonuses of the Bank's consolidated subsidiaries are provided for the payment of bonuses to directors and corporate auditors based on an estimated amount.

(j) Reserve for Directors' Retirement Benefits

The Bank's consolidated subsidiaries provide for severance and retirement benefits to directors and corporate auditors based on the required amounts determined by internal regulations.

(k) Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits is provided for reimbursement of deposits that were derecognized from liabilities and credited to income. The amount is determined based on the Bank's historical reimbursement ratio for such accounts.

(l) Reserve for Point Program

A reserve for the point program is provided for the accumulation of points granted to credit card holders. The amount of reserve is determined based on the past usage ratio of points by card holders.

(m) Reserve Under Special Laws

A 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 Order on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other transactions.

(n) Accounting for Employees' Severance and Retirement Benefits

In determining projected benefit obligation, the estimated amount of retirement benefits is attributed to periods based on a benefit formula basis.

Prior service cost of the cash balance pension plans is recognized as expense using the straight-line method over 10 years, which is within the average of the estimated remaining service years, commencing with the period in which it arises.

Actuarial gains and losses are recognized as expenses using the straight-line method over 10 years, which is within the average of the estimated remaining service years, commencing with the following period.

In calculating the liability for retirement benefits and retirement benefit expenses, the consolidated subsidiaries apply a simplified method under which the amount that would be required to be paid if all the employees voluntarily retired at the fiscal year end is regarded as projected benefit obligation.

(o) Recognition of Revenue and Expenses

(1) Finance leases

As lessor:

Income from finance leases and related leasing costs are recognized when lease payments are received.

(2) Revenue from contracts with customers

The Bank and its consolidated subsidiaries recognize revenue from contracts with customers applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Bank and its consolidated subsidiaries, which provide services related to a wide range of the banking business such as domestic exchange, sales of customers' assets in custody and investment banking business, recognize revenue when satisfying a performance obligation based on contracts with customers.

(p) Income Taxes

Deferred income taxes are recognized for loss carryforwards and taxable temporary differences between carrying amounts for financial reporting purposes and tax bases. In Japan, income taxes applicable to the Bank and its consolidated subsidiaries consist of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local).

(q) Accounting Policy for Loss/Gain on Cancellation of Securities Investment Trusts

The Bank records loss/gain on cancellation during the period of securities investment trusts in interest and dividends on securities. If a negative amount arises for interest and dividends on securities for a particular yen-denominated securities investment trust or foreign-currency-denominated securities investment trust, the full negative amount is recorded in loss on redemption of bonds.

(r) Consumption Taxes

Any non-deductible consumption taxes associated with asset purchases are recorded as expense during the fiscal year.

(s) Per Share Information

Basic 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 outstanding stock options were exercised. Diluted net income per share of common stock assumes the full exercise of the outstanding stock options at the beginning of the year or at the time of the grant.

3. Significant Accounting Estimates

The following describes possible significant impacts that may occur in the consolidated financial statements for the following fiscal year as a result of amounts being recorded in the consolidated financial statements for the fiscal year under review based on accounting estimates.

Reserve for Possible Loan Losses

Credit services are the largest source of revenue for the Group, and credit risk assets such as loans and bills discounted, and customers' liabilities for acceptances and guarantees constitute a high level of materiality on the consolidated balance sheet, and their impact on business results and financial position is large. Accordingly accounting estimates for such are deemed to be items of significance.

(a) Amounts Recorded on the Consolidated Financial Statements for the Fiscal Year Under Review

The reserve for possible loan losses recorded on the consolidated balance sheet as of March 31, 2022 and 2021 was ¥52,172 million (\$467,276 thousand) and ¥46,291 million, respectively, and the details related to the accounting estimates adopted when calculating that amount are described below.

(b) Information to Facilitate Understanding of the Details Related to the Significant Accounting Estimates for the Identified Items

1) Method for Calculating Amounts

For a description of the methods used to calculate amounts, refer to No 2 (g) "Significant Accounting Policies"- "Reserve for Possible Loan Losses."

The self-assessments of assets described in the "Reserve for Possible Loan Losses" refers to the classification of assets according to the degree of risk of collection or risk of damage to value, which is determined by examining each asset held individually. Appropriate write-offs and provisions are made according to classification of borrowers (normal borrowers, borrowers requiring caution, potentially bankrupt borrowers, effectively bankrupt borrowers, and bankrupt borrowers). Loans that are delinquent for over three months and restructured loans are classified as "substandard loans" and are written off or a provision is made for them.

The Bank determines a borrower's ability to repay loans by considering the borrower's actual financial position, cash flow, profitability, etc., based on the basic rating using a rating model, etc., confirms the borrower's loan conditions and their fulfillment status, and determines the classification of borrowers by

taking into consideration the characteristics of the industry, etc., the prospects for business continuity and profitability, the ability to repay the debt based on the annual repayment amount, the appropriateness of the business improvement plan, etc., and support from financial institutions, etc.

Among the borrowers whose lending conditions have been relaxed, loans and bills discounted to such borrowers are not considered to be restructured loans if the borrowers have started to restructure its business through the implementation of financial support in accordance with a drastic business restructuring plan that is highly feasible and a reasonable and highly feasible business improvement plan.

In addition, the Bank manages loans and bills discounted managed by the Structured Finance Center and the International Department, such as structured finance including marketable loans and loans to non-Japanese entities, as Headquarters Loans and bills discounted, and the Bank bases its determination of the classification of the borrowers by comprehensively taking into account all factors including not only formal aspects such as the borrower's cash flow status, whether the borrower is delinquent and the length of any delinquency, and whether the borrower is in legal liquidation or not, but also the understanding of risk factors, analyzing the degree of risk, and available information such as external ratings.

2) Major Assumptions Used for Significant Accounting Estimates

Based on the assumption that there is a certain relationship between the historical default ratio and the expected future credit loss ratio, the Bank calculates the allowance for expected credit loss on loans to normal borrowers and loans to borrowers requiring caution mainly by calculating the credit loss ratio based on the average of the historical default ratio over a certain period of time, which is based on the historical defaults for three years or the past average value with the long-term perspective such as business cycles, and then calculating the expected credit loss ratio after taking into account necessary adjustments such as the average remaining term on loans and bills discounted (The average remaining period for the fiscal years ended March 31, 2022 and 2021 were 5.32 years and 5.04 years, respectively, for normal borrowers; 4.02 years and 3.57 years, respectively, for borrowers requiring caution). The Bank calculates the allowance for expected credit loss on loans to potentially bankrupt borrowers by deducting the estimated amount receivable through the disposal of collateral and the estimated amount that can be collected through guarantees from the amount of the credit loss, and multiplying the remaining amount by the expected credit loss ratio based on the historical default ratio.

As stated in 1) Method for Calculating Amounts, in cases where a borrower whose loan conditions have been relaxed has started to restructure its business through the implementation of financial support in accordance with drastic management restructuring plan that is highly feasible and a reasonable and feasible business improvement plan, the loans and bills discounted to such borrowers are not considered to be restructured loans.

As of March 31, 2022, it was assumed that the impact of COVID-19 would continue for a certain period of time, and reserve for possible loan losses was recorded after determining the classification of the borrowers, giving consideration to the results of examination based on information currently available to the Bank, such as the future trends of the industries that will be significantly affected under this assumption, forecasts for the business recovery of individual borrowers that are impacted, and expected achievement of business improvement plans etc., created by the borrowers.

3) Impact on Consolidated Financial Statements in the Following Fiscal Year

The major assumptions used when determining the classification of the borrowers and calculating the reserve for possible loan losses such as assumptions on the correlating relationship between the historical default rate and the expected loss rate, the average remaining term on loans and bills discounted, the feasibility of

business improvement plan created by the borrowers and the impact of COVID-19, include uncertainties, and if there is an unexpected increase in the default rate due to deteriorated business conditions for major borrowers, extensions on the remaining term on loans and bills discounted, changes to the business environment that form the basis of assumption for figures in business improvement plans created by the borrowers, or if the impact of COVID-19 is worse than anticipated, the amount of loss may increase due to the need to increase the reserve for possible loan losses.

4. Changes in Accounting Policies

Adoption of Accounting Standard for Revenue Recognition, etc.

The Bank has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc., from the beginning of the fiscal year ended March 31, 2022. The Bank recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods and services.

The Bank has adopted the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively adopting the new accounting policies to prior periods is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022, with the new accounting policies adopted from the beginning balance. No effect on retained earnings at the beginning of the fiscal year ended March 31, 2022 was recognized due to this change. In addition, the effect on the consolidated financial statements was immaterial.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on revenue recognition for the fiscal year ended March 31, 2021 are not presented.

Adoption 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 "Fair Value Measurement Accounting Standard"), etc., from the beginning of the year ended March 31, 2022. With respect to fair value adjustment method in the fair value measurement of derivative transactions, the Bank has changed it to a method that makes the best use of observable inputs estimated from derivatives, etc., traded in markets in accordance with Paragraph 8 of the Fair Value Measurement Accounting Standard. The said change was due to the adoption of the Fair Value Measurement Accounting Standard, and the cumulative effect of retrospectively adopting the new accounting policies to prior periods has been adjusted to retained earnings at the beginning of the year ended March 31, 2022, with the new accounting policies adopted from the beginning balance in accordance with the transitional treatment provided for in the additional clause in Paragraph 20 of the Fair Value Measurement Accounting Standard. Accordingly, retained earnings, other assets and deferred tax liabilities at the beginning of the year ended March 31, 2022 decreased by ¥335 million (\$2,737 thousand), ¥483 million (\$3,946 thousand) and ¥147 million (\$1,201 thousand), respectively. The effect on the consolidated financial statements was immaterial.

In addition, the Bank prospectively adopts the new accounting policies stipulated by the Fair Value Measurement Accounting Standard, etc., in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

Apart from the above, the Bank includes notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the fiscal year ended March 31, 2021 are not presented.

5. New Accounting Standards to Be Applied

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

(a) Overview

The treatment of fair value measurement of investment trusts and its notes, as well as the treatment of notes on fair value of investments in partnerships, etc., for which equity interests are recorded on a net basis on the balance sheet have been established.

b) Scheduled Date of Application

These ASBJ guidance will be applied at the start of the fiscal year beginning on April 1, 2022.

c) Effects of Application of the Accounting Standard, etc.

The effects of the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement on the consolidated financial statements are minor.

6. Changes in Presentation

Dividend income of group credit life insurance, etc., into which the Bank entered had been recorded in "Other income" in the prior periods. However, as a result of taking into account the fact that the contracts related to insurance premium and dividend income of group credit life insurance have been changed and dividend income has been increasing the Bank has determined that it would be more appropriate to record the amount of insurance premium less dividend income as expenses from the perspective of presenting insurance premium to be borne by the Bank. Accordingly, it has been deducted from "Fees and commissions" from the fiscal year ended March 31, 2022.

In order to reflect this change, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified. As a result, "Other income" of ¥9,648 million and "Fees and commissions" of ¥4,281 million in the consolidated statement of income for the fiscal year ended March 31, 2021 were changed to ¥8,973 million and ¥3,605 million, respectively.

7. Securities

Securities include investments in interests and equity securities of unconsolidated subsidiaries and affiliates in the amounts of ¥2,526 million (\$20,638 thousand) and ¥108 million (\$882 thousand) as at March 31, 2022 and ¥2,650 million and ¥108 million as at March 31, 2021.

The amounts shown in the following tables include trust certificates classified as "Other debt purchased" and "Trading account securities" in addition to "Securities" stated in the consolidated balance sheet.

The amounts of liabilities for guarantees on corporate bonds included in securities issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) were ¥101,798 million (\$831,750 thousand) and ¥100,209 million as at March 31, 2022 and 2021, respectively.

(1) Trading account securities

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
	2022		2022
Amount of net unrealized gains (losses) included in the consolidated income statements.....	¥	(16)	¥ (3) \$ (130)

(2) The following tables summarize acquisition costs and carrying amounts (fair value) of available-for-sale securities with available fair values as of March 31, 2022 and 2021:

Type	Millions of Yen		
	2022		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	¥ 111,731	¥ 52,739	¥ 58,991
Bonds	1,015,527	1,001,114	14,412
Japanese government bonds.....	477,108	466,690	10,417
Japanese municipal bonds	373,108	370,058	3,050
Japanese corporate bonds	165,309	164,365	944
Other	275,641	222,522	53,118
Foreign bonds	131,488	129,547	1,941
Other	144,152	92,975	51,176
Subtotal	¥ 1,402,899	¥ 1,276,376	¥ 126,522

Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	¥ 11,858	¥ 14,091	¥ (2,233)
Bonds	735,797	746,328	(10,531)
Japanese government bonds.....	206,242	212,392	(6,149)
Japanese municipal bonds	381,693	385,206	(3,513)
Japanese corporate bonds	147,861	148,729	(868)
Other	328,240	344,387	(16,146)
Foreign bonds	272,470	285,889	(13,419)
Other	55,770	58,497	(2,727)
Subtotal	1,075,895	1,104,807	(28,911)
Total.....	¥ 2,478,795	¥ 2,381,183	¥ 97,611

Thousands of U.S. Dollars

Type	2022		
	Carrying amount	Acquisition cost	Difference
	Available-for-sale securities whose fair value exceeds acquisition cost:		
Equity securities.....	\$ 912,909	\$ 430,909	\$ 481,991
Bonds	8,297,467	8,179,704	117,754
Japanese government bonds.....	3,898,259	3,813,138	85,113
Japanese municipal bonds	3,048,517	3,023,596	24,920
Japanese corporate bonds	1,350,674	1,342,961	7,713
Other	2,252,152	1,818,138	434,006
Foreign bonds	1,074,336	1,058,476	15,859
Other	1,177,808	759,661	418,138
Subtotal	\$ 11,462,529	\$ 10,428,760	\$ 1,033,760

Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	\$ 96,887	\$ 115,131	\$ (18,244)
Bonds	6,011,904	6,097,949	(86,044)
Japanese government bonds.....	1,685,121	1,735,370	(50,241)
Japanese municipal bonds	3,118,661	3,147,364	(28,703)
Japanese corporate bonds	1,208,113	1,215,205	(7,092)
Other	2,681,918	2,813,849	(131,922)
Foreign bonds	2,226,243	2,335,885	(109,641)
Other	455,674	477,955	(22,281)
Subtotal	8,790,710	9,026,938	(236,220)
Total.....	\$ 20,253,247	\$ 19,455,698	\$ 797,540

Type	Millions of Yen		
	2021		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	¥ 125,208	¥ 59,543	¥ 65,664
Bonds	1,359,396	1,334,347	25,048
Japanese government bonds.....	508,227	492,072	16,154
Japanese municipal bonds	609,065	601,931	7,133
Japanese corporate bonds	242,103	240,344	1,759
Other	420,708	356,973	63,734
Foreign bonds	267,467	259,301	8,166
Other	153,240	97,672	55,567
Subtotal	¥ 1,905,312	¥ 1,750,865	¥ 154,447

Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	¥ 9,739	¥ 10,632	¥ (893)
Bonds	439,871	444,858	(4,986)
Japanese government bonds.....	237,443	241,253	(3,809)
Japanese municipal bonds	138,870	139,736	(866)
Japanese corporate bonds	63,557	63,868	(310)
Other	235,853	245,241	(9,388)
Foreign bonds	174,333	181,865	(7,531)
Other	61,519	63,375	(1,856)
Subtotal	685,464	700,731	(15,267)
Total.....	¥ 2,590,777	¥ 2,451,597	¥ 139,179

(3) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as of March 31, 2022 and 2021:

Held-to-maturity debt securities

Type	Millions of Yen		
	2022		
	Carrying amount	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds carrying amount:			
Japanese government bonds	¥ 11,398	¥ 11,542	¥ 144
Subtotal	¥ 11,398	¥ 11,542	¥ 144
Total	¥ 11,398	¥ 11,542	¥ 144

Type	Thousands of U.S. Dollars		
	2022		
	Carrying amount	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds carrying amount:			
Japanese government bonds	\$ 93,128	\$ 94,305	\$ 1,176
Subtotal	\$ 93,128	\$ 94,305	\$ 1,176
Total	\$ 93,128	\$ 94,305	\$ 1,176

Type	Millions of Yen		
	2021		
	Carrying amount	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds carrying amount:			
Japanese government bonds	¥ 11,398	¥ 11,643	¥ 244
Subtotal	¥ 11,398	¥ 11,643	¥ 244
Total	¥ 11,398	¥ 11,643	¥ 244

(4) The Bank recognized impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥132 million (\$1,078 thousand) in the year ended March 31, 2022, and impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥149 million and ¥150 million, respectively, in the year ended March 31, 2021.

Impairment loss on securities other than trading account securities, excluding Equity securities, etc., without a market price and investments in partnerships, is recognized for the full amount of loss when the loss is 50% or more of the acquisition cost. For loss between 30% and 50% of the acquisition cost, impairment is determined by the possibility of recovery, with consideration for the trends in market values during the past year.

(5) Total sales of available-for-sale securities for the years ended March 31, 2022 and 2021 were as follows:

Type	Millions of Yen		
	2022		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 40,273	¥ 6,039	¥ 2,752
Bonds	280,291	5,487	3,248
Japanese government bonds	272,773	5,467	3,248
Japanese municipal bonds	7,122	18	—
Japanese corporate bonds	395	1	—
Other	478,396	7,674	10,121
Foreign bonds	441,082	4,122	9,826
Other	37,314	3,551	294
Total	¥ 798,961	¥ 19,200	¥ 16,122

Type	Thousands of U.S. Dollars		
	2022		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	\$ 329,054	\$ 49,342	\$ 22,485
Bonds	2,290,146	44,832	26,538
Japanese government bonds	2,228,719	44,668	26,538
Japanese municipal bonds	58,191	147	—
Japanese corporate bonds	3,227	8	—
Other	3,908,783	62,701	82,694
Foreign bonds	3,603,905	33,679	80,284
Other	304,877	29,013	2,402
Total	\$ 6,527,992	\$ 156,875	\$ 131,726

Type	Millions of Yen		
	2021		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 23,615	¥ 4,626	¥ 1,021
Bonds	149,358	1,124	686
Japanese government bonds	144,322	1,002	686
Japanese municipal bonds	—	—	—
Japanese corporate bonds	5,035	122	—
Other	182,204	3,978	2,734
Foreign bonds	155,074	2,349	2,152
Other	27,129	1,628	581
Total	¥ 355,177	¥ 9,729	¥ 4,442

8. Money Trusts

(1) Money trusts as a type of trading account securities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
	Carrying amount (fair value)	¥ 23,000	¥ 23,000
Amount of net unrealized gains (losses) included in the consolidated income statements	—	—	—

(2) Money trusts, other than for investment purposes or held-to-maturity purposes as at March 31, 2022 and 2021 were as follows:

	Millions of Yen				
	2022				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 4,600	¥ 4,600	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars				
	2022				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	\$ 37,584	\$ 37,584	\$ —	\$ —	\$ —

	Millions of Yen				
	2021				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 4,300	¥ 4,300	¥ —	¥ —	¥ —

9. Net Unrealized Gains and Losses on Available-for-sale Securities

Net unrealized gains on available-for-sale securities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
	Net unrealized gains on available-for-sale securities	¥ 97,088	¥ 138,656
Deferred tax liabilities	(29,480)	(42,082)	(240,869)
Net unrealized gains on available-for-sale securities before adjustment for non-controlling interests, net of taxes	67,608	96,574	552,398
Non-controlling interests	—	—	—
Net unrealized gains on available-for-sale securities, net of taxes	¥ 67,608	¥ 96,574	\$ 552,398

10. Loans and bills discounted, Other assets

Loans based on the Banking Act and the Law concerning Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are defined as corporate bonds included in "Securities" in the consolidated balance sheet (the whole or part of the redemption of the principal and payment of interest are guaranteed and limited to the corporate bonds issued through private placement of the securities (as provided for by Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans, foreign exchange, those which are included in the accounts of accrued interest and temporary payments under other assets and customers' liabilities for acceptances and guarantees and lent securities (limited to loan contract for use or lease contracts).

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
	Loans in Bankruptcy/rehabilitation or similar proceedings	¥ 21,901	¥ 23,244
Loans at risk	46,786	38,675	382,269
Loans past due three months or more but less than six months ...	650	833	5,310
Restructured loans	27,659	30,343	225,990
Total	¥ 96,998	¥ 93,096	\$ 792,532

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, petition for rehabilitation proceedings, etc.

Risk loans are loans whose principal and interest are not likely to be collected pursuant to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not gone bankrupt, and do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings.

Loans past due three months or more but less than six months are loans whose payment of principal and/or interest is past due for three months or more from the due date, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings, or Loans at risk.

Restructured loans are loans whose terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, by providing a grace period for the payment of principal or interest, or by loan forgiveness, and are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for possible loan losses.

Changes in presentation

Following the enforcement of the "Cabinet Office Ordinance for Partial Revision of the Regulation for Enforcement of the Banking Act" (Cabinet Office Ordinance No. 3, January 24, 2020) effective on March 31, 2022, the categories of "Risk management loans" of the Banking Act are presented in accordance with the disclosure requirements based on the Law concerning Emergency Measures for the Revitalization of the Financial Functions.

Bills discounted such as commercial bills discounted and foreign exchanges bought are accounted for as financial transactions in accordance with the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022). The Bank has the right to sell or pledge (re-pledge) commercial bills discounted and foreign exchange bought without restriction. The total face amount of such instruments as at March 31, 2022 and 2021 was ¥15,479 million (\$126,472 thousand) and ¥16,373 million, respectively.

The amount of loan participation recorded in the consolidated balance sheet and included in participated principals that were accounted for as loans to original debtors in accordance with "Accounting Treatment and Representation of Loan Participation" (JICPA Accounting System Committee Report No. 3, November 28, 2014), was ¥1,341 million (\$10,956 thousand) and ¥1,296 million as at March 31, 2022 and 2021, respectively.

11. Commitment Lines

Commitment line agreements are loan agreements that oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries make loans upon the request of an obligor to draw down funds as long as there is no breach in the various terms and conditions stipulated in the relevant agreement. The total unused commitment line balance related to these agreements as at March 31, 2022 and 2021 amounted to ¥1,613,796 million (\$13,185,685 thousand) and ¥1,629,855 million, respectively. Of these amounts, ¥1,484,842 million (\$12,132,053 thousand) for 2022 and ¥1,503,729 million for 2021 were related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

With many of these commitment line agreements, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment does not necessarily affect future cash flows. In certain loan agreements, conditions are included that allow the Bank and its consolidated subsidiaries either to decline the request to drawdown the loan or to reduce the agreed limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank and its consolidated subsidiaries' credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral such as real estate or securities when signing a loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

12. Tangible Fixed Assets

Tangible fixed assets as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Land	¥ 18,895	¥ 19,473	\$ 154,383	
Buildings	10,701	11,227	87,433	
Lease assets	1,831	2,082	14,960	
Other tangible fixed assets	5,376	5,915	43,925	
Construction in progress.....	50	67	408	
Total.....	¥ 36,855	¥ 38,766	\$ 301,127	

Accumulated depreciation as at March 31, 2022 and 2021 was ¥81,304 million (\$664,302 thousand) and ¥80,597 million, respectively. The amounts that were directly offset against acquisition costs as at March 31, 2022 and 2021 were ¥4,981 million (\$40,697 thousand) and ¥5,082 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as "Losses on impairment of fixed assets" for the years ended March 31, 2022 and 2021 as follows:

		2022		Losses on impairment of fixed assets
	Purpose of Use	Type		
Okayama Prefecture	Branches	10 branches	Land and buildings	¥309
	Idle assets	3 items		
Prefectures other than Okayama	Branches	3 branches	Land and buildings	¥195
	Idle assets	3 items		

		2022		Losses on impairment of fixed assets
	Purpose of Use	Type		
Okayama Prefecture	Branches	10 branches	Land and buildings	\$2,524
	Idle assets	3 items		
Prefectures other than Okayama	Branches	3 branches	Land and buildings	\$1,593

		2021		Losses on impairment of fixed assets
	Purpose of Use	Type		
Okayama Prefecture	Branches	3 branches	Land and buildings	¥ 32
	Idle assets	2 items		
Prefectures other than Okayama	Branches	6 branches	Land and buildings	¥216
	Idle assets	3 items		

Within the Bank, the Group office or branch manages and determines income and expenses, and it is the Group office or branch that is the smallest unit of an asset group for recognition and measurement of impairment loss. Fixed assets that do not have identifiable cash flows, such as the corporate headquarters' facilities, the computer center and recreational facilities, are grouped with other assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually. With regard to the consolidated subsidiaries, each subsidiary is considered as the smallest grouping unit.

For assets in which investments were not expected to be recovered, the Bank and its consolidated subsidiaries reduced the carrying amount for branches, idle assets and assets to be disposed of to the recoverable amount (for the year ended March 31, 2022, the net realizable value for all assets, and for the year ended March 31, 2021, the value in use for one branch of the Bank, and the net realizable value for other assets) and recognized a corresponding loss of ¥505 million (\$4,126 thousand) and ¥249 million as "Losses on impairment of fixed assets" for the years ended March 31, 2022 and 2021, respectively.

The recoverable amount for branches, idle assets and assets to be disposed of was the higher of the net realizable value and the value in use. The net realizable value was based on the appraisal value in accordance with Real Estate Appraisal Standards. The value in use was used to estimate the recoverable amount, with future cash flow discounted by 4%.

13. Intangible Fixed Assets

Intangible fixed assets as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Software.....	¥ 1,027	¥ 1,721	\$ 8,391	
Software in progress	362	620	2,957	
Other intangible fixed assets.....	94	94	768	
Total.....	¥ 1,484	¥ 2,437	\$ 12,125	

14. Pledged Assets

Pledged assets as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Securities	¥ 1,225,738	¥ 741,443	\$10,015,017	
Loans and bills discounted	523,614	—	4,278,241	
Other assets	73	81	596	
Total.....	¥ 1,749,426	¥ 741,525	\$14,293,863	

Liabilities secured by pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Borrowed money.....	¥ 656,830	¥ 268,229	\$ 5,366,696	
Payables under securities lending transactions	588,355	172,747	4,807,214	
Payables under repurchase agreements.....	191,006	129,640	1,560,634	
Deposits	32,234	30,563	263,371	
Total.....	¥ 1,468,427	¥ 601,180	\$11,997,932	

In addition, the following assets were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes as at March 31, 2022 and 2021:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Securities	¥ 21,436	¥ 21,521	\$ 175,145	
Trading account securities	99	111	808	
Other assets.....	25	—	204	

Other assets included the following items as at March 31, 2022 and 2021:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Initial margins for central counterparty.....	¥ 53,928	¥ 63,743	\$ 440,624	
Cash collateral paid for financial instruments	40,716	13,538	332,674	
Initial margins for futures markets..	1,387	776	11,332	
Guarantee deposits	793	806	6,479	

15. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Deferred tax assets:				
Reserve for possible loan losses...	¥ 15,206	¥ 13,620	\$ 124,242	
Unrealized losses on available-for-sale securities....	8,815	4,656	72,023	
Net defined benefit liability	7,967	9,574	65,095	
Depreciation	3,989	4,906	32,592	
Deferred losses on hedging instruments.....	1,677	3,283	13,702	
Losses on impairment of fixed assets.....	1,276	1,198	10,425	
Write-down of securities.....	753	1,607	6,152	
Accrued employees' bonuses....	515	464	4,207	
Software	435	176	3,554	
Other	1,245	1,529	10,172	
Subtotal	41,882	41,016	342,201	
Valuation allowance	(1,943)	(2,650)	(15,875)	
Total deferred tax assets	39,938	38,366	326,317	
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(38,266)	(46,727)	(312,656)	
Deferred gains on hedges	(1,410)	(948)	(11,520)	
Reserve for advanced depreciation of tangible fixed assets.....	(235)	(235)	(1,920)	
Other	(12)	(0)	(98)	
Total deferred tax liabilities	(39,924)	(47,911)	(326,203)	
Net deferred tax assets (liabilities)....	¥ 14	¥ (9,545)	\$ 114	

Reconciliation between the statutory tax rate and the effective tax rate of the Bank for the year ended March 31, 2022 was as follows:

	2022
Statutory tax rate:	30.5%
Permanent differences due to non-deductible expenses such as entertainment expenses	0.2%
Permanent differences due to non-taxable income such as dividend income	(0.9)%
Changes in valuation allowance	(2.9)%
Other	0.7%
Effective tax rate	27.6%

Note: Figures for reconciliation between the statutory tax rate and the effective tax rate of the Bank for the years ended March 31, 2021 has been omitted as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

16. Borrowed Money, Commercial Paper and Other Liabilities

Borrowed money, commercial paper and other liabilities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Borrowed money	¥ 674,134	¥ 286,194	\$ 5,508,080
Commercial paper	55,017	54,228	449,522
Lease liabilities (due within one year) ...	218	220	1,781
Lease liabilities (due after one year)	1,360	1,576	11,112

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

	2022	2021
Borrowed money	0.074%	0.078%
Commercial paper	0.655%	0.300%
Lease liabilities (due within one year)	—	—
Lease liabilities (due after one year)	—	—

Note: The weighted average interest rate is not shown for lease liabilities because the Bank uses a method that includes amounts equal to the interest in the total capital lease liabilities and that spreads the total amount equal to interest equally over each fiscal year of the lease period.

Borrowed money classified by maturity as at March 31, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Less than one year	¥ 661,811	¥ 273,032	\$ 5,407,394
From one to two years	4,128	3,843	33,728
From two to three years	3,124	3,074	25,524
From three to four years	2,285	2,451	18,669
From four to five years	1,027	1,325	8,391
Over five years	1,757	2,466	14,355
Total borrowed money	¥ 674,134	¥ 286,194	\$ 5,508,080

Commercial paper classified by maturity as at March 31, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Less than one year	¥ 55,017	¥ 54,228	\$ 449,522
Total commercial paper	¥ 55,017	¥ 54,228	\$ 449,522

Lease liabilities classified by maturity as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Less than one year	¥ 218	¥ 220	\$ 1,781
From one to two years	218	218	1,781
From two to three years	216	217	1,764
From three to four years	214	216	1,748
From four to five years	213	214	1,740
Over five years	496	709	4,052
Total lease liabilities	¥ 1,578	¥ 1,796	\$ 12,893

17. Bonds Payable

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Subordinated bond	¥ 10,000	¥ 10,000	\$ 81,706

18. Liability for Employees' Severance and Retirement Benefits (1) Outline of retirement benefit plans

The Bank has defined retirement benefit plans and contribution retirement benefit plans. As for defined retirement benefit plans, the Bank has a corporate pension fund plan and a lump-sum payment plan.

Consolidated subsidiaries mostly provide unfunded lump-sum payment plans. In determining projected benefit obligation, a simplified method has been adopted, and the Bank has set up an employees' retirement benefit trust.

(2) Defined benefit plans

(a) Changes in projected benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Beginning balance of projected benefit obligation	¥ 65,867	¥ 64,909	\$ 538,173
Service cost	1,962	2,019	16,030
Interest cost	129	129	1,054
Actuarial differences	104	1,377	849
Retirement benefits paid	(2,390)	(2,567)	(19,527)
Prior service cost	(4,182)	—	(34,169)
Other	—	—	—
Ending balance of projected benefit obligation	¥ 61,490	¥ 65,867	\$ 502,410

(b) Changes in plan assets for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Beginning balance of plan assets ...	¥ 59,242	¥ 46,664	\$ 484,042
Expected return on plan assets ..	1,313	974	10,728
Actuarial differences	(1,083)	1,443	(8,848)
Contribution from the employer ..	1,499	11,419	12,247
Retirement benefits paid	(1,287)	(1,259)	(10,515)
Other	—	—	—
Ending balance of plan assets	¥ 59,685	¥ 59,242	\$ 487,662

(c) Reconciliation between the ending balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation...	¥ 61,121	¥ 65,481	\$ 499,395
Plan assets	(59,685)	(59,242)	(487,662)
	1,435	6,238	11,724
Unfunded defined benefit obligation	369	385	3,014
Net liability (asset) recorded in the consolidated balance sheet	¥ 1,804	¥ 6,624	\$ 14,739

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net defined benefit liability	¥ 1,804	¥ 6,624	\$ 14,739
Net defined benefit asset	—	—	—
Net liability (asset) recorded in the consolidated balance sheet	¥ 1,804	¥ 6,624	\$ 14,739

(d) The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 1,962	¥ 2,019	\$ 16,030
Interest cost	129	129	1,054
Expected return on plan assets	(1,313)	(974)	(10,728)
Amortization of actuarial differences	1,098	1,319	8,971
Amortization of prior service cost ...	(69)	—	(563)
Other	(3)	0	(24)
Retirement benefit expenses on defined benefit plans	¥ 1,803	¥ 2,493	\$ 14,731

Note: Retirement benefit expenses of consolidated subsidiaries that adopted the simplified method are included in "Service cost."

(e) The components of adjustments for retirement benefits (before tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 4,113	—	\$ 33,605
Actuarial differences	(88)	¥ 1,385	(719)
Total	¥ 4,024	¥ 1,385	\$ 32,878

(f) The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ 4,113	—	\$ 33,605
Unrecognized actuarial differences	(9,093)	(9,005)	(74,295)
Other	—	—	—
Total	¥ (4,980)	¥ (9,005)	\$ (40,689)

(g) Plan assets

1) Components of plan assets
Plan assets consisted of the following:

	2022	2021
Investment trusts	33.2%	13.2%
Equity securities	18.1%	17.3%
Cash and deposits	11.4%	25.6%
Bonds	11.0%	15.3%
General account	7.4%	7.3%
Other	18.9%	21.3%
Total	100%	100%

Note: Total plan assets as at March 31, 2022 and 2021 included an employees' retirement benefit trust established for corporate welfare pension plans that represented 43.3% and 44.5% of the total plan assets respectively. In addition, "Investment trusts," which had been included in "Other" in the year ended March 31, 2021, has been presented separately from the year ended March 31, 2022 to clarify the classification. In order to reflect this change, 13.2 % presented in "Other" in the year ended March 31, 2021 has been reclassified into "Investment trusts."

2) Method used to determine the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined by considering the allocation of plan assets and the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Discount rate	0.200%	0.200%
Long-term expected rate of return	1.946% - 2.530%	2.068% - 2.100%

Note: Since the Bank has applied the benefit formula basis for calculating retirement benefit obligation, the expected rate of salary increase is not taken into consideration.

(3) Amount of retirement benefit expenses for defined contribution plans

The amount of required contribution to the defined contribution plan of the Bank and its consolidated subsidiaries for the years ended March 31, 2022 and 2021 was ¥193 million (\$1,576 thousand) and ¥186 million, respectively.

19. Derivative Transactions

Derivative transactions as at March 31, 2022 and 2021 were as follows:

(1) Derivative transactions to which hedge accounting is not applied

For derivative transactions to which hedge accounting is not applied, the contract amount or corresponding principal amount stipulated by the contract, the fair value, recognized gains (losses) and the method used to calculate fair value by type of transaction as of the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate the market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Millions of Yen			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/receive floating.....	¥ 49,087	¥ 48,687	¥ 386	¥ 386
Pay floating/receive fixed.....	46,320	46,320	(39)	(39)
Total.....	—	—	¥ 346	¥ 346

Type	Thousands of U.S. Dollars			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/receive floating.....	\$ 401,070	\$ 397,802	\$ 3,153	\$ 3,153
Pay floating/receive fixed.....	378,462	378,462	(318)	(318)
Total.....	—	—	\$ 2,827	\$ 2,827

Type	Millions of Yen			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/receive floating.....	¥ 45,448	¥ 43,243	¥ (496)	¥ (496)
Pay floating/receive fixed.....	42,872	41,567	782	782
Total.....	—	—	¥ 286	¥ 286

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Currency-related Derivatives:

Type	Millions of Yen			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥ 544,660	¥ 445,645	¥ 154	¥ 154
Forward foreign exchange				
Sold.....	90,700	64,376	(2,100)	(2,100)
Bought.....	84,413	61,388	3,041	3,041
Currency options				
Sold.....	6,294	3,009	(215)	107
Bought.....	6,294	3,009	215	(59)
Total.....	—	—	¥ 1,095	¥ 1,143

Type	Thousands of U.S. Dollars			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	\$ 4,450,200	\$ 3,641,188	\$ 1,258	\$ 1,258
Forward foreign exchange				
Sold.....	741,073	525,990	(17,158)	(17,158)
Bought.....	689,705	501,576	24,846	24,846
Currency options				
Sold.....	51,425	24,585	(1,756)	874
Bought.....	51,425	24,585	1,756	(482)
Total.....	—	—	\$ 8,946	\$ 9,338

Type	Millions of Yen			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥ 615,652	¥ 485,460	¥ 153	¥ 153
Forward foreign exchange				
Sold.....	65,720	44,977	1,451	1,451
Bought.....	59,471	44,144	(390)	(390)
Currency options				
Sold.....	9,828	3,743	(291)	257
Bought.....	9,828	3,743	291	(191)
NDF				
Sold.....	95	—	(5)	(5)
Bought.....	92	—	7	7
Total.....	—	—	¥ 1,217	¥ 1,283

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Bond-related Derivatives:

Type	Millions of Yen			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	¥ 1,203	¥ —	¥ 5	¥ 5
Total.....	—	—	¥ 5	¥ 5

Type	Thousands of U.S. Dollars			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	\$ 9,829	\$ —	\$ 40	\$ 40
Total.....	—	—	\$ 40	\$ 40

Type	Millions of Yen			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	¥ 302	¥ —	¥ (0)	¥ (0)
Total.....	—	—	¥ (0)	¥ (0)

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

(2) Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, the contract amounts or corresponding principal amounts stipulated by the contract, the fair value, the method used to calculate fair value by type of transaction and the hedge accounting method as of the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate the market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Hedged items	Millions of Yen		
		Contract amount	Over 1 year	Fair value
2022				
The deferral method of hedge accounting				
Interest rate swaps	Loans and bills discounted and available-for-sale securities (bonds)	¥ 350,943	¥ 242,819	¥ (924)
Pay fixed/receive floating		—	—	¥ (924)
Total.....		—	—	¥ (924)

Thousands of U.S. Dollars

Type	Hedged items	2022		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Interest rate swaps	Loans and bills discounted and available-for-sale securities (bonds)	\$ 2,867,415	\$ 1,983,977	\$ (7,549)
Pay fixed/receive floating		—	—	\$ (7,549)
Total.....		—	—	\$ (7,549)

Millions of Yen

Type	Hedged items	2021		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Interest rate swaps	Loans and bills discounted and available-for-sale securities (bonds)	¥ 282,904	¥ 273,690	¥ (6,902)
Pay fixed/receive floating		—	—	¥ (6,902)
Total.....		—	—	¥ (6,902)

Note: The deferral method of hedge accounting was applied to the above transactions in accordance with the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022).

Currency-related Derivatives:

Type	Hedged items	Millions of Yen		
		Contract amount	Over 1 year	Fair value
2022				
The deferral method of hedge accounting				
Fund-related swaps	Call loans	¥ 83,219	¥ —	¥ 555
Currency swaps.....	Loans	316,756	228,935	(503)
Total.....		—	—	¥ 51

Thousands of U.S. Dollars

Type	Hedged items	2022		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	\$ 679,949	\$ —	\$ 4,534
Currency swaps.....	Loans	2,588,087	1,870,536	(4,109)
Total.....		—	—	\$ 416

Millions of Yen

Type	Hedged items	2021		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	¥ 22,332	¥ —	¥ (3)
Currency swaps.....	Loans	315,065	223,634	(749)
Total.....		—	—	¥ (752)

Note: The deferral method of hedge accounting was applied to the above transactions in accordance with the "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020).

20. Lease Transactions

Information about operating leases as at March 31, 2022 and 2021 was as follows:

As lessee:

Obligations under operating leases that were not cancellable as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Due within one year	¥ 36	¥ 122	\$ 294	
Due after one year	—	27	—	
Total	¥ 36	¥ 150	\$ 294	

21. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Net unrealized gains (losses) on available-for-sale securities:				
Increase (decrease) during the year	¥ (39,286)	¥ 53,089	\$ (320,990)	
Reclassification adjustments	(2,281)	(4,892)	(18,637)	
Subtotal, before tax	(41,568)	48,196	(339,635)	
Tax benefit or (expense)	12,602	(14,610)	102,965	
Subtotal, net of tax	(28,965)	33,586	(236,661)	
Net deferred gains on hedging instruments:				
Increase during the year	4,138	4,865	33,809	
Reclassification adjustments	2,644	3,963	21,603	
Subtotal, before tax	6,782	8,829	55,413	
Tax benefit or (expense)	(2,068)	(2,692)	(16,896)	
Subtotal, net of tax	4,713	6,136	38,508	
Adjustments for retirement benefits:				
Increase during the year	2,995	66	24,470	
Reclassification adjustments	1,029	1,319	8,407	
Subtotal, before tax	4,024	1,385	32,878	
Tax benefit or (expense)	(1,227)	(422)	(10,025)	
Subtotal, net of tax	2,797	963	22,853	
Total other comprehensive income	¥ (21,454)	¥ 40,685	\$ (175,292)	

22. Financial Instruments

(1) Information about Status of Financial Instruments

(a) Policies for using financial instruments

The Group is engaged in financial services, primarily the banking business. The Group's core business of banking is mainly financing through deposit-taking operations and investing funds through its loan and securities investment operations.

The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest and exchange rates related to assets and liabilities held by the Bank as well as the risk of fluctuation in the market prices of bonds, stocks and other investment instruments held by the Bank. In addition, the Bank provides hedging services to customers in accordance with their needs.

(b) Details of financial instruments used and the exposure to risks and how they arise

The financial assets held by the Group consist primarily of loans to corporations, local public organizations, local public corporations and individuals in Japan. The Group's loans are categorized into bills discounted, loans on bills, loans on deeds and overdrafts. These loans are subject to the "credit risk" of decline in value or loss due to changes in the financial status of those to whom credit is provided and to the "interest rate risk" of decline in value due to changes in interest rates.

Among other financial assets, the Bank holds securities, trading account securities and other debt purchased, which mainly comprise Japanese stocks and bonds and foreign bonds and trust certificates. The purpose of these instruments include holding to maturity, investment and business development. As financial assets, they are subject to various types of risk. These include the credit risk of the issuer, interest rate risk, which is the risk that the value of the assets may decline due to changes in the prices of securities or other assets ("price fluctuation risk") and the risk of loss incurred if exchange rates differ from original expectations ("exchange rate risk"). Moreover, the Bank's financial assets are subject to the risk that the Bank might not be able to make trades due to turmoil, etc., in the marketplace or be unable to avoid making trades at prices that are more notably disadvantageous than usual ("liquidity risk"). Note that interest rate, price fluctuation and exchange rate risks are collectively known as "market risk."

The Bank also holds financial liabilities in the form of deposits and negotiable certificates of deposit, which are chiefly deposits held in yen or a foreign currency by corporations, local public organizations, local public corporations and individuals in Japan. These deposits are categorized into current deposits, ordinary deposits, saving deposits, deposits at notice, time deposits, installment time deposits, deposits for tax payment, non-resident yen deposits, foreign currency deposits and deposits for offshore accounts. The deposits are subject to the interest rate risk as well as the risk of loss arising from the Bank having difficulty in raising necessary funds or being forced to raise funds at significantly higher interest rates than usual in the event of a shortage of capital due to a mismatch in the terms of the Bank's deposits and its investment portfolio of loans and securities or an unexpected run on the Bank's deposits ("funding risk").

Derivative transactions include interest rate-related transactions (swaps and caps), currency-related transactions (swaps, options, forward exchange contracts and non-deliverable forwards), bond-related transactions (bond futures and bond options), stock-related transactions (stock futures and stock options) and credit derivative transactions (credit default swaps). The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest or exchange rates related to assets and liabilities held by the Bank and fluctuations in the market prices of bonds, stocks and other investment instruments held by the Bank. The Bank also provides hedging services to customers in accordance with their needs. Although the Bank uses derivative transactions to capture short-term gains in assets for trading purposes, any possible loss on these derivative transactions is limited by maintaining a fixed position quota and capping allowed losses.

Of the above-mentioned derivative transactions, used for hedging purposes are carried out in accordance with the hedging policies (reduction of interest risk, etc.) stipulated in the Bank's internal operating regulations and include interest rate swaps for loans and securities and currency swaps for foreign-currency-denominated securities and deposits. In evaluating the effectiveness of hedges, the Bank groups together the loans and interest rate swaps used for market value hedges by the specific term (remaining) of the positions to determine performance. In some cases, the Bank also assesses the

effectiveness of market value hedging instruments on an individual basis. The Bank uses currency swaps and other methods to hedge exchange rate risks and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign-currency-denominated monetary assets or liabilities being hedged.

(c) Policies and processes for managing risk

1) Credit Risk Management

Credit risk refers to loss incurred when the value of assets (including off-balance-sheet assets) declines or becomes worthless due to changes in the financial status of those to whom credit is provided.

The Bank's basic credit risk management policy is to ensure, within the scope of its management capabilities, that the Bank carries out transactions that can secure a return while managing the credit risks of the diverse transactions of each of its divisions and business sections using credit risk assessment and management methods that suit the special characteristics of each transaction in order to maintain a sound asset structure. The Bank carries out its credit risk management based on its Credit Risk Management Standards, which stipulate the structure and systems for credit risk management and various detailed management methods provided for in the Bank's operating regulations.

Based on this framework, the Credit Rating Center and Credit Supervision Department manage the risks of the individual loans of the operational divisions (branches and loan sales departments at the headquarters). The Compliance & Risk Management Department, which is completely independent of the Credit Supervision Department and the operational divisions, is responsible for managing overall credit risk. The Bank has also established an auditing system for credit risk, appointing a Credit Screening Supervisor in the Audit & Inspection Department who is responsible for conducting internal audits for credit risk.

Credit risk management entails determining the overall condition of the customer's business through credit ratings, assessments and other methods. This information is used to carry out credit screening for individual loans, administer the loans after they have been extended and determine write-offs and reserves. From the perspective of loan portfolio management, the Bank strives to strengthen the control of credit risk and its ability to earn stable income by monitoring the loan balance composition and degree of credit risk and cost adjusted income, etc.

In addition, risk managers verify that the calculated degree of credit risk is within the credit risk limits set under the credit risk management plan, conduct stress tests to assess the Bank's degree of capital adequacy and report results regularly to the Board of Directors and other management bodies.

With credit concentration risk, the credit status is monitored and managed by debtor, industry and country and reported to the Board of Directors and other management bodies on a regular basis.

In addition, to strengthen its credit control over large accounts, the Bank has established the Large Account Credit Committee as part of its systematic measures.

2) Market Risk Management

Market risk refers to the risk of incurring loss from fluctuations in profits arising from assets and liabilities and the risk of incurring loss from fluctuations in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in market risk factors such as interest rates, exchange rates and share prices.

The Bank's basic risk management policy for market risk is to determine and analyze the risk from the point of view of fluctuations in both present

value and net interest income and to assess the risk from various angles using stress tests and other methods. The Bank carries out its market risk management based on its Market Risk Management Standards, which stipulate the framework and systems for market risk management and various detailed management methods provided for in the Bank's operating regulations.

The structure for market risk management is divided into the business operations division (front office) and the administrative division (back office). We have also established a risk management division (middle office). Together, these serve as reciprocal restraints.

Trading limits and loss limits have been set for trading operations, the goal of which is to earn trading profit from buying and selling securities in market operations. The limits are managed to ensure that losses in excess of a certain amount do not occur. Banking operations (investment securities) are managed for risk by taking the risk-return balance into consideration through ALM analysis, Value at Risk (VaR) analysis and other means to ensure stable profits over the medium- to long-term. The Bank has also established a system for the flexible management of market risk as well as credit risk and liquidity risk related to market operations.

Market risk management for the entire Bank, including lending and deposit services, is carried out by analyzing risk from multiple aspects such as the calculation of interest rate risk. The ALM Committee discusses the overall management of assets and liabilities and evaluates management and lending policies each month.

Quantitative Information about Market Risk

(Financial instruments to which quantitative analysis of market risk is applied for the purpose of risk management)

The Bank measures market risk volume using VaR and monitors, analyzes, evaluates and controls risks from various aspects, implementing limit controls and stress tests.

The Bank has adopted a variance-covariance model assuming that fluctuations in prices and interest rates will follow a normal distribution and uses a five-year observation period, a 99.9% confidence interval, a 125-business-day holding period for banking business and a 10-business-day holding period for trading activities. Among financial instruments, market price fluctuation risk is measured for equity securities (excluding unlisted equity securities), investment trusts and other assets. Interest rate risk is measured for debt securities, deposits and loans, taking into consideration the correlation between price fluctuation risk and interest rate risk.

Under normal circumstances, interest rates will generally rise when stock prices rise (prices of debt securities will decline) and decline when the stock prices decline (prices of debt securities will rise). Thus, stock prices and interest rates are mutually related, and stock prices and prices of debt securities are inversely related. The Bank maintains a market risk volume smaller than the total price fluctuation risk and interest rate risk taking the correlation into account. At a time of stress, such as in times of a drastic change in the market environment, there is a possibility that the above correlation would not work and another complementary system would be established by different stress tests and capital allocation.

Market risk volume as of March 31, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Market risk volume	¥ 161,362	¥ 162,887	\$ 1,318,424
Banking business.....	161,321	162,884	1,318,089
[Price fluctuation risk]	[107,050]	[117,769]	[874,662]
[Interest rate risk]	[64,830]	[57,771]	[529,700]
[Considering correlation]	[(10,559)]	[(12,657)]	[(86,273)]
Trading activities.....	41	2	334

The Bank conducts back testing, which compares VaR and profit and loss on a regular basis to verify the effectiveness of its measurement of market risk. The profit or loss expected at the time the measurement of VaR is fixed is used for comparison. As a result of back testing, the Bank has determined that there is no problem with its market risk measurement model and measurement methods.

However, since VaR is statistically computed under certain assumptions based on historical market fluctuations, certain risks beyond the assumptions may not be fully captured. Accordingly, a complementary system is established by different stress tests and other considerations.

(Financial instruments to which quantitative analysis of market risk is not applied for the purpose of risk management)

The Bank does not apply market risk measurement to unlisted equity securities, which are measured by credit risk.

3) Liquidity Risk Management

Liquidity risk refers to the risk of incurring losses when it becomes difficult to secure the requisite funds or when funds at a much higher than normal interest rate become necessary due to a mismatch between the timing of procurement and use, an unexpected outflow of funds (hereafter, "funds procurement risks") or risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (hereafter, "market liquidity risk").

The Bank recognizes funds procurement as an important management issue, and its basic funds procurement risk policy is to ensure a stable supply of funds. The Bank's basic policy for managing market liquidity risk is to take into consideration the special features of markets such as market size, liquidity and other factors and pay careful attention to market liquidity. The Bank carries out its funds procurement risk management and market liquidity risk management based on its Market Liquidity Risk Management Standards, which stipulate the framework and systems for funds procurement risk management and market liquidity risk management.

Funds procurement risk management is subject to strict management controls, which are divided between the Funds Procurement Management Division, which procures funds, and the Funds Procurement Risk Management Division, which monitors the status of the procurement of those funds. The Funds Procurement Management Division carefully monitors the daily status of funds procurement for market and other operations and works to limit the risk involved in the procurement of funds. The Funds Procurement Risk Management Division determines the management policies for procuring funds, such as policies on holding highly liquid assets and setting limits on procurement from the market. Therefore, the Funds Procurement Risk Management Division monitors developments to ensure there are no problems with the status of funds procurement in the Funds Procurement Management Division.

Deposits are the source of the majority of the Bank's funds, and the Bank's procurement of funds through deposits is stable. However, we are working to diversify the Bank's means of procurement to prepare for unforeseen circumstances by being able to procure funds from the market utilizing marketable securities held by the Bank. For foreign currency, which are procured mostly from markets, the Bank verifies that funding is feasible at a stress test assuming that it is difficult to procure funds from markets due to deterioration in conditions of foreign currency procurement, and works to maintain the medium to-long-term stability of its foreign currency balance sheet by setting a stable foreign currency ratio. In addition, the Bank monitors various indicators of Japanese yen and foreign currency, and establishes a framework to examine and conduct measures in response to environmental changes based on these indicators.

(d) Supplementary information on fair values

In calculating fair value of financial instruments, certain assumptions are adopted and other factors considered, and the values may differ when adopting different assumptions and when considering other factors.

(2) Fair Values of Financial Instruments

The following are the consolidated balance sheet amounts and fair values and any differences between them as of March 31, 2022 and 2021. Equity securities, etc., without market prices and investments in partnerships are not included in the table below (see Note 1). In addition, the notes on cash and due from banks and payables under securities lending transactions are omitted because they are matured or settled in a short period of time and their fair values approximate the book values.

	Millions of Yen		
	2022		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	¥ 2,834	¥ 2,834	—
(2) Money trusts.....	27,600	27,600	—
(3) Securities			
Held-to-maturity debt securities	11,398	11,542	¥ 144
Available-for-sale securities	2,473,788	2,473,788	—
(4) Loans and bills discounted.....	5,259,190		
(5) Reserve for possible loan losses (*1)	(50,987)		
	5,208,202	5,250,461	42,259
Total assets.....	¥ 7,723,823	¥ 7,766,226	¥ 42,403
Liabilities			
(1) Deposits	¥ 7,650,506	¥ 7,650,761	¥ 255
(2) Negotiable certificates of deposit.....	211,167	211,173	6
(3) Borrowed money.....	674,134	674,169	35
Total liabilities.....	¥ 8,535,808	¥ 8,536,105	¥ 296
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ (40,726)	¥ (40,726)	—
Derivative transactions to which hedge accounting is applied (*3).....	(872)	(872)	—
Total derivative transactions.....	¥ (41,599)	¥ (41,599)	¥ —

	Thousands of U.S. Dollars		
	2022		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	\$ 23,155	\$ 23,155	—
(2) Money trusts.....	225,508	225,508	—
(3) Securities			
Held-to-maturity debt securities	93,128	94,305	\$ 1,176
Available-for-sale securities	20,212,337	20,212,337	—
(4) Loans and bills discounted.....	42,970,749		
(5) Reserve for possible loan losses (*1)	(416,594)		
	42,554,146	42,899,428	345,281
Total assets.....	\$ 63,108,284	\$ 63,454,743	\$ 346,458
Liabilities			
(1) Deposits	\$ 62,509,240	\$ 62,511,324	\$ 2,083
(2) Negotiable certificates of deposit.....	1,725,361	1,725,410	49
(3) Borrowed money.....	5,508,080	5,508,366	285
Total liabilities.....	\$ 69,742,691	\$ 69,745,118	\$ 2,418
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied	\$ (332,755)	\$ (332,755)	—
Derivative transactions to which hedge accounting is applied (*3).....	(7,124)	(7,124)	—
Total derivative transactions.....	\$ (339,888)	\$ (339,888)	\$ —

	Millions of Yen		
	2021		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	¥ 1,148	¥ 1,148	—
(2) Money trusts.....	27,300	27,300	—
(3) Securities			
Held-to-maturity debt securities	11,398	11,643	¥ 244
Available-for-sale securities	2,585,103	2,585,103	—
(4) Loans and bills discounted.....	5,135,435		
(5) Reserve for possible loan losses (*1)	(45,415)		
	5,090,020	5,131,309	41,289
Total assets.....	¥ 7,714,971	¥ 7,756,505	¥ 41,534
Liabilities			
(1) Deposits	¥ 7,499,830	¥ 7,500,109	¥ 278
(2) Negotiable certificates of deposit.....	167,189	167,196	7
(3) Borrowed money.....	286,194	286,236	42
Total liabilities.....	¥ 7,953,213	¥ 7,953,542	¥ 327
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ (10,179)	¥ (10,179)	—
Derivative transactions to which hedge accounting is applied (*3).....	(7,655)	(7,655)	—
Total derivative transactions.....	¥ (17,834)	¥ (17,834)	¥ —

Items that did not have a material impact on the consolidated balance sheets were omitted.

(*1) Included are the general reserve for possible loan losses and the specific reserve for possible loan losses.

(*2) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis indicated by parentheses.

(*3) These are derivative transactions such as interest rate swaps designated as hedging instruments to fix cash flows of hedged items such as loans, and the deferral method of hedge accounting is primarily adopted. In addition, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, March 17, 2022) is applied to these hedging relationships.

(Note 1) Equity securities, etc. without market prices and investments in partnerships are indicated below and are not included in "Available-for-sale securities" in the fair value information on financial instruments in the tables above.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
	Unlisted equity securities (*1) (*2).....	¥ 4,023	¥ 5,158
Investments in partnerships (*3)	15,715	15,579	128,401
Privately placed investment trusts (*3)	795	797	6,495
Foreign stocks in foreign currency (*1)	0	0	0

(*1) Unlisted equity securities are exempted from fair value disclosures in accordance with Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) Impairment losses on unlisted equity securities were recognized in the amount of ¥1 million (\$8 thousand) and ¥0 million for the fiscal years ended March 31, 2022 and 2021, respectively.

(*3) Investments in partnerships, etc., are exempted from fair value disclosures in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Maturities of monetary assets and securities with contractual maturities subsequent to the balance sheet date

	Millions of Yen					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 1,712,633	—	—	—	—	—
Securities						
Held-to-maturity debt securities.....	197,714	¥ 295,398	¥ 250,549	¥ 187,827	¥ 262,790	¥ 997,145
Japanese government bonds.....	—	10,501	897	—	—	—
Japanese municipal bonds.....	—	10,501	897	—	—	—
Available-for-sale securities with maturities	197,714	284,896	249,652	187,827	262,790	997,145
Japanese government bonds.....	95,567	84,605	88,813	44,880	95,923	273,560
Japanese municipal bonds.....	14,795	32,665	37,954	100,727	106,241	462,416
Japanese corporate bonds	60,848	78,197	85,919	10,514	11,325	66,365
Other	26,502	89,427	36,964	31,705	49,299	194,802
Loans and bills discounted (*2)	1,377,755	1,061,628	729,145	462,804	499,004	1,033,842
Total.....	¥ 3,288,103	¥ 1,357,026	¥ 979,694	¥ 650,632	¥ 761,794	¥ 2,030,988

	Thousands of U.S. Dollars					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	\$ 13,993,242	—	—	—	—	—
Securities						
Held-to-maturity debt securities.....	1,615,442	\$ 2,413,579	\$ 2,047,136	\$ 1,534,659	\$ 2,147,152	\$ 8,147,275
Japanese government bonds.....	—	85,799	7,329	—	—	—
Japanese municipal bonds.....	—	85,799	7,329	—	—	—
Available-for-sale securities with maturities	1,615,442	2,327,771	2,039,807	1,534,659	2,147,152	8,147,275
Japanese government bonds	780,839	691,273	725,655	366,696	783,748	2,235,149
Japanese municipal bonds.....	120,884	266,892	310,107	823,000	868,052	3,778,217
Japanese corporate bonds	497,164	638,916	702,009	85,905	92,532	542,242
Other	216,537	730,672	302,018	259,048	402,802	1,591,649
Loans and bills discounted (*2)	11,257,087	8,674,140	5,957,553	3,781,387	4,077,163	8,447,111
Total.....	\$ 26,865,781	\$ 11,087,719	\$ 8,004,689	\$ 5,316,055	\$ 6,224,315	\$ 16,594,394

	Millions of Yen					
	2021					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 957,200	—	—	—	—	—
Securities						
Held-to-maturity debt securities.....	178,431	¥ 411,422	¥ 216,155	¥ 151,510	¥ 361,268	¥ 962,874
Japanese government bonds.....	—	5,099	6,299	—	—	—
Japanese municipal bonds.....	—	5,099	6,299	—	—	—
Available-for-sale securities with maturities	178,431	406,322	209,856	151,510	361,268	962,874
Japanese government bonds	98,643	171,101	49,245	5,047	98,445	323,187
Japanese municipal bonds.....	18,220	45,163	25,816	60,382	138,847	459,505
Japanese corporate bonds	46,947	103,387	81,227	8,204	3,604	62,290
Other	14,620	86,669	53,567	77,876	120,371	117,890
Loans and bills discounted (*2)	1,406,069	1,020,942	754,411	458,147	453,548	954,520
Total.....	¥ 2,541,700	¥ 1,432,364	¥ 970,567	¥ 609,657	¥ 814,817	¥ 1,917,394

(*1) Amounts due from banks with no maturity date are included in "Within 1 year."

(*2) Loans due from bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers in the amount of ¥68,238 million (\$57,545 thousand) and ¥61,756 million and loans without contract due dates in the amount of ¥26,770 million (\$218,727 thousand) and ¥26,039 million are not included in the above tables as at March 31, 2022 and 2021, respectively.

(Note 3) Repayment schedule of deposits, negotiable certificates of deposit, payables under securities lending transactions and borrowed money subsequent to the balance sheet date

	Millions of Yen					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*)	¥ 7,401,093	¥ 204,876	¥ 43,537	¥ 223	¥ 775	—
Negotiable certificates of deposit	210,705	462	—	—	—	—
Payables under securities lending transactions	588,355	—	—	—	—	—
Borrowed money	661,811	7,252	3,312	669	537	¥ 550
Total	¥ 8,861,966	¥ 212,590	¥ 46,850	¥ 893	¥ 1,312	¥ 550

	Thousands of U.S. Dollars					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*)	\$ 60,471,386	\$ 1,673,960	\$ 355,723	\$ 1,822	\$ 6,332	—
Negotiable certificates of deposit	1,721,586	3,774	—	—	—	—
Payables under securities lending transactions	4,807,214	—	—	—	—	—
Borrowed money	5,407,394	59,253	27,061	5,466	4,387	\$ 4,493
Total	\$ 72,407,598	\$ 1,736,988	\$ 382,792	\$ 7,296	\$ 10,719	\$ 4,493

	Millions of Yen					
	2021					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*)	¥ 7,252,814	¥ 205,087	¥ 41,179	¥ 98	¥ 650	—
Negotiable certificates of deposit	166,660	528	—	—	—	—
Payables under securities lending transactions	172,747	—	—	—	—	—
Borrowed money	273,032	6,918	3,777	1,871	400	¥ 194
Total	¥ 7,865,255	¥ 212,534	¥ 44,956	¥ 1,969	¥ 1,051	¥ 194

(*) 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 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 in the level of the lowest level input that is significant to the entire measurement.

1) Financial instruments measured at fair values

	Millions of Yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money trusts	—	¥ 23,000	—	¥ 23,000
Trading account securities and securities				
Trading securities				
Japanese government bonds and Japanese municipal bonds, etc.	¥ 324	2,510	—	2,834
Available-for-sale securities (*1)				
Equity securities	123,589	—	—	123,589
Japanese government bonds	672,055	11,295	—	683,351
Japanese municipal bonds	—	754,802	—	754,802
Japanese corporate bonds	—	209,589	¥ 103,581	313,171
Other	121,682	264,531	9,267	395,481
Total assets	¥ 917,651	¥ 1,265,728	¥ 112,849	¥ 2,296,229

	Thousands of U.S. Dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Derivative transactions (*2)				
Interest rate-related derivatives	—	¥ (578)	—	¥ (578)
Currency-related derivatives	—	(41,026)	—	(41,026)
Bond-related derivatives	¥ 5	—	—	5
Total derivative transactions	¥ 5	¥ (41,604)	¥ —	¥ (41,599)

	Thousands of U.S. Dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money trusts	—	\$ 187,923	—	\$ 187,923
Trading account securities and securities				
Trading securities				
Japanese government bonds and Japanese municipal bonds, etc.	\$ 2,647	20,508	—	23,155
Available-for-sale securities (*1)				
Equity securities	1,009,796	—	—	1,009,796
Japanese government bonds	5,491,094	92,286	—	5,583,389
Japanese municipal bonds	—	6,167,186	—	6,167,186
Japanese corporate bonds	—	1,712,468	\$ 846,319	2,558,795
Other	994,215	2,161,377	75,716	3,231,317
Total assets	\$ 7,497,761	\$ 10,341,759	\$ 922,044	\$ 18,761,573

	Thousands of U.S. Dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Derivative transactions (*2)				
Interest rate-related derivatives	—	\$ (4,722)	—	\$ (4,722)
Currency-related derivatives	—	(335,207)	—	(335,207)
Bond-related derivatives	\$ 40	—	—	40
Total derivative transactions	\$ 40	\$ (339,929)	\$ —	\$ (339,888)

(*1) Investment trusts adopting the transitional treatment provided for in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the above tables. Such investment trusts in the consolidated balance sheet as of March 31, 2022 were recorded in the amount of ¥203,392 million (\$1,661,835 thousand).

(*2) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis indicated in parentheses.

2) Financial instruments other than those measured at fair value

	Millions of Yen				
	2022				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts	—	—	¥ 4,600	¥	4,600
Securities					
Held-to-maturity debt securities					
Japanese government bonds	¥ 11,542	—	—		11,542
Loans and bills discounted	—	—	5,250,461		5,250,461
Total assets	¥ 11,542	¥ —	¥ 5,255,061	¥	5,266,604
Deposits	—	¥ 7,650,761	—	¥	7,650,761
Negotiable certificates of deposit	—	211,173	—		211,173
Borrowed money	—	656,830	17,338		674,169
Total liabilities	¥ —	¥ 8,518,766	¥ 17,338	¥	8,536,105

	Thousands of U.S. Dollars				
	2022				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money trusts	—	—	\$ 37,584	\$	37,584
Securities					
Held-to-maturity debt securities					
Japanese government bonds	\$ 94,305	—	—		94,305
Loans and bills discounted	—	—	42,899,428		42,899,428
Total assets	\$ 94,305	\$ —	\$ 42,937,012	\$	43,031,326
Deposits	—	\$ 62,511,324	—	\$	62,511,324
Negotiable certificates of deposit	—	1,725,410	—		1,725,410
Borrowed money	—	5,366,696	\$ 141,661		5,508,366
Total liabilities	\$ —	\$ 69,603,447	\$ 141,661	\$	69,745,118

(Note 1) Description of valuation methods and inputs used in the fair value measurement

Assets

Money trusts

In principle, the fair value of money trusts for which trust asset components are securities is based on the price measured in the same method as securities, and is classified as Level 2 or Level 3 based on the level of its components.

The notes to Money Trusts based on holding purposes are stated in Note 8, "Money Trusts."

Trading account securities and securities

The fair value of trading account securities and securities is classified as Level 1 for those whose unadjusted quoted prices in active markets are available, such as for listed equity securities and Japanese government bonds.

For those using publicly released quoted prices in inactive markets, their fair values are classified as Level 2, such as for Japanese municipal bonds and corporate bonds.

The fair value of private placement bonds is measured by discounting total future cash flows at the risk-free rate plus a premium, which is a credit risk spread of individuals calculated by classification based on in-house rating, and is classified as Level 3.

In cases in which there are no available quoted prices, the fair value is determined using valuation techniques such as the present value method based on future cash flows. Observable inputs, such as swap rates, credit spread and interest rate volatility, are made the best of use in the fair value measurement. The fair value measured using significant unobservable inputs is classified as Level 3.

Loans and bills discounted

Since the terms of bills discounted, loans on bills and overdrafts are short, the fair value of these items approximates the book value. Therefore, the fair value is deemed to be the book value.

The fair value for loans on deeds is determined by estimating future cash flows for individual transactions and calculating the present value. The discount rate used for commercial businesses, local public organizations and local public corporations is the risk-free rate plus a premium for each in-house credit risk rating factor. For loans to individuals, the interest rate on new loans at the end of the fiscal year under review is used. In estimating future cash flows, since cash flows based on variable interest rates reflect market rates in the short term, their terms are deemed to be the period up to the date of the next interest rate change.

In addition, as to claims against bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers, since the estimated amount of bad debt is calculated based on estimated amounts that could be collected

from collateral and guarantees, the fair value approximates the consolidated balance sheet amount as of the consolidated balance sheet date minus the present estimated amount of bad debt. Therefore, the fair value is deemed to be this amount.

In measuring these fair values, since the effect of unobservable inputs is significant, these fair values are classified as Level 3.

Liabilities

Deposits and negotiable certificates of deposit

For demand deposits, including current deposits and ordinary deposits, the fair value is deemed to be the payment amount required on the consolidated balance sheet date (i.e., book value).

In addition, we calculate the fair values of fixed deposits and others and negotiable certificates of deposit by grouping the deposits based on future cash flows and discounting to present value using the interest rate on new deposits as at March 31, 2022. The fair value is classified as Level 2.

Borrowed money

For borrowed money with floating interest rates, the fair value approximates the book value since it follows market interest rates in the short term and the credit standing of the Bank and its consolidated subsidiaries has not changed significantly after the transaction. Therefore, the book value serves as fair value.

For borrowed money with fixed interest rates, the fair value is determined based on the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period, at an interest rate assumed for a new borrowing under the same terms and conditions. For borrowed money whose contract period is short (within a year), the fair value approximates the book value, which is therefore used as fair value.

In measuring these fair values, the fair value is classified as Level 3 if the effect of unobservable inputs is significant. Otherwise, the fair value is classified as Level 2.

Derivative transactions

The fair value of derivative transactions is classified as Level 1 for those whose unadjusted quoted prices in active markets are available, such as for bond futures and interest rate futures.

However, as most of the derivative transactions are over-the-counter transactions and there is no publicly released quoted prices, valuation techniques such as the present value method and the Black-Scholes model are used to measure fair value depending on the type of transaction and the period to maturity. The main inputs used in these techniques are interest rates, foreign exchange rates and volatility. In addition, price adjustments are made based on counterparties' credit risk and the Bank's own credit risk. In cases in which unobservable inputs are not used or their effect is immaterial, the fair value of derivative transactions is classified as Level 2, such as for plain vanilla interest rate swaps and forward foreign exchange.

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

1) Quantitative information on significant unobservable inputs

	2022			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Japanese corporate bonds				
Private placement bonds	Present value method	Credit risk spread	0.028%-4.963%	0.215%

2) A reconciliation from the beginning balances to the ending balances and recognized gains (loss) included in profit (loss) for the fiscal year

	Millions of Yen							
	2022							
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	¥ 104,079	¥ (132)	¥ (169)	¥ (195)	—	—	¥ 103,581	—
Other	9,318	—	108	(158)	—	—	9,267	—

	Thousands of U.S. Dollars							
	2022							
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	\$ 850,388	\$ (1,078)	\$ (1,380)	\$ (1,593)	—	—	\$ 846,319	—
Other	76,133	—	882	(1,290)	—	—	75,716	—

(*1) Included in "Other operating expenses" in the consolidated statements of income.

(*2) Included in "Net unrealized gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

3) Description of valuation processes used for fair value measurement

The back division of the Bank has established policies and procedures for measuring fair value while the middle division verifies whether inputs used in the fair value measurement and fair value as a result of the measurement are in accordance with the said policies and procedures. In addition, the back division determines the classification of levels of the fair value hierarchy based on the result of such verification. In addition, when using quoted prices obtained from third parties, the Bank verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

4) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Credit risk spread

A significant unobservable input used in measuring the fair value of private placement bonds included in Japanese corporate bonds is a credit risk spread, which is an estimated value calculated by classification based on in-house rating. A significant increase or decrease in the credit risk spread will lead to a significant increase or decrease in fair value.

23. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers for the year ended March 31, 2022 was as follows:

	2022	
	Millions of Yen	Thousands of U.S. Dollars
Ordinary income (Note 1)	¥ 128,565	\$ 1,050,453
Of which, fee and commissions (Note 2)	19,249	157,275
Deposit-taking and lending business	6,514	53,223
Domestic or Foreign exchange business	5,182	42,340
Security-related business	2,866	23,416
Agency business	1,664	13,595
Custody and safe deposit business	153	1,250
Guarantee business	452	3,693
Other business	2,415	19,732
Of which, trust fees	0	0
Ordinary income from contracts with customers	¥ 20,780	\$ 169,785
Ordinary income other than the above (Note 1)	107,785	880,668
Total ordinary income (Note 1)	¥ 128,565	\$ 1,050,453

Notes: 1. Includes revenue based on "Accounting Standard for Financial Instruments" (ASBJ Statement No.10) and "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

2. Includes revenue based on "Accounting Standard for Financial Instruments" (ASBJ Statement No.10).

(2) Balances of receivables and contract liabilities

Disaggregation of receivables from contracts with customers and contract liabilities as of March 31, 2022 were as follows:

	2022	
	Millions of Yen	Thousands of U.S. Dollars
Receivables from contracts with customers included in other assets	¥ 764	\$ 6,242
Contract liabilities included in other liabilities	8	65

24. Segment Information

(1) Description of reportable segments

The Group's reportable segments are components of the Group for which separate information is available and evaluated regularly by the Board of Directors in deciding how to allocate management resources and evaluating operating segment performance. Each operating segment is controlled by each consolidated subsidiary since each company provides different services.

Accordingly, the Group consists of operating segments differentiated by the services each company provides, and the reportable segments are mainly "Banking" (the Bank), "Leasing" (Chugin Lease), and "Securities" (Chugin Securities).

The "Banking" segment provides diversified financial services such as deposit-taking and lending. The "Leasing" segment is engaged in leasing services and installment sales of properties and goods. The "Securities" segment provides brokerage services for financial instruments.

(2) Methods of measurement for the amounts of ordinary income, profit or loss, assets, liabilities and other items for each reportable segment

The accounting policies for each reportable segment are consistent to those disclosed in Note 2, "Significant Accounting Policies." Intersegment income is based on arm's length prices.

(3) Information about ordinary income, profit or loss, assets, liabilities and other items is as follows:

	Millions of Yen					
	2022					
	Reportable segments			Total	Other	Total
Banking	Leasing	Securities				
Ordinary income:						
External customers	¥ 108,309	¥ 13,103	¥ 3,351	¥ 124,764	¥ 3,801	¥ 128,565
Intersegment income	2,027	236	72	2,337	1,523	3,860
Total	¥ 110,337	¥ 13,339	¥ 3,424	¥ 127,101	¥ 5,324	¥ 132,426
Segment profit	23,408	248	541	24,199	2,194	26,393
Segment assets	10,174,437	43,420	9,344	10,227,202	30,236	10,257,439
Segment liabilities	9,648,210	25,815	4,548	9,678,575	12,815	9,691,390
Other items:						
Depreciation	3,957	420	4	4,382	18	4,400
Interest income	66,830	116	2	66,949	128	67,077
Interest expense	5,224	92	1	5,318	0	5,318

	Thousands of U.S. Dollars					
	2022					
	Reportable segments			Total	Other	Total
Banking	Leasing	Securities				
Ordinary income:						
External customers	\$ 884,949	\$ 107,059	\$ 27,379	\$ 1,019,397	\$ 31,056	\$ 1,050,453
Intersegment income	16,561	1,928	588	19,094	12,443	31,538
Total	\$ 901,519	\$ 108,987	\$ 27,976	\$ 1,038,491	\$ 43,500	\$ 1,082,000
Segment profit	191,257	2,026	4,420	197,720	17,926	215,646
Segment assets	83,131,277	354,767	76,346	83,562,398	247,046	83,809,453
Segment liabilities	78,831,685	210,924	37,159	79,079,785	104,706	79,184,492
Other items:						
Depreciation	32,331	3,431	32	35,803	147	35,950
Interest income	546,041	947	16	547,013	1,045	548,059
Interest expense	42,683	751	8	43,451	0	43,451

	Millions of Yen					
	2021					
	Reportable segments			Total	Other	Total
Banking	Leasing	Securities				
Ordinary income:						
External customers	¥ 97,281	¥ 12,241	¥ 3,048	¥ 112,571	¥ 3,729	¥ 116,301
Intersegment income	1,808	212	62	2,083	1,630	3,713
Total	¥ 99,090	¥ 12,453	¥ 3,111	¥ 114,655	¥ 5,360	¥ 120,015
Segment profit	19,045	537	236	19,819	1,929	21,748
Segment assets	9,119,651	41,745	11,068	9,172,465	28,765	9,201,231
Segment liabilities	8,581,902	24,565	6,520	8,612,988	12,407	8,625,395
Other items:						
Depreciation	4,096	305	6	4,408	28	4,437
Interest income	65,741	111	2	65,855	158	66,014
Interest expense	6,878	94	2	6,975	0	6,975

- Notes: 1. Ordinary income and ordinary profit (segment profit) are presented in place of net sales and operating profit of non-financial industries. Ordinary income and ordinary profit are calculated by deducting non-recurring items from total income or income before income taxes and non-controlling interests.
2. "Other" represents business segments that are not included in the reportable segments and includes the credit guarantee business, the credit card business, consignment of office work and investment management and advisory services in accordance with the Financial Instruments and Exchange Act.
3. A part of dividend income of insurance, which had recorded in "Other income" in the year ended March 31, 2021, has been deducted from "Fees and Commissions" from the year ended March 31, 2022. Accordingly, the figures for the year ended March 31, 2021 were reclassified.

(4) Reconciliations between the total amounts for the reportable segments and the corresponding amounts in the consolidated financial statements

(a) Reconciliation of the total amount of ordinary income for the reportable segments to ordinary income in the accompanying consolidated statements of income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Ordinary income			
Total amount for reportable segments	¥ 127,101	¥ 114,655	\$ 1,038,491
Ordinary income of "Other"	5,324	5,360	43,500
Elimination of intersegment transactions	(3,860)	(3,713)	(31,538)
Ordinary income in the consolidated statements of income	¥ 128,565	¥ 116,301	\$ 1,050,453

Note: "Ordinary income" is presented for local reporting purposes and can be calculated by deducting non-recurring items from "Total income" in the accompanying consolidated statements of income.

(b) Reconciliation of the total amount of segment profit for the reportable segments to ordinary profit in the accompanying consolidated statements of income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Segment profit			
Total amount for reportable segments	¥ 24,199	¥ 19,819	\$ 197,720
Segment profit of "Other"	2,194	1,929	17,926
Elimination of intersegment transactions	(589)	(496)	(4,812)
Ordinary profit in the consolidated statements of income	¥ 25,804	¥ 21,252	\$ 210,834

(c) Reconciliation of the total amount of segment assets to total assets in the accompanying consolidated balance sheets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Segment assets			
Total amount for reportable segments	¥10,227,202	¥ 9,172,465	\$ 83,562,398
Segment assets of "Other"	30,236	28,765	247,046
Elimination of intersegment transactions	(35,511)	(34,350)	(290,146)
Elimination of shares in consolidated subsidiaries	(13,718)	(13,718)	(112,084)
Total assets in the consolidated balance sheets	¥10,208,209	¥ 9,153,162	\$ 83,407,214

(d) Reconciliation of the total amount of segment liabilities to total liabilities in the accompanying consolidated balance sheets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Segment liabilities			
Total amount for reportable segments	¥ 9,678,575	¥ 8,612,988	\$ 79,079,785
Segment liabilities of "Other"	12,815	12,407	104,706
Elimination of intersegment transactions	(35,595)	(34,430)	(290,832)
Total liabilities in the consolidated balance sheets	¥ 9,655,795	¥ 8,590,965	\$ 78,893,659

(e) Reconciliation of the total amount of other items to the corresponding accounts in the accompanying consolidated financial statements

	Millions of Yen			
	2022			
Other items	Total amount for reportable segments	Other	Adjustments	Consolidated financial statements
	Depreciation	¥ 4,382	¥ 18	¥ 59
Interest income	66,949	128	(666)	66,411
Interest expense	5,318	0	(62)	5,256

	Thousands of U.S. Dollars			
	2022			
Other items	Total amount for reportable segments	Other	Adjustments	Consolidated financial statements
	Depreciation	\$ 35,803	\$ 147	\$ 482
Interest income	547,013	1,045	(5,441)	542,617
Interest expense	43,451	0	(506)	42,944

	Millions of Yen			
	2021			
Other items	Total amount for reportable segments	Other	Adjustments	Consolidated financial statements
	Depreciation	¥ 4,408	¥ 28	¥ 37
Interest income	65,855	158	(566)	65,448
Interest expense	6,975	0	(71)	6,904

Note: Adjustments of depreciation are related to lease assets transferred between affiliates, and adjustments of interest income and interest expense are related to intersegment transactions.

Related Information:
Information about services

	Millions of Yen				
	2022				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 45,180	¥ 38,881	¥ 19,250	¥ 25,253	¥ 128,565

	Millions of U.S. Dollars				
	2022				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	\$ 369,147	\$ 317,681	\$ 157,284	\$ 206,332	\$ 1,050,453

	Millions of Yen				
	2021				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 45,813	¥ 28,642	¥ 18,641	¥ 23,203	¥ 116,301

Note: Ordinary income is presented in place of net sales of non-financial industries.

Information about losses on impairment of fixed assets by reportable segments

	Millions of Yen					
	2022					
	Reportable segments				Other	Total
Banking	Leasing	Securities	Total			
Losses on impairment of fixed assets	¥ 505	¥ —	¥ —	¥ 505	¥ —	¥ 505

	Millions of U.S. Dollars					
	2022					
	Reportable segments				Other	Total
Banking	Leasing	Securities	Total			
Losses on impairment of fixed assets	\$ 4,126	\$ —	\$ —	\$ 4,126	\$ —	\$ 4,126

	Millions of Yen					
	2021					
	Reportable segments				Other	Total
Banking	Leasing	Securities	Total			
Losses on impairment of fixed assets	¥ 244	¥ —	¥ 4	¥ 249	¥ —	¥ 249

25. Net Assets

Under Japanese laws and regulations, 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 Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% 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 was included in retained earnings in the accompanying consolidated balance sheets.

The Japanese Banking Law provides that an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings must

be appropriated to a legal reserve until the total amount of legal earnings reserve and additional paid-in capital equals the amount of the Bank's stated capital.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or be capitalized. These appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, 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 movement of outstanding shares and cash dividends during the years ended March 31, 2022 and 2021 was as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2022

Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Issued stock:					
Common stock	195,272	—	—	195,272	
Treasury stock:					
Common stock	7,213	2,307	—	9,520	Note

Note: The increase in treasury stock of 2,307 thousand shares was due to the public bidding of 1,148 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on May 14, 2021; the public bidding of 1,158 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on November 12, 2021; and due to purchases of 0 thousand shares of less than one unit.

For the year ended March 31, 2021

Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Issued stock:					
Common stock	195,272	—	—	195,272	
Treasury stock:					
Common stock	7,212	0	0	7,213	Note

Note: The increase in treasury stock of 0 thousand shares was due to purchases of shares of less than one unit. The decrease in treasury stock of 0 thousand shares was due to the sale of 0 thousand shares of less than one unit.

(b) Dividends paid to the shareholders during the year:

For the year ended March 31, 2022

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 25, 2021	General meeting of shareholders	Common stock	¥2,256 million (\$18,432 thousand)	¥12.00 (\$0.098)	Mar. 31, 2021	Jun. 28, 2021
Nov. 12, 2021	Board of Directors	Common stock	¥2,149 million (\$17,558 thousand)	¥11.50 (\$0.093)	Sep. 30, 2021	Dec. 7, 2021

For the year ended March 31, 2021

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 25, 2020	General meeting of shareholders	Common stock	¥2,068 million	¥11.00	Mar. 31, 2020	Jun. 26, 2020
Nov. 13, 2020	Board of Directors	Common stock	¥2,068 million	¥11.00	Sep. 30, 2020	Dec. 8, 2020

Dividends were applicable to the year ended March 31, 2022 but were not recorded in the accompanying consolidated financial statements since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 24, 2022	General meeting of shareholders	Common stock	¥3,064 million (\$25,034 thousand)	¥16.50 (\$0.134)	Mar. 31, 2022	Jun. 27, 2022

Note: The aforementioned has been submitted as a proposal to the Annual General Meeting of Shareholders scheduled to be held on June 24, 2022.

The above cash dividends are distributed from retained earnings.

26. Cash and Cash Equivalents

The reconciliation between “cash and cash equivalents” in the consolidated statements of cash flows and “cash and due from banks” in the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and due from banks.....	¥1,757,165	¥1,000,773	\$14,357,096
Due from banks, excluding the Bank of Japan	(3,776)	(1,960)	(30,852)
Cash and cash equivalents	¥1,753,389	¥ 998,813	\$14,326,243

(2) Stock options outstanding as of March 31, 2022 were as follows:

Stock Options	Persons granted	Number of options granted (Note 1)	Date of grant	Exercise period (Note 2)
2009 Stock Options	15 directors	54,700	Jul. 31, 2009	From Aug. 1, 2009 to Jul. 31, 2039
2010 Stock Options	15 directors	68,100	Aug. 2, 2010	From Aug. 3, 2010 to Aug. 2, 2040
2011 Stock Options	14 directors	75,300	Aug. 1, 2011	From Aug. 2, 2011 to Aug. 1, 2041
2012 Stock Options	14 directors	73,700	Aug. 3, 2012	From Aug. 4, 2012 to Aug. 3, 2042
2013 Stock Options	15 directors	49,600	Aug. 2, 2013	From Aug. 3, 2013 to Aug. 2, 2043
2014 Stock Options	15 directors	51,100	Aug. 4, 2014	From Aug. 5, 2014 to Aug. 4, 2044
2015 Stock Options	12 directors	30,800	Jul. 30, 2015	From Jul.31, 2015 to Jul. 30, 2045
2016 Stock Options	12 directors (excluding outside directors and directors serving as audit and supervisory committee members)	50,500	Aug. 2, 2016	From Aug. 3, 2016 to Aug. 2, 2046
2017 Stock Options	9 directors (excluding outside directors and directors serving as audit and supervisory committee members)	29,800	Aug. 2, 2017	From Aug. 3, 2017 to Aug. 2, 2047
2018 Stock Options	9 directors (excluding outside directors and directors serving as audit and supervisory committee members)	37,400	Aug. 3, 2018	From Aug. 4, 2018 to Aug. 3, 2048
2019 Stock Options	8 directors (excluding outside directors and directors serving as audit and supervisory committee members)	45,300	Aug. 2, 2019	From Aug. 3, 2019 to Aug. 2, 2049
2020 Stock Options	8 directors (excluding outside directors and directors serving as audit and supervisory committee members)	48,000	Jul. 30, 2020	From Jul. 31, 2020 to Jul. 30, 2050
2021 Stock Options	8 directors (excluding outside directors and directors serving as audit and supervisory committee members)	54,000	Jul. 29, 2021	From Jul. 30, 2021 to Jul. 29, 2051

Vesting conditions and applicable service periods have not been determined.

Notes: 1. Number of options is converted to number of shares.

2. Persons granted stock options can exercise stock subscription rights within 10 days after retirement.

The following table describes changes in the number of stock options that existed during the year ended March 31, 2022. Number of stock options is converted to number of shares.

	Number of shares							
	2009 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Non-vested:								
April 1, 2021 - Outstanding	3,800	4,700	12,200	11,900	13,100	13,500	10,300	17,000
Granted.....	—	—	—	—	—	—	—	—
Forfeited.....	—	—	—	—	—	—	—	—
Vested.....	—	—	—	—	—	—	—	—
March 31, 2022 – Outstanding	3,800	4,700	12,200	11,900	13,100	13,500	10,300	17,000
Vested:								
April 1, 2021 – Outstanding	—	—	—	—	—	—	—	—
Vested.....	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—
Forfeited.....	—	—	—	—	—	—	—	—
March 31, 2022 - Outstanding	—	—	—	—	—	—	—	—

	Number of shares				
	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options	2021 Stock Options
Non-vested:					
April 1, 2021 - Outstanding	17,400	21,800	45,300	48,000	—
Granted	—	—	—	—	54,000
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
March 31, 2022 – Outstanding	17,400	21,800	45,300	48,000	54,000
Vested:					
April 1, 2021 – Outstanding	—	—	—	—	—
Vested.....	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited.....	—	—	—	—	—
March 31, 2022 - Outstanding	—	—	—	—	—

Price information for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 2020 and 2021 stock options is as follows:

	Yen									
	2009 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options	2017 Stock Options	2018 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	—	—	—	—	—	—	—	—	—	—
Fair appraisal price at date of grant.....	1,197	935	917	926	1,281	1,483	1,815	1,022		

	Yen				
	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options	2021 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	—	—	—	—	—
Fair appraisal price at date of grant.....	1,508	1,099	753	800	728

	U.S. Dollars							
	2009 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise	—	—	—	—	—	—	—	—
Fair appraisal price at date of grant	9.78	7.63	7.49	7.56	10.46	12.11	14.82	8.35

	U.S. Dollars				
	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options	2021 Stock Options
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise	—	—	—	—	—
Fair appraisal price at date of grant	12.32	8.97	6.15	6.53	5.94

(3) Method for estimating the fair value of stock options

The Black-Scholes option pricing model was used to determine fair value.

The assumptions and methods used to estimate the fair value of 2021 stock options were as follows:

	2021 Stock Options
Volatility of stock prices (Note 1)	31.345%
Estimated remaining outstanding period (Note 2)	7 years and 0 months
Estimated dividend (Note 3)	¥22.00 per share
Risk-free interest rate (Note 4)	(0.125)%

Notes: 1. The volatility of stock prices was computed based on the actual stock prices from July 2014 to July 2021, corresponding to the estimated remaining outstanding period.

2. The remaining outstanding period was estimated based on historical data.

3. The estimated dividend was based on actual dividends for the year ended March 31, 2021.

4. The risk-free interest rate is equal to the yield on Japanese government bonds corresponding to the estimated remaining outstanding period.

(4) Method for estimating the number of stock options

The Bank adopted a method to reflect only the actual number of forfeited stock options since it is difficult to reasonably estimate the number to be forfeited in the future.

28. Asset Retirement Obligations

The Bank has future obligations pertaining to the restitution of the facilities at the data center in Haga. However, the period of use of the lease assets related to the obligations cannot be determined because no termination, transfer, etc., has been planned. Therefore, the Bank cannot reasonably estimate the asset retirement obligations and no asset retirement obligation has been recorded.

29. Related-party Transactions

Related party transactions for the fiscal years ended March 31, 2022 and 2021 were as follows:

Directors of the Bank or major shareholders (individuals only), etc.

2022

Party classification	Name of company or individual	Address	Capital	Type of business	Percentage of voting rights held by the Bank	Relations with related party	Type of transactions	Transaction amounts	Account classification	Balance at end of year
Directors or their close family members	Tsuyoshi Nishiyama	—	—	Officer of a company	—	Borrowing and lending	Lending Note	Average balance ¥27 million (\$220 thousand)	Loans and bills discounted	¥26 million (\$212 thousand)
Company, a majority of whose voting rights are owned by directors or their close family members	Nagareo Co., Ltd.	Asakuchi-city, Okayama Prefecture	¥3 million (\$24 thousand)	Hat manufacturing	—	Borrowing and lending	Lending Note	Average balance ¥33 million (\$269 thousand)	Loans and bills discounted	¥33 million (\$269 thousand)
	Nishi Techno Co., Ltd.	Okayama-city, Okayama Prefecture	¥20 million (\$163 thousand)	Civil engineering	—	Borrowing and lending	Lending Note	Average balance ¥529 million (\$4,322 thousand)	Loans and bills discounted	¥510 million (\$4,167 thousand)
	N-art Co., Ltd.	Kurashiki-city, Okayama Prefecture	¥40 million (\$326 thousand)	Civil engineering	—	Borrowing and lending	Lending Note	Average balance ¥17 million (\$138 thousand)	Loans and bills discounted	¥18 million (\$147 thousand)

Terms of transactions and policies for determining terms

Note: Interest was based on money market rates.

2021

Party classification	Name of company or individual	Address	Capital	Type of business	Percentage of voting rights held by the Bank	Relations with related party	Type of transactions	Transaction amounts	Account classification	Balance at end of year
Directors or their close family members	Tsuyoshi Nishiyama	—	—	Officer of a company	—	Borrowing and lending	Lending Note	Average balance ¥30 million	Loans and bills discounted	¥29 million
Company, a majority of whose voting rights are owned by directors or their close family members	Nagareo Co., Ltd.	Asakuchi-city, Okayama Prefecture	¥3 million	Hat manufacturing	—	Borrowing and lending	Lending Note	Average balance ¥41 million	Loans and bills discounted	¥41 million
	Nishi Techno Co., Ltd.	Okayama-city, Okayama Prefecture	¥20 million	Civil engineering	—	Borrowing and lending	Lending Note	Average balance ¥537 million	Loans and bills discounted	¥534 million

Terms of transactions and policies for determining terms

Note: Interest was based on money market rates.

30. Subsequent Events

Transition to a holding company structure through a sole-share transfer

The Bank has passed a resolution at the Board of Directors' meeting held on May 13, 2022 to establish "Chugin Financial Group, Inc." as a holding company (sole parent company) (the "Holding Company") through a share transfer solely by the Bank (the "Share Transfer") and change to a holding company structure effective as of October 3, 2022 (planned), subject to approval at the Ordinary General Meeting of Shareholders planned to be held on June 24, 2022 and the necessary approvals, etc., being obtained from competent authorities.

(1) Objectives of the Share Transfer

The Bank's corporate principle was to "remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services." To this end, to date the Bank has undertaken activities to develop the regional society by creating a sound corporate culture that is responsive to customer needs.

In FY2017, it formulated the 10-year long-term management plan, "Vision 2027: Plan for Creating the Future Together," and it intends to build a sustainable business model that will develop in step with regional society.

Under its three-year medium-term management plan, "Plan for Creating the Future Together: Stage I," which started at the same time as the long-term management plan, it proceeded with structural reforms such as redeploying human resources by developing an over-the-counter transactions system and reviewing headquarters operations with the objective of rethinking operating hours and staff, and also worked to expand its service menu in non-financial areas, such as by strengthening its consulting functions and entering the personnel placement business.

In addition, under its medium-term management plan that started from FY2020, "Plan for Creating the Future Together: Stage II," based on the results of the structural reforms from the previous medium-term management plan, the Bank has focused on initiatives to contribute to the enhancement of the human resources and organizational capability of the Group in order to improve its capacity for solving regional and customer problems.

Meanwhile, regional society today faces various social issues and rapid changes that include social structural changes such as a decreasing population and aging society, the spread of COVID-19 and the digitalization development opportunities that it affords, as well as the acceleration of global decarbonization efforts to combat global warming. This type of environment greatly affects the lifestyles of individuals and the business activities of corporations, and makes the issues faced by regional society and customers ever greater and more complex, leading to significant changes in the role to be played by regional financial institutions.

In order for the Group to contribute to the sustainable development of regional society in this type of business environment, it has decided to change to a holding company structure as an organizational structure that will allow it to enhance its service menu even further than that to date through an "expansion of service focus," implement an "appropriate allocation of management resources" so it can continue to provide that enhanced service menu, and continue to pursue "the evolution of group governance." Moreover, in order to foster unity as a group, in place of the corporate principle set forth above, it has newly enacted as the group corporate principle its long-term vision to "create with our community, customers and employees a rich future that we can all share" that was prescribed in the long-term management plan. Under this new corporate principle, the Group will strive to improve corporate value by establishing a sustainable business model that will mutually develop together with both regional society and customers and evolving into a comprehensive services business focused on finance, while also flexibly responding to changes in the business environment.

Since the Bank will become a wholly owned subsidiary of the Holding Company due to the Share Transfer, the shares of the Bank will be delisted. The Bank plans to apply for listing of the Holding Company shares, which will be delivered to 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 of establishment of the Holding Company (the effective date of the Share Transfer).

(2) Overview of the Share Transfer

1) Schedule of the Share Transfer

Record date for the 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 24, 2022 (Friday) (planned)

Date of delisting of the shares of the Bank

September 29, 2022 (Thursday) (planned)

Date of registration of establishment of the Holding Company (effective date)

October 3, 2022(Monday) (planned)

Date of listing of the shares of the Holding Company

October 3, 2022(Monday) (planned)

This schedule is subject to change as necessary due to the progress of the Share Transfer procedures or for any other reasons.

2) Format of the Share Transfer

A sole share transfer in which the Bank is the wholly owned subsidiary resulting from the share transfer and the Holding Company is the sole parent company established in the share transfer.

3) Details of allotment of shares on the Share Transfer (share transfer ratio)

Company name	Chugin Financial Group, Inc. (Sole parent company established in the share transfer)	The Chugoku Bank, Limited (Wholly owned subsidiary resulting from the share transfer)
Share transfer ratio	1	1

(i) Share transfer ratio

For each common share of the Bank that they hold, one common share of the Holding Company being established will be allotted to the shareholders holding the common shares of the Bank listed in the final shareholder register at the point in time immediately before the point in time when the Holding Company acquires all of the issued shares of the Bank through the Share Transfer.

(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 is a sole share transfer to establish the Holding Company as the sole parent company of the Bank, and there is no change in the shareholding structure of the Bank and the shareholding structure of the Holding Company at the time of the Share Transfer; therefore, and with the principal concern that no disadvantage be incurred by 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 that it holds.

(iv) Calculation result by third parties, calculation method and basis for calculation thereof

No third-party calculation of the share transfer ratio has been conducted due to the reason mentioned in (iii) above.

(v) Number of new shares to be delivered by the Share Transfer (planned)

Delivery of 185,751,145 shares of common stock is planned.

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 above number of new shares to be delivered by the Holding Company. Because all of the treasury shares held by the Bank that can practically be retired will be retired as of immediately prior to the Holding Company's acquisition of all of the issued shares of the Bank (the "Record Time"), the 9,520,961 treasury shares held by the Bank as of March 31, 2022 are excluded from the above calculation of new shares to be delivered. If the number of treasury shares held by the Bank changes between March 31, 2022 and the Record Time due to the exercise of appraisal rights by the shareholders of the Bank and so on, the number of new shares to be delivered by the Holding Company may change.

4) Treatment of stock acquisition rights and bonds with stock acquisition rights in relation to the Share Transfer

With regard to stock acquisition rights issued by the Bank, equivalent Holding Company stock acquisition rights will be delivered and allocated to holders of the Bank's stock acquisition rights in exchange for the Bank's stock acquisition rights that they hold. The Bank has not issued bonds with stock acquisition rights.

5) Handling of new listing of the Holding Company

The Bank intends to apply to list the shares of the newly established Holding Company on the Prime Market of TSE (Technical Listing), and it intends the listing date to be October 3, 2022. Because the Bank will become the wholly owned subsidiary of the Holding Company through the Share Transfer, the shares of the Bank are planned to be delisted from the Prime Market of TSE as of September 29, 2022, in anticipation of the Share Transfer.

(3) Outline of the holding company to be established through the Share Transfer (sole parent company established in the share transfer) (Planned)

1) Company	Chugin Financial Group, Inc.		
2) Location:	1-15-20 Marunouchi, Kita-ku, Okayama-city		
3) Representatives and officers expected to assume office	Director and President (Representative Director)	Sadanori Kato	(Current Director and President of the Bank)
	Senior Managing Director(Representative Director)	Koji Terasaka	(Current Senior Managing Director of the Bank)
	Senior Managing Director(Representative Director)	Ikuhide Harada	(Current Senior Managing Director of the Bank)
	Chairman of the Board	Masato Miyanaga	(Current Chairman of the Board of The Bank)
	Director	Akira Kodera	(Current Outside Director of the Bank)
	Director (Audit and Supervisory Committee Member)	Hiroyuki Ohara	(Current Managing Director of the Bank)
	Director (Audit and Supervisory Committee Member)	Toshihide Saito	(Current Outside Audit and Supervisory Committee Member of the Bank)
	Director (Audit and Supervisory Committee Member)	Kazuhiro Tanaka	(Current Outside Audit and Supervisory Committee Member of the Bank)
	Director (Audit and Supervisory Committee Member)	Yukiyo Kiyono	(Current Outside Audit and Supervisory Committee Member of the Bank)
	(Note) Akira Kodera among the Directors and Toshihide Saito, Kazuhiro Tanaka, and Yukiyo Kiyono among the Directors (Audit and Supervisory Committee Members) are outside directors prescribed in Article 2-15 of the Companies Act.		
4) Business details	<ul style="list-style-type: none"> Management of banks and other companies that can be held as subsidiaries pursuant to the Banking Act, and all other business incidental or related thereto; and Business that can be conducted by the holding company of a bank pursuant to the Banking Act other than the business set forth in the preceding item 		
5) Stated capital	¥16,000 million (\$130,729 thousand)		
6) Fiscal year end:	March 31		

(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.

Establishment of subsidiaries

The Bank has passed a resolution to establish Chugin Capital Partners Co., Ltd., C Cube Consulting Co., Ltd. and Chugin Human Innovations Co., Ltd. at the Board of Directors held on February 25, 2022, April 27, 2022 and May 13, 2022, respectively.

(1) Establishment of an investment subsidiary

1) Objectives of the establishment

Looking toward the transition to the group management structure led by a holding company and expanding the Group's business, the Group established the subsidiary to revitalize the regional economy such as proactive support and development for companies tackling business succession and start-up companies.

2) Overview of the subsidiary

Name	Chugin Capital Partners Co., Ltd.
Location of headquarters	1-15-20 Marunouchi, Kita-ku, Okayama-city (9th floor in the Bank)
Business description:	Operation and management of investment limited partners (funds), consulting services and all other business incidental or related thereto
Stated capital	¥50 million (\$408 thousand)
Date of establishment:	April 1, 2022
Shareholders:	The Chugoku bank Limited (a wholly owned subsidiary of the Bank)

(2) Establishment of a DX/SX consulting subsidiary

1) Objectives of the establishment

Looking toward the transition to the group management structure led by a holding company and expanding the Group's business, the Group established the subsidiary to proactively find solutions to management issues of customers and support their core business through consulting services focusing on DX/SX(Digital Transformation/Sustainability Transformation).

2) Overview of the subsidiary

Name	C Cube Consulting Co., Ltd.
Location of headquarters	2-5 Honmachi, Kita-ku, Okayama-city (Chugin station building 4th floor)
Business description:	Consulting services and all other business incidental or related thereto
Stated capital:	¥100 million (\$817 thousand)
Date of establishment	September 1, 2022
Shareholders	The Chugoku bank Limited (a wholly owned subsidiary of the Bank)

(3) Establishment of a personnel consulting subsidiary

1) Objectives of the establishment

Looking toward the transition to the group management structure led by a holding company and expanding the Group's business, the Group established the subsidiary to tackle identifying true issues and needs of its business partners starting from feasibility study as efforts to revitalize the regional economy (region support activities), and to make comprehensive proposals.

2) Overview of the subsidiary

Name	Chugin Human Innovations Co., Ltd.
Location of headquarters	2-5 Honmachi, Kita-ku, Okayama-city (Chugin station building 605)
Business description:	Fee-charging employment placement services based on the Employment Security Act, personnel-related consulting services and all other business incidental or related thereto
Stated capital:	¥50 million (\$408 thousand)
Date of establishment:	May 30, 2022
Shareholders:	The Chugoku bank Limited (a wholly owned subsidiary of the Bank)

Purchases of treasury stock

On May 13, 2022, the Board of Directors of the Bank passed a resolution to purchase up to 1,000 thousand shares of the Bank's common stock from the market at a price not exceeding ¥1,000 million (\$8,170 thousand). The purpose of this purchase was to return profit to shareholders through improvement in its capital efficiency. In accordance with the resolution, the Bank acquired 549 thousand shares for ¥503 million (\$4,109 thousand) by June 10, 2022.

Cancellation of treasury stock

In order to eliminate concern about the potential dilutive effect of its common stock due to the release of treasury stock held by the Bank into the market and clarify return of profits to shareholders, on May 13, 2022, the Board of Directors of the Bank passed a resolution to cancel its treasury stock in accordance with Article 178 of the Companies Act, and conducted it as follows:

Class of shares cancelled	Common stock of the Bank
Number of shares cancelled	9,000 thousand shares (4.6% of the total number of issued shares before the cancellation)
Date of cancellation:	May 20, 2022
Total number of issued shares after the cancellation	186,272,106 shares

To the Board of Directors of The Chugoku Bank, Limited:

Opinion

We have audited the accompanying consolidated financial statements of The Chugoku Bank, Limited and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years 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 2021, and its consolidated financial performance and its consolidated cash flows for the years 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.

We determined that the "Appropriateness of the classification of borrowers who are small and medium-size enterprises" was the key audit matter in our audit of the consolidated financial statements for the current fiscal year.

As for the "Appropriateness of the classification of borrowers who are managed by the headquarters operation," a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, we assessed that the concerns over recoverability of loans to borrowers who are managed by the headquarters operation (Headquarters Loans) have decreased despite the continued adverse impacts of COVID-19 infections, because Headquarters Loans to some borrowers with concerns over recoverability were not included in the balance of loans and bills discounted in the consolidated balance sheet as of March 31, 2022 due to the repayment or other reasons, and other borrowers of Headquarters Loans in general showed a recovering trend in their business performances. Accordingly, we determined that this matter was not a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

Appropriateness of the classification of borrowers who are small and medium-size enterprises	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of The Chugoku Bank, Limited (hereinafter, "Chugoku Bank") and its consolidated subsidiaries, loans and bills discounted of ¥5,259,190 million were recognized, representing a significant proportion (approximately 52%) of the total assets of ¥10,208,209 million. For those loans and bills discounted, reserve for possible loan losses of ¥50,987 million was recognized.</p> <p>As described in Notes 2, "Significant Accounting Policies (g) Reserve for Possible Loan Losses" and Notes 3, "Significant Accounting Estimates" to the consolidated financial statements, Chugoku Bank classified borrowers based on assessment results utilizing the internal rules on self-assessment of assets, and measured the amount of the reserve for possible loan losses for each borrower category.</p> <p>As a regional financial institution, Chugoku Bank provides comprehensive financial services to contribute to the development of regional society in the Eastern Setouchi region centering on Okayama prefecture. As a characteristic of such a regional financial institution, Chugoku Bank provides loans to a relatively large number of small and medium-size enterprises (hereinafter, "SMEs"). As a result, the balance of those loans amounted to ¥2,844,915 million, representing 54% of the total loans and bills discounted.</p> <p>For a number of SMEs that support the development of the regional society, Chugoku Bank provides not only loans but also consulting activities in different life stages. Especially for the periods when SMEs are in lower performance, Chugoku Bank identifies borrowers' management challenges, technical and sales capabilities to address them, growth potential, and business continuity through these consulting activities.</p> <p>In order to classify borrowers into borrower categories, Chugoku Bank considers the borrower's current financial position, as well as the results of assessing the feasibility of the profit plan prepared by the borrower. However, as the plan is based on various assumptions, it</p>	<p>The primary procedures we performed to assess appropriateness of the classification of borrowers who are SMEs included the following:</p> <p>(1) Internal control testing</p> <p>We assessed the design and operating effectiveness of relevant internal controls over the classification of borrowers in the self-assessment of loan quality.</p> <p>In this assessment, we focused our testing on the following:</p> <ul style="list-style-type: none"> ● controls to validate whether the internal rules on self-assessment criteria was set out in compliance with relevant accounting standards; ● IT application controls over the classification of borrowers on a quantitative basis; and ● controls to ensure the effectiveness of the secondary assessment department's verification in the classification of borrowers. <p>(2) Assessment of the appropriateness of the classification of borrowers</p> <p>In order to assess appropriateness of the classification of borrowers who are SMEs, we:</p> <ul style="list-style-type: none"> ● evaluated whether the borrowers' information, including financial data as the basis for classifying the borrower, was sufficient and most recent information by inspecting supporting documents and comparing the information with relevant documents; ● inquired of relevant personnel in the secondary assessment department in order to assess the timeliness and appropriateness of judgments regarding qualitative factors, and inspected relevant documents that contribute to the judgments of the actual conditions of the borrowers' business. Particularly for the borrowers whose financial position had deteriorated or those that were deemed to be significantly affected by the COVID-19 pandemic, we examined their business conditions and forecasts, as well as their cash flow conditions, and evaluated the appropriateness of the judgments regarding qualitative factors; and ● among the loans to SMEs, for the borrowers whose business conditions have not been favourable and whose profit plans served as a key factor for classifying the borrowers, examined the feasibility of those plans in light of the current regional economic conditions, business environment outlook, historical

<p>often involves management's expert judgment to assess its feasibility.</p> <p>In addition, some borrowers were still in lower performance due to the adverse impacts of COVID-19 infections. Profit plans prepared by these borrowers included assumptions, such as expectation on containment of COVID-19 infections in future and projection of effectiveness of business improvement measures incorporated in the profit plans. Accordingly, these plans involved difficulty to determine the feasibility.</p> <p>We, therefore, determined that our assessment of the appropriateness of the classification of borrowers who are SMEs was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>business performance, industry trends related to the borrowers, among others. In addition, we evaluated whether the impacts of COVID-19 infections could be an impediment for achieving the profit plans, by examining the borrowers' business conditions and forecasts, as well as their cash flow conditions.</p>
---	--

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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 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.

Non-consolidated Financial Statements Non-consolidated Balance Sheets

The Chugoku Bank, Limited
March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS:			
Cash and due from banks.....	¥ 1,757,035	¥ 1,000,601	\$ 14,356,033
Call loans	446,381	125,878	3,647,201
Other debt purchased.....	18,681	19,678	152,635
Trading account securities	2,834	1,148	23,155
Money trusts	23,000	23,000	187,923
Securities	2,509,806	2,622,547	20,506,626
Loans and bills discounted	5,269,043	5,144,425	43,051,254
Foreign exchange	6,282	8,333	51,327
Other assets	122,829	145,811	1,003,586
Tangible fixed assets	34,722	36,811	283,699
Intangible fixed assets.....	1,386	2,328	11,324
Prepaid pension costs	3,550	3,037	29,005
Customers' liabilities for acceptances and guarantees.....	30,918	32,031	252,618
Reserve for possible loan losses	(48,486)	(42,943)	(396,159)
Total assets	¥ 10,177,987	¥ 9,122,688	\$ 83,160,282
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits	¥ 7,883,792	¥ 7,688,546	\$ 64,415,328
Call money	110,709	71,293	904,559
Payables under repurchase agreements	191,006	129,640	1,560,634
Payables under securities lending transactions	588,355	172,747	4,807,214
Commercial paper.....	55,017	54,228	449,522
Borrowed money.....	663,152	275,463	5,418,351
Foreign exchange	625	289	5,106
Bonds payable	10,000	10,000	81,706
Due to trust account.....	6,935	4,857	56,663
Other liabilities	104,047	124,586	850,126
Liability for employees' severance and retirement benefits.....	100	380	817
Accrued employees' bonuses	1,353	1,217	11,054
Reserve for reimbursement of deposits	60	307	490
Reserve for point program	75	57	612
Deferred tax liabilities	2,149	13,033	17,558
Acceptances and guarantees.....	30,918	32,031	252,618
Total liabilities	¥ 9,648,299	¥ 8,578,681	\$ 78,832,412
Net assets			
Shareholders' equity			
Common stock	¥ 15,149	¥ 15,149	\$ 123,776
Capital surplus.....	6,286	6,286	51,360
Retained earnings	454,193	442,019	3,711,030
Less treasury stock, at cost	(11,623)	(9,622)	(94,966)
Valuation and translation adjustments:			
Net unrealized gains on available-for-sale securities.....	66,033	95,279	539,529
Net deferred losses on hedging instruments	(606)	(5,320)	(4,951)
Subscription rights to shares.....	256	217	2,091
Total net assets.....	529,688	544,007	4,327,869
Total liabilities and net assets.....	¥ 10,177,987	¥ 9,122,688	\$ 83,160,282

Kuroki Kenichiro
Designated Engagement Partner
Certified Public Accountant

Kanda Masashi
Designated Engagement Partner
Certified Public Accountant

Saito Koji
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
September 6, 2022

Non-consolidated Income Statements

The Chugoku Bank, Limited
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Income:			
Interest and dividends on:			
Loans and discounts	¥ 45,162	¥ 45,840	\$ 369,000
Securities	19,952	19,160	163,019
Other	1,715	740	14,012
Fees and commissions	20,645	19,954	168,682
Other operating income:			
Gains on sales and redemptions of bonds	9,550	2,546	78,029
Gain on foreign exchange transactions	768	1,345	6,275
Net gain on trading securities	—	8	—
Other	763	513	6,234
Other income:			
Bad debt recovered	42	0	343
Gains on sales of equity securities	9,800	7,233	80,071
Gains on money trusts	203	113	1,658
Gains on disposals of fixed assets	314	—	2,565
Other	1,732	1,634	14,151
Total income	110,652	99,090	904,093
Expenses:			
Interest on:			
Deposits	685	871	5,596
Borrowing	182	1,051	1,487
Interest rate swaps	3,553	4,217	29,030
Other	802	735	6,552
Fees and commissions	3,485	3,605	28,474
Other operating expenses:			
Losses on sales and redemptions of bonds	12,499	3,098	102,124
Net loss on trading securities transactions	8	—	65
Other	—	45	—
General and administrative expenses	53,015	54,106	433,164
Other expenses:			
Losses on sales and write-offs of shares	3,800	1,646	31,048
Losses on money trusts	104	4	849
Reserve for possible loan losses	7,381	8,039	60,307
Write-offs of loans	—	26	—
Losses on disposals of fixed assets	203	94	1,658
Losses on impairment of fixed assets	505	244	4,126
Other	1,407	2,592	11,496
Total expenses	87,637	80,384	716,047
Income before income taxes	23,015	18,706	188,046
Income taxes:			
Current	6,155	7,316	50,290
Deferred	(56)	(1,617)	(457)
Net income	¥16,915	¥13,007	\$138,205

Non-consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited
For the Years Ended March 31, 2022 and 2021

	Millions of Yen							
	2022							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred losses on hedging instruments	Subscription rights to shares	Total net assets
Balance at beginning of year	¥ 15,149	¥ 6,286	¥ 442,019	¥ (9,622)	¥ 95,279	¥ (5,320)	¥ 217	¥ 544,007
Cumulative effects of changes in accounting policies			(335)					(335)
Restated balance	15,149	6,286	441,683	(9,622)	95,279	(5,320)	217	543,671
Net income			16,915					16,915
Cash dividends			(4,406)					(4,406)
Purchases of treasury stock				(2,000)				(2,000)
Net changes in items other than shareholders' equity					(29,246)	4,713	39	(24,493)
Net changes during the year	—	—	12,509	(2,000)	(29,246)	4,713	39	(13,983)
Balance at end of year	¥ 15,149	¥ 6,286	¥ 454,193	¥ (11,623)	¥ 66,033	¥ (606)	¥ 256	¥ 529,688

	Millions of Yen							
	2021							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred losses on hedging instruments	Subscription rights to shares	Total net assets
Balance at beginning of year	¥ 15,149	¥ 6,286	¥ 433,148	¥ (9,622)	¥ 62,535	¥ (11,456)	¥ 179	¥ 496,220
Net income			13,007					13,007
Cash dividends			(4,137)					(4,137)
Purchases of treasury stock				(0)				(0)
Disposal of treasury stock			(0)	0				0
Net changes in items other than shareholders' equity					32,743	6,136	37	38,917
Net changes during the year	—	—	8,870	(0)	32,743	6,136	37	47,786
Balance at end of year	¥ 15,149	¥ 6,286	¥ 442,019	¥ (9,622)	¥ 95,279	¥ (5,320)	¥ 217	¥ 544,007

	Thousands of U.S. Dollars (Note 1)							
	2022							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Net deferred losses on hedging instruments	Subscription rights to shares	Total net assets
Balance at beginning of year	\$ 123,776	\$ 51,360	\$ 3,611,561	\$ (78,617)	\$ 778,486	\$ (43,467)	\$ 1,773	\$ 4,444,864
Cumulative effects of changes in accounting policies			(2,737)					(2,737)
Restated balance	123,776	51,360	3,608,816	(78,617)	778,486	(43,467)	1,773	4,442,119
Net income			138,205					138,205
Cash dividends			(35,999)					(35,999)
Purchases of treasury stock				(16,341)				(16,341)
Net changes in items other than shareholders' equity					(238,957)	38,508	318	(200,122)
Net changes during the year	—	—	102,206	(16,341)	(238,957)	38,508	318	(114,249)
Balance at end of year	\$ 123,776	\$ 51,360	\$ 3,711,030	\$ (94,966)	\$ 539,529	\$ (4,951)	\$ 2,091	\$ 4,327,869

Disclosure Policy

The Chugoku Bank proactively undertakes the disclosure of information in order that customers, investors, business partners and other parties can more accurately understand matters concerning the Bank as a result of conducting timely and appropriate information disclosure.

This includes disclosing information in a timely manner by producing disclosure pamphlets, business reports, annual reports and financial reports as well as via our website and other mediums.

The Chugoku Bank will continue to endeavor to disclose information in an appropriate and timely manner.



Forward-looking Statements

This annual report contains forward-looking statements regarding the future results and performance of Chugoku Bank. Such forward-looking statements are based on current information and assumptions. Please be advised that actual results could differ materially from those anticipated by the forward-looking statements due to a variety of factors.