



THE CHUGOKU BANK, LTD.



ANNUAL REPORT 2021
THE CHUGOKU BANK, LTD.



Corporate Principles

Remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services

Corporate Vision

A bank that is “chosen” and “trusted” by regional customers



THE CHUGOKU BANK, LTD.

Chugin-no-kokoro (Philosophy of Chugoku Bank)

“Chugin-no-kokoro” was formulated as a guide and set of values that each individual in the Chugoku Bank Group should hold when engaging in self-motivated work.

To Customers: We will aim for a Win-Win relationship with customers

[Added value] We will deliver satisfaction and emotion to our customers through “mindful service”

[Stance] We will work toward mutual growth with customers

As Individuals: We will realize dreams through our work

[Growth] We will hold high motivation and challenge ourselves to grow

[Concentration of strength] We will recognize, respect, and cooperate with each other

As a Company: We will provide motivating work and a place to grow

[Culture] The Chugoku Bank Group will provide a motivating workplace

[Organizational strength] The Chugoku Bank Group will collect diverse strengths to raise its organizational strength

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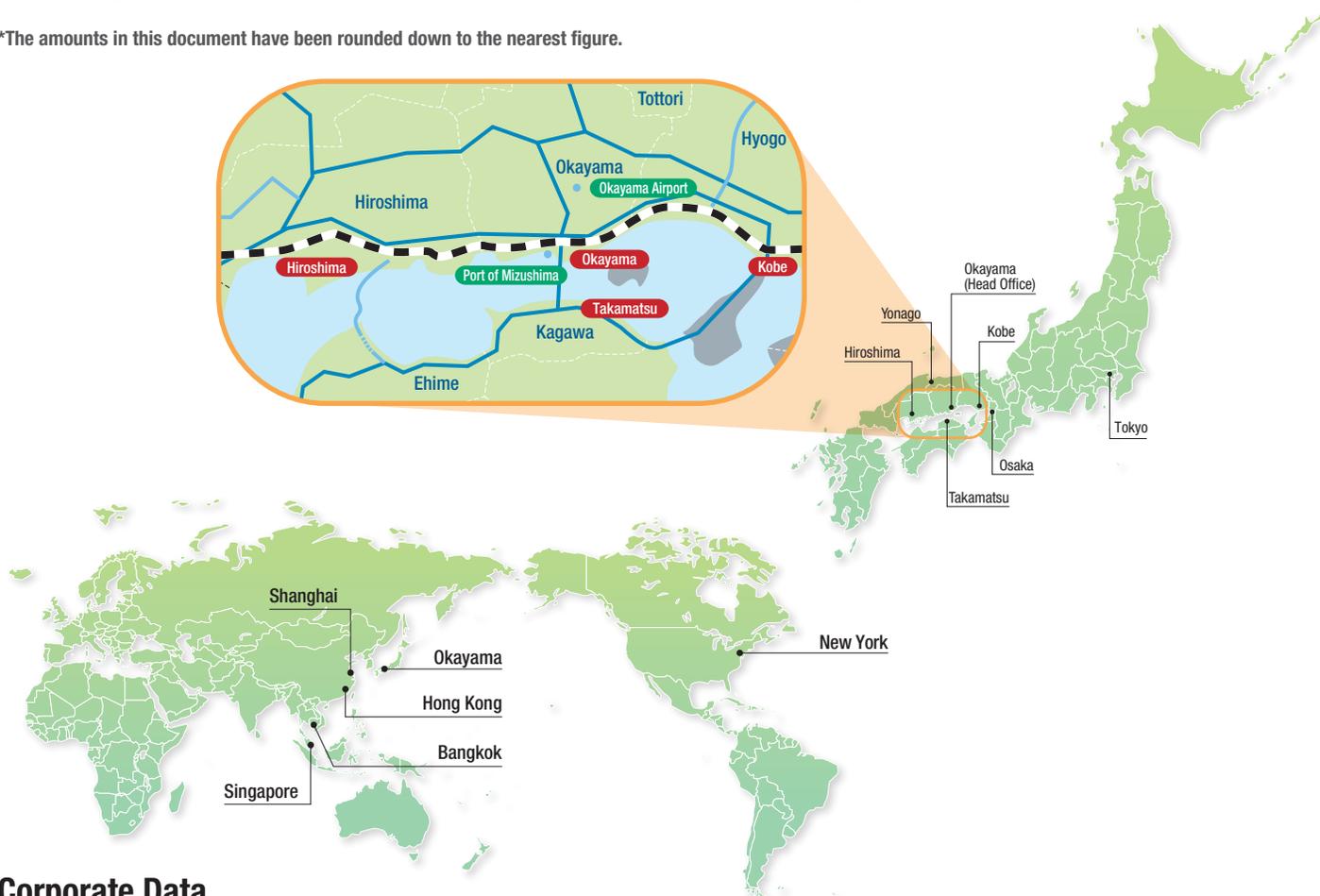
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Profile

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 1.90 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,813 billion (U.S.\$70,572 million), or an impressive 1.39% 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, 2021)

Head Office

Address: 1-15-20, Marunouchi, Kita-ku, Okayama, Japan
 Telephone: (81) 86-223-3111
 SWIFT Code: CHGKJPJZ
 Website: <https://www.chugin.co.jp/>
 Date of Establishment: December 21, 1930

Stated Capital: 15,149 million yen
 Number of Authorized Shares: 391,000,000
 Number of Issued and Outstanding Shares of Common Stock: 195,272,106
 Number of Shareholders: 14,030
 Number of Employees: 2,792

Number of Employees

As of March 31	Number of Employees		
	2021	2020	2019
Employees	2,792	2,831	2,884

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

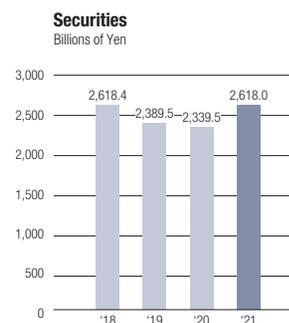
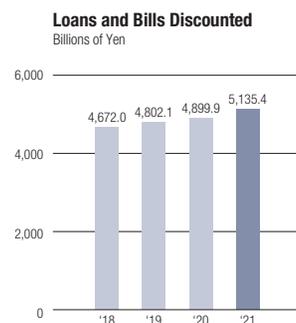
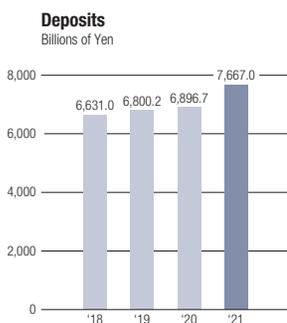
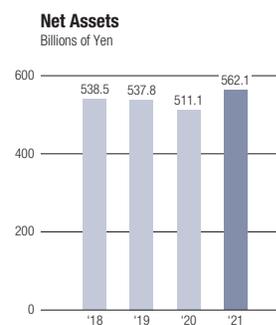
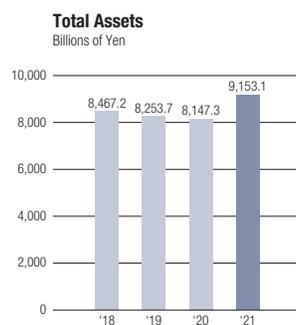
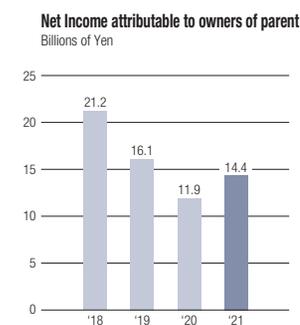
Consolidated Financial Highlights

The Chugoku Bank, Limited and its Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
For the year:			
Total income	¥ 116,979	¥ 127,320	\$ 1,056,625
Total expenses	96,069	110,495	867,753
Net income attributable to owners of parent	14,418	11,916	130,232
Per share of common stock (yen/U.S. dollars):			
Basic net income	¥ 76.66	¥ 63.35	\$ 0.692
Diluted net income	76.58	63.29	0.691
At year-end:			
Deposits	¥ 7,667,019	¥ 6,896,745	\$ 69,253,174
Loans and bills discounted	5,135,435	4,899,984	46,386,369
Securities	2,618,039	2,339,566	23,647,719
Total assets	9,153,162	8,147,386	82,676,921
Net assets	562,197	511,193	5,078,104
For the year:			
Cash flows used in operating activities	656,480	(169,359)	5,929,726
Cash flows used in (provided by) investing activities	(227,992)	(10,370)	(2,059,362)
Cash flows used in financing activities	5,642	(4,969)	50,961
Cash and cash equivalents at end of year	998,813	564,672	9,021,886

Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥110.71 = US\$1 in effect on March 31, 2021.

2. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).



We will anticipate changes by backcasting from what we want to become in the future and establish our original business model with SDGs built in

First, I would like to express my heartfelt sympathy to those affected by COVID-19. Further, I extend my deepest gratitude to the healthcare professionals and all others who are working to prevent the spread of the disease.

We are deeply grateful to all our stakeholders including the shareholders for their continued support. While the COVID-19 pandemic is having serious impacts on the local economy, we are exerting all possible efforts as an entire organization to advance structural reforms to respond to social changes and strengthening our contributions to the regional customers. Accordingly, I would like to explain our future growth strategies based on our medium-term management plan, “Plan for Creating the Future Together: Stage II.”

Strengthening our efforts in revitalization of regional economies and for the SDGs amid the COVID-19 pandemic

In the fiscal year ended March 31, 2021, the COVID-19 pandemic made large impacts on the Eastern Setouchi region, the service area of the Chugoku Bank (hereinafter, the “Bank”). Due to measures to prevent the spread of the disease, various industries from restaurants and tourism to transportation have been immensely impacted. Under these circumstances, the Bank’s mission as a regional financial institution is called into question, and we strongly feel the importance of the role we must play for regional customers in balancing both social and economic value.

“Strengthening our efforts in revitalization of regional economies and SDGs” is the first of the 5 pillars of the medium-term management plan, “Plan for Creating the Future Together: Stage II” (hereinafter, “Stage II”) which we have been pursuing since April of last year. We believe that engaging deeply with the regional society on a medium- to long-term basis with focus on SDGs and resolving respective issues will enable us to provide social value, and at the same time, it will become a source from which the Bank can create new economic value.

During the previous fiscal year, we have focused our efforts as an entire organization to instill the perspectives of SDGs among the sales force. With a sudden increase in opportunities to listen to the challenges that regional customers are facing due to the COVID-19 pandemic, we are making significant progress in our initiatives toward building our own original business model under Stage II.

For example, the Bank has been handling SDGs private placement bonds since August 2019. These private placement bonds allow companies to contribute to the local community and organizations related to SDGs. During the previous fiscal year, a total of 97 bonds were issued. Also, in response to the spread of COVID-19, in October 2020, we were the first regional bank in Japan to issue “Corona Bonds,” social bonds aiming to fund the efforts of customers to maintain their employment and to be used for the stable recovery of the local economy. For these Corona Bonds, the Bank received the Regional Finance Award in the 6th (2020) Sustainable Finance Awards hosted by Research Institute for Environmental Finance.

Other initiatives include the launch of Chugin SDGs Support, a service to support customers’ efforts toward the SDGs, which is already being used by



Director and President
Sadanori Kato

many customers. Through the use of this service, companies can not only enhance their corporate image, but also gain advantages such as greater opportunity to enter a new supply chain. By pursuing initiatives for SDGs within our service area, activities toward sustainable growth are increasing. Motivation within the Bank is rising as we develop this track record, and going forward, we plan to further enhance our initiatives for SDGs as we move toward the final fiscal year of Stage II.

Streamlining and reforming our operations to increase profitability

Looking back at the initiative in the previous fiscal year, despite the various limitations on our operation due to the COVID-19 pandemic, we were strongly determined not to stop our services as a financial institution at any time. We carried out our BCP (Business Continuity Plan) based mainly on a split operation approach where we split the operations between two or more teams. In addition, we set up our sales force to operate remotely and responded flexibly to phone calls and email inquiries about financing needs from customers.

At the same time, we exerted our efforts as an entire organization to streamline our operations. In particular, aggressive reform of operations through BPR (Business Process Re-engineering) led to cost reductions, which was a contributing factor to the 20% increase in net income year on year. Streamlining of operations not only brought about financial results, but also led to reform in work style of employees. Specifically, in addition to reducing overtime duties, we achieved appropriate placement of personnel and labor-saving as a result. Moreover, as a result of reform in work style, the retention rate of younger employees has improved.

One of the reasons why the Bank was able to transit quickly to split operation amid the COVID-19 pandemic and to provide remote, non-contact financial services while streamlining its business operations through BPR was that it had been focusing on reforming its operational systems from an early stage. We take pride in our conventional approach of listening sincerely to the voices of each division and honing our systems to optimum shape. Such system reform has led us to pursue the reform of the actual operations, which merged with the streamlining initiatives over the past year.



Also, the TSUBASA Alliance, one of the broadest and largest collaborations among the top regional banks in Japan, which we have been actively engaged in since 2015, also contributes significantly to the streamlining and sophistication of our operations. In fact, when I was General Manager of Computer System Department, three banks including us, The Chiba Bank, Ltd., and The Daishi Bank, Ltd. (currently Daishi Hokuetsu Bank, Ltd.) started a joint system development project, which became the original form of the Alliance.

Last year, the member banks jointly funded and established TSUBASA Alliance Co., Ltd., which was followed by the opening of the AML (Anti-Money Laundering) Center in an aim to prevent money laundering and terrorism financing within the company.

Currently, TSUBASA Alliance has expanded to a scale of having ¥78 trillion in total assets and ¥150 billion in net income, growing into a financial network that covers the islands of Japan cross-sectionally and longitudinally, from Hokkaido to Okinawa, connecting the areas facing both the Sea of Japan and the Pacific. Going forward, the Alliance plans to collaborate in a wide range of areas such as FinTech, sharing of operation departments and systems, inheritance-related businesses, international businesses, and effective use of group companies. The Bank also has high expectations of it as a network that can bring about growth opportunities, as well as promote the streamlining of operations of the Bank.

Rediscovering the importance of contributing to regional society

Amid the COVID-19 pandemic, it is needless to say we keep firmly in mind that our mission as a regional financial institution is to provide support to the people of our region. We reaffirm the importance of the value to society of branches operating in each region and strive to respond sincerely to each and every request and challenge, so that our customers also become aware of their value.

As a regional financial institution, the Bank's *raison d'être* is to grow and develop in step with regional society. To this end, we have always believed that we must adhere to our corporate principle of "self-driven sound management" and respond to the changing times with agility. Despite the various challenges we encountered later, such as the burst of the bubble economy and global financial crisis, we have, to date, maintained an unwavering management insusceptible to the ups and downs of the times based on the trust of many customers and sound capital. Building upon such business foundation, we will continue to provide new services that will support the growth of our customers' business, while steadily meeting the funding needs of the region.

Last year, the Bank celebrated its 90th anniversary and defined “strengthening our efforts in revitalization of regional economies and SDGs” as the first pillar of its medium-term management plan. Accordingly, from the perspective of contributing to the regional society, we held extensive discussions internally to determine what could be done amid this COVID-19 pandemic. And based on the strong belief that we mustn’t allow young people to give up their dreams while their social activities are greatly restricted by the pandemic, we were able to hold several events as our 90th anniversary projects with the cooperation of people in the region and with strict measures to prevent infections, including The Chugoku Bank Cup: Okayama Prefecture Baseball League Tournament for the 3rd year students of junior high school and Full Effort Brass Band Clubs Memorial Concert. We wish to continue delivering activities for the people of the region as part of our contribution to society.

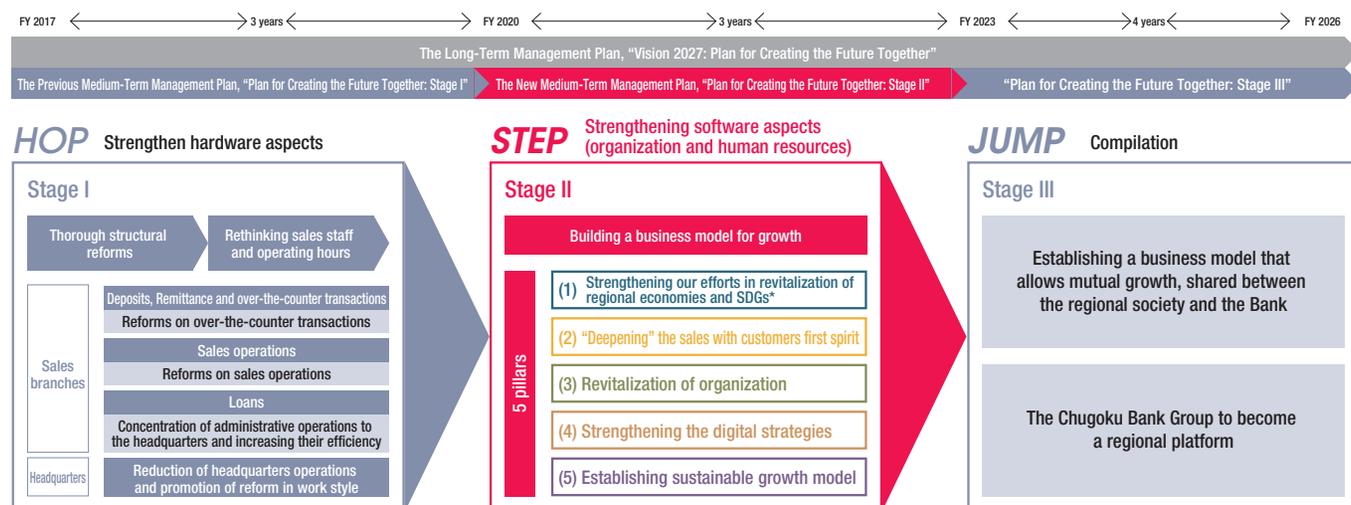
Progress in providing highly specialized services through integrated sales activities

As changes in the times are accelerated in the age of the COVID-19 pandemic today, initiatives with an eye toward the future are becoming increasingly important, and the Bank will steadily execute its 5 pillars of Stage II. In particular, for the first pillar, “strengthening our efforts in revitalization of regional economies and SDGs” and the second pillar, “‘deepening’ the sales with customers first spirit,” we launched the Regional Revitalization & SDGs Project and the New Business Development Project at the headquarters last August and defined the objectives and established a cross-divisional framework at the same time. Also in June this year, in order to develop and enhance both projects and to accelerate the speed in which the measures are executed, we established the Regional Revitalization & SDGs Promotion Department and the New Business Development Center, respectively, and restructured our headquarters organization.

With respect to “‘deepening’ the sales with customers first spirit,” the Bank’s Solution Business, Credit Supervision, and International Departments, among others, are collaborating and working to provide highly specialized services for corporate customers through integrated sales activities. One of the achievements is that the number of contracts won increased by 50% year on year to 75, as we focused our efforts in providing support in business succession. Through such activities, we believe we can continue to protect the business of our customers and also contribute to upholding the regional economy.

Meanwhile, for individual customers, we began discussion in May this year on the establishment of a new joint venture to provide remote finance consulting service in collaboration with the member banks of the TSUBASA Alliance and Nomura Holdings, Inc. The service is a fee-based consultation service that features specialized consultation and advice provided remotely by neutral, dedicated advisors who are not affiliated with any particular financial institution. We will leverage the expertise of the banks and securities firm to assume the building and management of our customers’ assets from a long-term perspective and develop it as a new service.

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.

Aiming to create new businesses outside the box of finance

In creating new businesses for the purpose of “‘deepening’ the sales with customers first spirit,” we launched the Chugin Open Lab in March this year. This is a program for employees to use part of their work hours to work on projects to resolve routine issues or realize new business ideas. We aim to call for initiatives from a broad perspective beyond financial businesses.

We have already received many ideas from within the Bank, and the bottom-up activities by each individual employee are in progress. As the financial industry will continue to see relaxation of regulations, we will create comprehensive services including non-financial services by encouraging the launch of new businesses from within the Bank to pave a growth path from Stage II to Stage III.

In addition, to create new businesses, starting from the fiscal year ended March 31, 2018, the Bank has been hosting the Okayama Innovation Project (OIP), a project to support startups and new business creation in the Okayama and Bingo regions. Furthermore, we have been hosting the Okayama Tech Planter in collaboration with a science and technology venture company since the fiscal year ended March 31, 2019, and also supporting the Kagawa Tech Planter since the fiscal year ended March 31, 2020. We aim to create new industries that utilize the science technologies and local resources of the regions to generate innovation. Through these initiatives, the Bank hopes to serve as a bridge between entrepreneurs and investors as well as support the development of innovative technologies and manufacturing within its service area.

Meanwhile, for our fourth pillar, “strengthening the digital strategies,” we are also accelerating our efforts in an aim to “pursue comprehensive services business to serve every aspect of customers’ lives and businesses.” In February this year, we signed an “agreement on future co-creation toward regional revitalization and the achievement of the SDGs (Okayama Future Co-creation Alliance)” with Okayama University. Through this industry-academia partnership, we will match up customer needs with the technological seeds that are held by the University’s Engineering Department. We will serve as the hub of the wheels and create new services through matching in various areas.

Achieving steady growth in core business and also in fee income areas

As for the quantitative targets in Stage II, we will continue to secure net interest income through our core businesses as a mainstay of revenue. In addition, in establishing a new business model as our growth strategy, we are seeing steady growth in income from the area of consulting, such as through the provision of advice on business succession and asset management, and anticipate further growth through the various initiatives described above.

As for business risks, the Bank conducts comprehensive monitoring and information sharing in ordinary times and also maintains a system to respond accurately to sudden fluctuations in the market that are to be expected. As one of the challenges of the Bank is that the loan-to-deposit ratio is not high enough and is susceptible to the influence of the market, we have been striving to further strengthen our risk management. Also, amid the ongoing COVID-19 pandemic, some customers are at risk of facing funding difficulties. We will provide greater support through our consulting services and business succession assistance.

Accelerating the Stage II initiatives through revitalization of organization

In Stage II for the fiscal year ending March 31, 2024, we consider the third pillar, “revitalization of organization” to be critical in ensuring that each measure is executed soundly. We have been working to this end, but from the perspective of establishing our own original business model, we will be designing a new model, not by considering the revitalization of organization as a mere extension of the past, but by backcasting from what kind of organization we ought to be in the future as well as drastically re-examining the organization from a future-oriented standpoint. The results of “revitalization of organization” cannot be achieved simply in a short period of time. We will take on the challenges of trial and error and begin establishing a new foundation of human resources.

In formulating a new personnel system, we have conducted advance internal research using a questionnaire to identify the awareness of issues among employees, and in April this year, implemented a fully revised personnel system for the first time in approximately 17 years. We are still in the process of reforming our organization. Also, we have transitioned to a new Regional Headquarter System starting in June, which will be a major challenge for us. This system delegates certain authorities with respect to targets, assessments, and personnel to General Managers of each Regional Headquarters, thereby enabling more agile responses that meet the local situation. We will face each individual issue of our local customers with greater sincerity than ever before, and as an entire organization, give power to the regional society battered by the pandemic and strive to revitalize the local communities. Moreover, I also believe that by realizing that they are offering valuable service to customers, each of our employees in the field will find greater satisfaction in their work and become the source of building a stronger organization.



“Human resource system reform” was one of the agendas that I was determined to achieve when I assumed presidency in 2019. I am pleased to take up this project with the cooperation of the entire organization. Although the ratio of female platform officers continues to increase each year, the Bank has only one female director and there is still more room for the Bank to improve its diversity. We will continue to restructure the organization including the promotion of female employees as well as aim to instill the new human resource system. This will become a major driving force for the revitalization of regional societies and creation of new businesses, and the key to bring Stage II to success.

We also recognize that strengthening of human resources and enhancement of corporate governance are important issues that need to be addressed on an ongoing basis. The ratio of outside directors already exceeds the standards defined in the Corporate Governance Code, and the effectiveness of our compliance system has further improved since the establishment of the Nominating and Compensation Committee. Also, with respect to the revitalization of the Board of Directors which has been the focus of investors, the Directors and Audit and Supervisory Committee Members are engaging in active discussion on each agenda item including risk-related matters. Of course, we shall not be content with the current status, and will strive to improve corporate value by continuing to enhance our corporate governance.

When we think of the financial industry five years or ten years from now, there is no doubt that services and businesses will be very different from what they are today. We imagine that our services will be much more focused on consulting business in a broad sense, including consulting for customers, business matching and investment banking, and provision of business expertise to other banks and companies.

In Stage II, we will adapt to these changes and work toward the new growth stage through forward-thinking initiatives. The Bank is working steadily on building its own original business model using the pillars of “strengthening our efforts in revitalization of regional economies and SDGs” and “‘deepening’ the sales with customers first spirit” to tackle the aging society, shrinking population, and various other changes in the external environment and issues of the regional society. We will expedite these initiatives and focus our efforts in leading the Bank toward the goal of Stage II in the fiscal year ending March 31, 2024 in order to meet the expectations of our shareholders and investors. In closing, I would sincerely ask you all for your continued support.

The New Medium-Term Management Plan, “Plan for Creating the Future Together: Stage II”

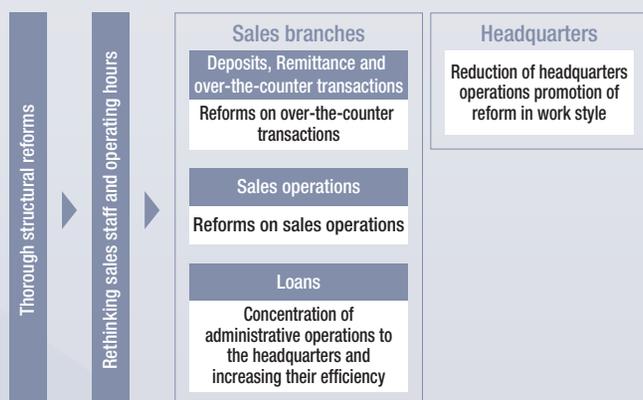
Through our 5 pillars of activities, we will create new value by addressing

The medium-term management plan, which focuses on strengthening software aspects (Stage II)

Under our medium-term management plan, “Plan for Creating the Future Together: Stage II” (fiscal year ending March 31, 2021 through fiscal year ending March 31, 2023), we will endeavor to enhance the human resources and organizational capability of the Group in order to improve our capacity of solving regional and customers’ problems. We will also implement many reforms ranging from strategies, organizations, systems to structures. For corporate customers, we will build a system under which solutions can be developed by one-stop and speedy measures, and for individual customers, a system under which customers may experience comprehensive lifelong services including non-financial services through a wide scope of services and channels. In order to realize these sales systems, we will also conduct a drastic review of the “human resource system, internal training system, and performance award system, etc.” We will establish a business model that allows mutual growth, shared between the regional society and the Bank, which will lead to further growth at the next final stage.

Positioning of “Plan for Creating the Future Together: Stage II” in Vision 2027

HOP Strengthening hardware aspects



STEP Strengthening software aspects (organization and human resources)

Building a business model for growth

- ▶ Based on the results of the structural reforms carried out during the preceding medium-term management plan, 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.
- ▶ The Chugoku Bank Group considers “revitalization of regional economies and SDGs” to be a top priority, and will provide more “human resources,” “information,” “funds,” and “know-how” than ever before, while aiming to build a “platform for co-creation” by playing a key role in cooperation with the regional society. We will accelerate the resolution of regional issues and link the growth of the regional society to the growth of the Chugoku Bank Group.
- ▶ To achieve this goal, we will strengthen our organizational capabilities and human resource development.

5 pillars

- We will face up to various issues surrounding local communities, and aim to solve issues, create new businesses, and put the SDGs into practice.
 - We are committed to solving social and environmental issues by offering customers our know-how, collaborating with various organizations, and conducting businesses practicing the SDGs.
- The Chugoku Bank Group is committed to providing new value to customers and solving their various issues.
 - We will push ahead with strengthening the integrated sales activities of our sales branches and headquarters, expanding our services including non-financial services, participating in new business domains such as recruitment agency, regional trading company and business consulting services, and enhancing our group synergy.
- We will recognize our employees as one of the most important stakeholders of the Group, increase their job satisfaction, and help realize their self-fulfillment and growth.
 - We will build an organizational structure that enables our employees to work with greater satisfaction than ever before, by reforming our human resource system, reviewing the performance award system, and transferring more authority to the Block and sales branches.
- We consider the rapid development of digitalization of financial services to be a major business opportunity for the Group.
 - We will aim to expand customer contact and to create new customer experiences utilizing digital technology, by enhancing smartphone applications for individual customers and launching a portal site for corporate customers. We will further improve the efficiency of banking operations through digitalization.
- In order to cope with the challenging market environment, such as the prolonged negative interest rates, we will aim to achieve sustainable profit growth by stabilizing profit levels in our core businesses including the new business domains and fundamentally reviewing our cost structure.

various challenges of customers from the regional community



Advance to a comprehensive service bank centering on financing

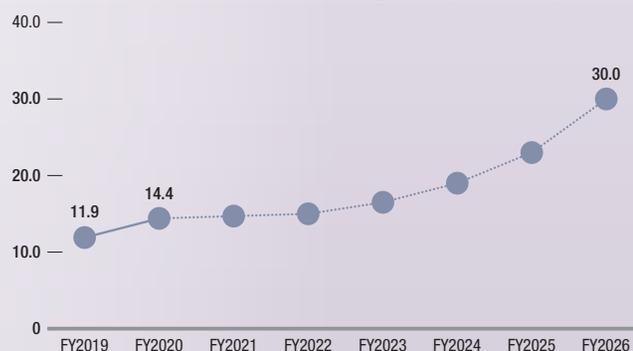
JUMP Compilation

Establishing a business model that allows mutual growth, shared between the regional society and the Bank

The Chugoku Bank Group to become a regional platform



Net income attributable to owners of parent (Billions of Yen)



stage III / FY2023

FY2026

KPI

Stakeholders	KPI	Results in FY 2020	Final year of the medium-term management plan (FY 2022)
Regional society	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	65 customers	Total of 3 years: 200 customers
	(2) Activities contributing to the improvement of financial literacy, etc. ³	195 events (over 3,000 attendees)	Continuous improvement
Customers	Customer satisfaction ⁴ (individuals and corporate)	Corporate Survey FY2020 Customer satisfaction: 74% (previously, 70% in FY2018)	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel expenses ⁵	54.03%	54% or more
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	¥14.4 billion	¥15.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.44%	Maintained stably at 12%
	Consolidated ROE	2.68%	—

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)

Topics

Message from an Outside Director

I will fulfill my duties as Outside Director and hope to assist in the development of the regional society and sustainable growth of the Chugoku Bank Group

Outside Director Yoshio Sato



Position of the Chugoku Bank in the regional community

The Chugoku Bank is a leading regional bank with outstanding credence and the number one share in the region. I learned that the Bank was established as a result of sequential mergers of many regional banks, each having possessed solid business foundations throughout Okayama Prefecture, the eastern regions of Hiroshima Prefecture, western regions of Hyogo Prefecture, and Kagawa Prefecture during the Taisho and early Showa eras. Adding to the history and incomparable name recognition in the region, the Bank is also known for its longstanding, solid management policies, which is the reason many regional companies select us as the sole or main bank for their business accounts. Also, as a regional financial institution near by, the Bank is the main business partner to many individual customers and is highly relied upon. The Chugoku Bank is built upon the trust of such local people and, keeping with its fundamental policy to stand beside regional industries, operates with an aim to resolve various corporate management issues for current and future customers. For individual customers, we strive to provide detailed advice and proposals on the supply and management of capital that will be needed at various stages in life. And to increase our presence as an essential partner in the region, we will continue to exert our efforts positively and proactively.

Demonstration of career and expertise as Director of the Chugoku Bank

I have a total of nearly fifty years' experience as a certified public accountant as member of audit firms in the United States and Japan, having been engaged in accounting audits of large-scale corporations, and management advisory services providing consultation on multi-faceted inquiries that come directly from management of medium-size companies. Therefore, I have extensive experience not only in issues from a financial perspective, but also in various managerial issues, business succession, and inheritance-related matters. Based on this expertise, I am able, not only to focus on short-term results, but to raise issues and provide advice on medium- and long-term management issues and management strategy formulation from a comprehensive perspective.

Duties as Director

I attend the meetings of the Board of Directors and pay particular attention to expressing my opinions from an objective and medium- to

long-term standpoint as an outside third party in addition to my views as Director. To do so, it is important to be briefed in advance of the agendas from the departments in charge and for complicated matters, hold thorough prior discussions and gain insight on the subject. I also make sure to receive regular lectures on the key operations of the Bank to understand the overall business of the Bank. In addition, I chair the voluntary Nominating and Compensation Committee consisting of three independent Outside Directors and two Representative Directors, so I express my opinions and deliberate from an outside, independent position on matters such as the election of Directors, policy on nurturing successors, as well as on the officer compensation system and payment policy, and so on.

Evaluation of the corporate governance of the Chugoku Bank

As an Outside Director, I focus on stating my theory without reserve on matters that I think go against common sense of the general public or feel uncomfortable with, even if they are considered normal within the Bank. Fortunately, the Board of Directors of the Chugoku Bank offers an atmosphere that allows Outside Directors to speak out freely, and also a blessed environment in which the members respond seriously to our opinions. Also, we have regular opportunities for Outside Directors and Representative Directors to exchange opinions, which I think is quite effective in providing frank opinions.

Future prospect of the Chugoku Bank and the path toward achieving it

The Chugoku Bank considers it a mission to support the local economy as the leading bank of the region. As such, the Bank will continue to contribute to the further development of the economy of the region through such services as providing local companies with adequate funds to expand their businesses and proactive consulting to resolve fundamental management issues, and for individual customers, assistance in designing life plans in different stages of life. And to achieve mutual development with the regional society, we post pillars under the medium-term management plan, namely (1) strengthening our efforts in revitalization of regional economies and SDGs, (2) "deepening" the sales with customers first spirit, (3) revitalization of organization, (4) strengthening the digital strategies, and (5) establishing sustainable growth model. We declare that we will endeavor to develop the regional community and achieve a sustainable society by combining the Chugoku Bank Group's strengths, and I will fulfill my duties as Outside Director toward the realization of those challenges.

Message from the Officer in Charge of the Personnel Department

We believe that “revitalization of organization” is most critical in order for the Bank to build a sustainable organization amid the rapidly changing business environment surrounding regional banks, while keeping in view such initiatives as “achievement of SDGs” and “further promotion of diversity & inclusion.” Thus, the Bank is focusing its effort on human resource system reforms as a priority action under the medium-term management plan, “Plan for Creating the Future Together: Stage II.”

We are now in a time of transition when things are changing dramatically. In other words, a paradigm shift is occurring, and we are in an emergency situation. It could mean trouble if we fall behind, but it could also mean opportunity if we move ahead.

To this end, under the human resource system reforms, a major overhaul for the first time in approximately 17 years, we are not only revising the system itself, but also pursuing integrated restructuring including the “reestablishment of personnel development programs,” “radical changes to over-the-counter operations,” and “reform in work style.”

Through these initiatives, we are encouraging each and every employee to change their behavior in terms of both tangible and intangible aspects, and driving our medium-term management plan, “Plan for Creating the Future Together: Stage II,” which is the second stage of our long-term management plan, “Vision 2027: Plan for Creating the Future Together” in which we are advocating “future thinking (backcasting) .”

In particular, in strengthening our personnel development, we made it a basic policy to “foster earnestly,” “foster as a joint effort,” and

“provide growth opportunities” to maximize the capacity of employees.

Also, we will undertake various human resource initiatives with an aim to “increase work fields” and “foster a culture of autonomy and challenge,” and conduct various assessments in order to create a system in which employees, who work ambitiously in realizing the “market-in*” and nurturing human resources, are acknowledged and promoted, thereby improving the engagement of employees.

We will refer to our Bank’s philosophy, “Chugin-no-kokoro” to produce many “personnel who can think and act autonomously” or “human resources required in and outside the Bank,” and stand close to the community and customers to offer high-quality services.

***Market-in:** An approach that focuses on the feedback and views of customers and provides what customers want

Through the nurturing and building of “a human resources group required in and outside the Bank,” we will provide high value-added comprehensive financial services that are positioned close by and contribute to the community and customers

Senior Managing Director Koji Terasaka



Review of Operations

Financial Condition

Results by business segment are as follows.

Banking business

Ordinary income decreased by ¥11,064 million year on year, or 9.9%, to ¥99,765 million, due primarily to decreases in interest on loans and discounts and interest and dividends on securities as a result of the interest rate cut in the U.S.

Ordinary profit increased by ¥3,570 million year on year, or 23.0%, to ¥19,045 million, due to such factors as a significant decrease in foreign currency procurement costs and a reduction of general and administrative expenses, despite an increase in credit costs.

Leasing business

Ordinary income increased by ¥415 million year on year, or 3.4%, to ¥12,453 million due to such factors as an increase in leases, while ordinary profit decreased by ¥227 million year on year, or 29.7%, to ¥537 million due to an increase in credit costs.

Securities business

Ordinary income increased by ¥358 million year on year, or 13.0%, to ¥3,111 million due to the recovery of the sales situation of stocks and investment trusts etc., as a result of market conditions turning around. Ordinary profit/loss improved by ¥345 million year on year, resulting in an ordinary profit of ¥236 million.

Other

Ordinary income decreased by ¥172 million year on year, or 3.1%, to ¥5,360 million, and ordinary profit increased by ¥90 million year on year, or 4.8%, to ¥1,929 million.

Earnings

Regarding the results for the fiscal year ended March 31, 2021, consolidated ordinary income decreased by ¥10,342 million year on year, or 8.1%, to ¥116,976 million due primarily to decreases in interest and dividends on securities and interest on loans and discounts. Consolidated ordinary expenses decreased by ¥14,130 million year on year, or 12.8%, to ¥95,724 million due to a significant impact from a decrease in fund procurement costs and a reduction of general and administrative expenses, despite an increase in credit costs.

Consolidated ordinary profit increased by ¥3,789 million year on year, or 21.6%, to ¥21,252 million, as the decrease in consolidated ordinary expenses surpassed the decrease in consolidated ordinary income.

Net income attributable to owners of parent increased by ¥2,502 million year on year, or 20.9%, to ¥14,418 million.

Cash Flows

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2021 increased by ¥434,141 million year on year to ¥998,813 million due primarily to a significant increase in cash flows from operating activities due to factors such as increases in deposits because of measures against COVID-19.

Cash flows from operating activities

Net cash provided by operating activities for the fiscal year ended March 31, 2021 increased significantly by ¥825,839 million year on year to ¥656,480 million due primarily to increases in deposits due to capital inflows because of measures against COVID-19, and increases in borrowings due to special funds-supplying operations to facilitate financing in response to COVID-19 by the Bank of Japan, despite being partially offset by decreasing factors such as an increase in the total loan balance due to focusing on financial supports to respond to the spread of COVID-19.

Cash flows from investing activities

Net cash used in investing activities for the fiscal year ended March 31, 2021 increased by ¥217,622 million year on year to ¥227,992 million due to a decrease in sales of securities due to the recovery of market conditions that had deteriorated through the end of the previous fiscal year due to the spread of COVID-19.

Cash flows from financing activities

Net cash provided by financing activities increased by ¥10,611 million year on year to ¥5,642 million, due primarily to financing by the issuance of social bonds (subordinated debt) whose purpose is financing for measures against COVID-19.

Forecast for Next Term

For the fiscal year ending March 31, 2022, the Chugoku Bank Group forecasts consolidated ordinary income of ¥111,500 million, consolidated ordinary profit of ¥21,500 million and net income attributable to owners of parent of ¥14,700 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.

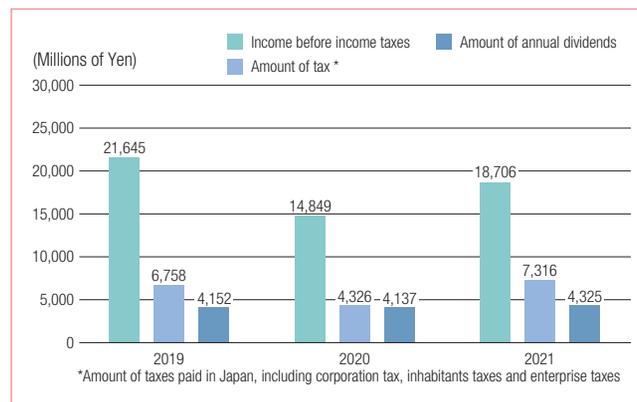
Dividend Policy

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, 2021, the Bank will pay a year-end per-share dividend of ¥12 (annual per-share dividend of ¥23), consisting of an initially scheduled year-end per-share dividend of ¥11 (annual per-share dividend of ¥22) and a 90th founding anniversary commemorative dividend of ¥1, 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 ¥23 (interim dividend of ¥11.50), changing the total payout ratio to "35% or more of net income attributable to owners of parent" through dividends and share buybacks.

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

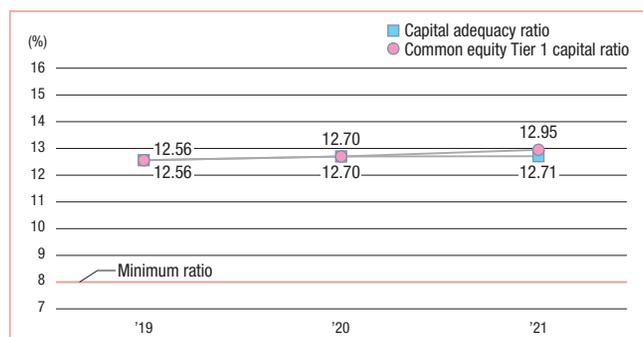
The Bank's capital adequacy ratio was 12.71% as of the end of March 2021.

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 increased by ¥18,493 million year on year, to ¥91,224 million as of the end of March 2021, as a result of the stagnation of economic activities due to the spread of COVID-19 despite efforts to upgrade borrowers' status through business rehabilitation activities and reduction efforts including direct write-offs and elimination from balance sheet by debt disposal.

In addition, the ratio of risk-managed loans (against the total loan balance) increased by 0.29 percentage point year on year, to 1.77% as of the end of March 2021.

Status of impaired loans	(Millions of Yen)	
	End of March 2021	End of March 2020
Loans to bankrupt customers	¥ 4,447	¥ 5,340
Loans past due six months or more	55,600	44,426
Loans past due three months or more	833	757
Restructured loans	30,343	22,206
Total	¥ 91,224	¥ 72,731
The ratio of risk-managed loans (against the total loan balance) (%)	1.77	1.48

Loans to Bankrupt Customers

Of the loans whose accrued interest is not recognized as revenue, loans to customers who have been bound by legal procedures under the Corporate

Reorganization Act, Bankruptcy Act, or the rehabilitation procedures, as well as loans to customers whose transactions have been suspended by the Clearinghouse.

Loans past due six months or more

Loans whose accrued interest is not recognized as revenue, excluding loans to bankrupt customers as well as those for which payment of the interest has been postponed to ensure the borrowers' business rehabilitation or to assist their management to carry on.

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	* Long-term credit rating
	* Short-term deposit rating	
	* Baseline Credit Assessment (BCA)	
Investment grade	Aaa Aa1 Aa2 Aa3 A1 A2 A3 Baa1 Baa2 Baa3	AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- CC D
Speculative grade	Ba1 Ba2 Ba3 B1 B2 B3 Caa1 Caa2 Caa3 Ca C	
	P-1 (PRIME-1)	
	aaa aa1 aa2 aa3 a1 a2 a3 baa1 baa2 baa3 ba1 ba2 ba3 b1 b2 b3 caa1 caa2 caa3	

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

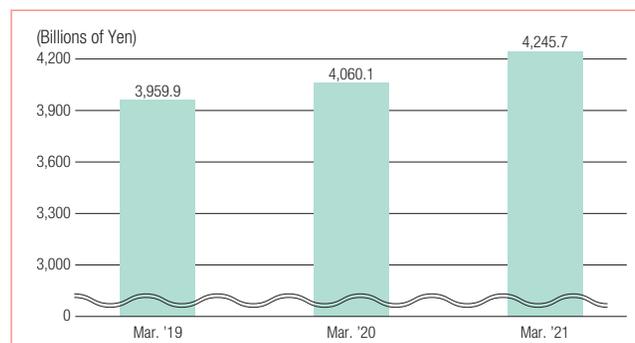
- By setting up a “Comprehensive Town, Person, and Work Creation Strategy Structure,” the Bank actively participates in each local government from the regional comprehensive strategic planning stage.
- In the strategy execution stage as well, the Bank continues to work in cooperation with local governments 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

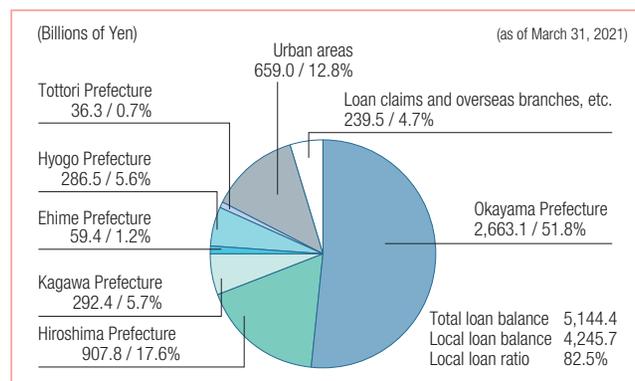
- The Bank actively offers information about specific activities and their results with regard to efforts related to community-based financial services. We will strive to improve our services even further in order to earn the trust and support of our regional customers.

Loan Balance to Regionals

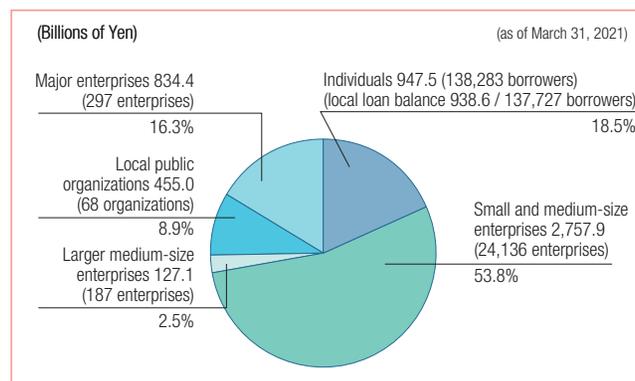
The Bank will take on risks proactively to meet the financing needs of customers.



Breakdown of Loans to the Regional Community



Loan Balance by Type and Number of Borrowers



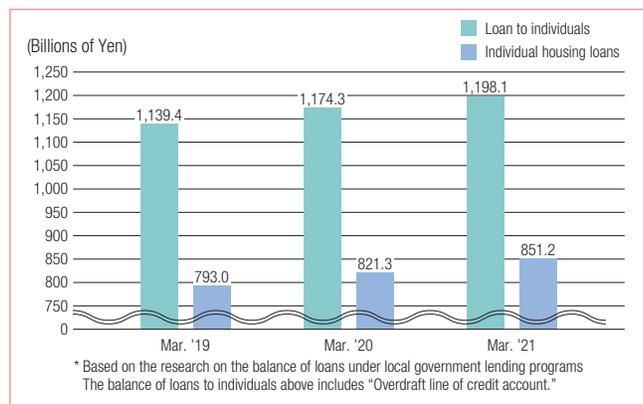
Loans to Individuals

The Bank has a lineup that includes many types of loans to individuals, including housing loans, as well as card loans, automobile loans and student loans, corresponding to various life events of individual customers.

Furthermore, we have established a Life Plan Center Loan Center in each branch to provide support for financing plans based on the customer’s life plan, while also strengthening our remote channels, such as transactions over the internet using a smartphone or a personal computer and our call center.

As a result of these efforts, the balance of loans to individuals for the year increased ¥23.8 billion from the end of March 2020, to ¥1,198.1 billion.

Loan Balance to Individuals



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.

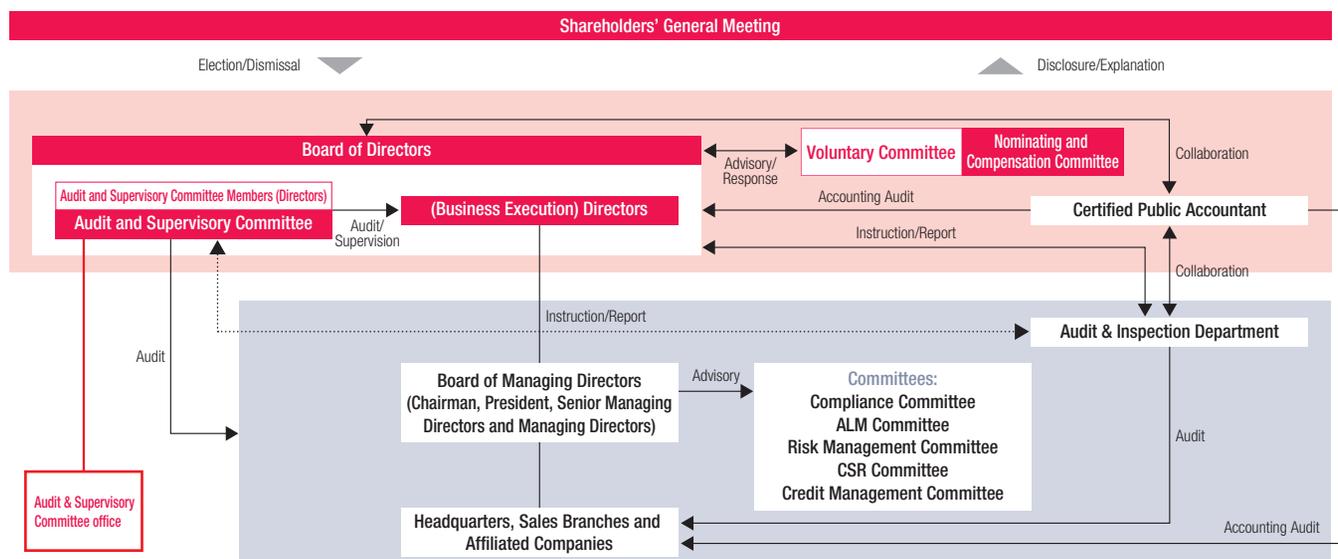
Since voting rights at the Board of Directors are granted to Directors serving as Audit and Supervisory Committee Members at a company with an Audit and Supervisory Committee, highly effective audit and supervisory system over the Board of Directors and Directors has been secured.

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



Board of Directors and Audit & Supervisory Board Members (As of June 30, 2021)

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

Hiroyuki Ohara



Managing Director

Hiromichi Kato



Outside Director

Yoshio Sato



Outside Director

Akira Kodera

Directors (Audit and Supervisory Committee Members)



Full-time of Audit and
Supervisory Committee
Member

Hiromichi Ando



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

*Messrs. Yoshio Sato, Akira Kodera, Hiromichi Furuya, Toshihide Saito, Kazuhiro Tanaka and Ms. Yukiyo Kiyono 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

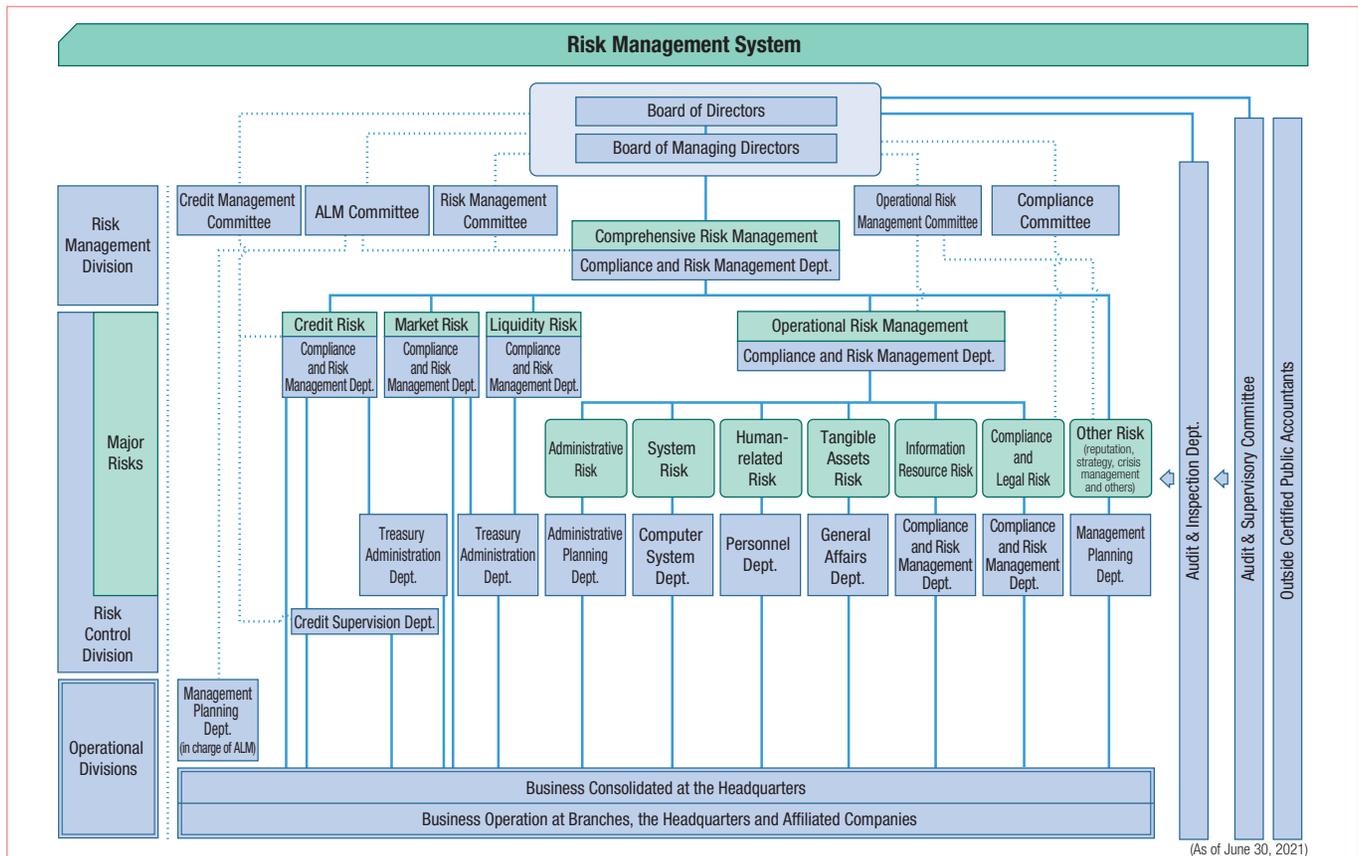
Operational risk refers to risks of losses arising from bank operational processes, employees' and officers' activities or an unsuitable system or due to

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.



(As of June 30, 2021)

Internal Control

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

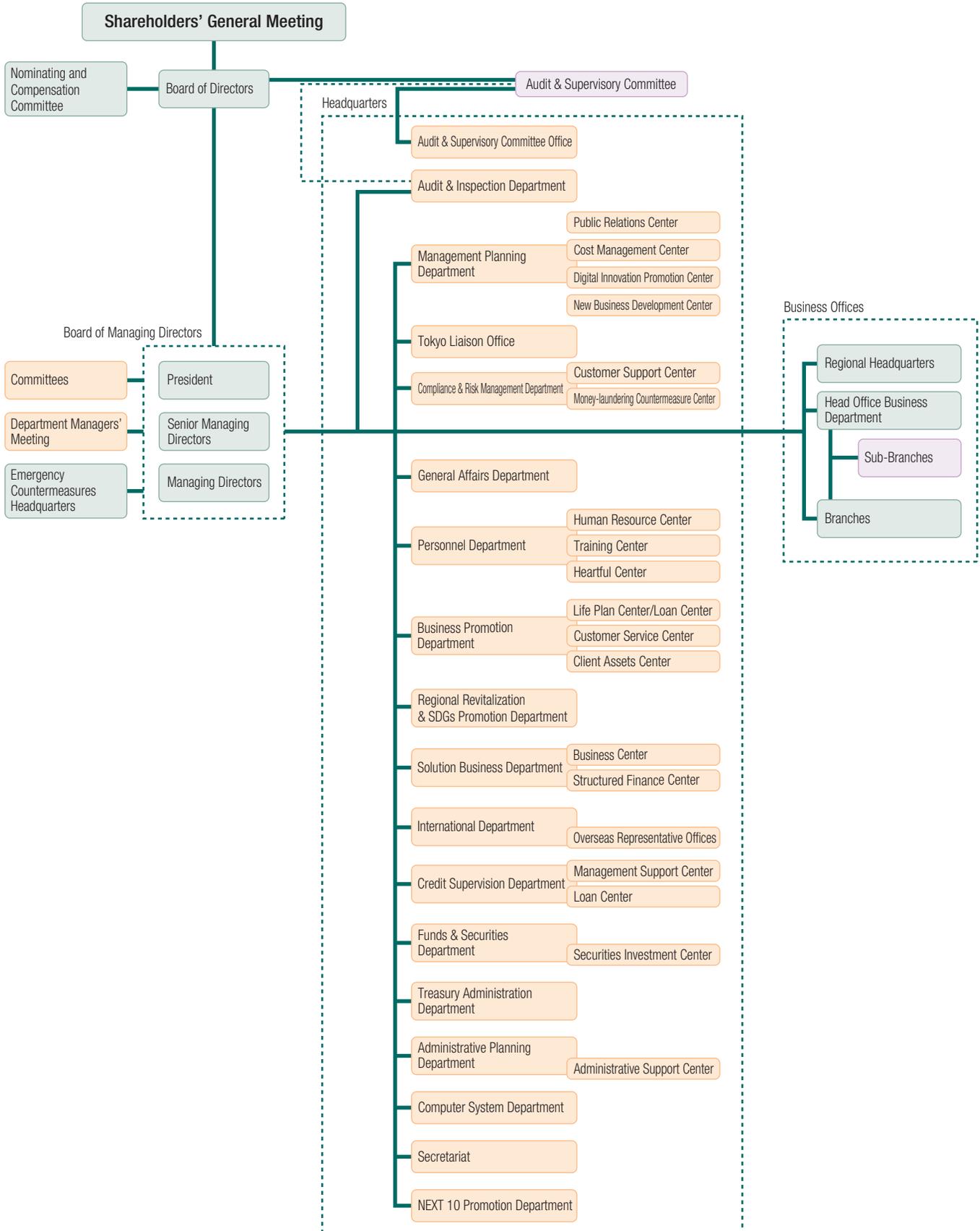
In accordance with the Auditing Standards for Audit & Supervisory Committee, the Bank shall include a budget in advance for the expenses acknowledged by the Audit & Supervisory Committee to be necessary for the execution of duties. Expenses expended urgently or temporary may be claimed to the Bank for 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, 2021)



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

The Chugoku Bank, Limited	Banking business
<ul style="list-style-type: none"> — Domestic offices: Head office, 144 branch offices, 5 sub-branch offices, 8 branch-in-branch offices, 2 branch-in-branch sub-branch offices, 1 special sub-branch office, 1 representative office, 1 internet branch — Locations with ATM installed Outside branches: 212 locations (233 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, 2021)

Shareholder Information

(As of March 31, 2021)

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	42	527,759	27.05
Securities firms	28	24,338	1.25
Other corporations	504	517,381	26.52
Foreign investors	202	306,073	15.69
Individuals	11,319	575,457	29.49
Total	12,097	1,951,099	100.00
Number of shares held in less than trading units	—	162,206	—

Major Shareholders

Unit: 1,000 shares

Name of Shareholders	Number of holding shares	Percentage of outstanding shares
Custody Bank of Japan, Ltd.	18,764	9.97
The Master Trust Bank of Japan, Ltd.	13,115	6.97
Okayama Estate and Warehousing Co., Ltd.	5,358	2.84
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	5,143	2.73
Nippon Life Insurance Company	4,756	2.52
Meiji Yasuda Life Insurance Company	4,754	2.52
KURABO INDUSTRIES LTD.	4,559	2.42
CP CHEMICAL INCORPORATED	4,478	2.38
Chugoku Bank Employee Stock Ownership Plan	4,350	2.31
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	2,877	1.53
Total	68,158	36.24

Service Networks

(As of June 30, 2021)

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,
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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, Bhira Tower at EmQuartier,
19th Floor, Room No. 1901,
Sukhumvit Road, Khlong Tan Nuea,
Wattana, 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 Midosuji 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

(As of June 30, 2021)

Location	Number of Offices
Okayama Pref.	109
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

Financial Section

Consolidated Financial Statements

Consolidated Balance Sheets

The Chugoku Bank, Limited and its Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS:			
Cash and due from banks (Notes 21 and 24).....	¥ 1,000,773	¥ 576,348	\$ 9,039,589
Call loans	125,878	59,877	1,137,006
Other debt purchased (Notes 6, 10 and 21).....	21,485	24,928	194,065
Trading account securities (Notes 6, 13 and 21).....	1,148	1,316	10,369
Money trusts (Notes 7 and 21).....	27,300	27,100	246,590
Securities (Notes 6, 8, 13 and 21).....	2,618,039	2,339,566	23,647,719
Loans and bills discounted (Notes 9, 10 and 21).....	5,135,435	4,899,984	46,386,369
Foreign exchange (Note 9).....	8,333	11,960	75,268
Lease receivables and investments in leased assets.....	24,291	24,130	219,411
Other assets (Notes 13, 18 and 21).....	162,723	140,349	1,469,813
Tangible fixed assets (Note 11).....	38,766	39,460	350,158
Intangible fixed assets (Note 12).....	2,437	3,064	22,012
Deferred tax assets (Note 14).....	809	6,611	7,307
Customers' liabilities for acceptances and guarantees.....	32,031	33,413	289,323
Reserve for possible loan losses.....	(46,291)	(40,724)	(418,128)
Total assets	¥ 9,153,162	¥ 8,147,386	\$ 82,676,921
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 13 and 21).....	¥ 7,667,019	¥ 6,896,745	\$ 69,253,174
Call money	71,293	30,068	643,961
Payables under repurchase agreements (Notes 6 and 13).....	129,640	124,704	1,170,987
Payables under securities lending transactions (Notes 13 and 21).....	172,747	217,164	1,560,355
Commercial paper (Note 15).....	54,228	32,611	489,820
Borrowed money (Notes 13 and 15).....	286,194	157,365	2,585,078
Foreign exchange	289	272	2,610
Bonds payable (Note 16).....	10,000	—	90,326
Due to trust account.....	4,857	3,309	43,871
Other liabilities (Notes 15, 18 and 21).....	143,853	119,768	1,299,367
Accrued employees' bonuses	1,332	1,395	12,031
Accrued directors' bonuses	27	31	243
Reserve for directors' retirement benefits.....	67	82	605
Reserve for reimbursement of deposits.....	307	642	2,773
Reserve for point program	88	94	794
Net defined benefit liability (Note 17).....	6,624	18,245	59,831
Deferred tax liabilities (Note 14).....	10,354	271	93,523
Reserves under special laws	6	6	54
Acceptances and guarantees.....	32,031	33,413	289,323
Total liabilities	¥ 8,590,965	¥ 7,636,192	\$ 77,598,816
Net assets (Note 23):			
Shareholders' equity:			
Common stock			
Authorized shares: 391,000,000 shares in 2021 and 2020			
Issued shares: 195,272,106 shares in 2021 and 2020.....	¥ 15,149	¥ 15,149	\$ 136,834
Capital surplus.....	8,153	8,153	73,642
Retained earnings	463,305	453,024	4,184,852
Less treasury stock, at cost			
7,213,056 shares in 2021 and 7,212,380 shares in 2020.....	(9,622)	(9,622)	(86,911)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 8).....	96,574	62,987	872,315
Net deferred losses on hedging instruments.....	(5,320)	(11,456)	(48,053)
Accumulated adjustments for retirement benefits (Note 17).....	(6,258)	(7,221)	(56,526)
Total.....	84,994	44,308	767,717
Subscription rights to shares (Note 25).....	217	179	1,960
Total net assets	562,197	511,193	5,078,104
Total liabilities and net assets	¥ 9,153,162	¥ 8,147,386	\$ 82,676,921

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, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2021	2020	2021	2020
Income:				
Interest and dividends on:				
Loans and discounts.....	¥ 45,813	¥ 50,485	\$ 413,810	
Securities	18,871	25,189	170,454	
Other	762	757	6,882	
Fees and commissions	18,641	18,995	168,376	
Other operating income.....	23,240	21,789	209,917	
Bad debt recovered.....	0	3	0	
Other income.....	9,648	10,099	87,146	
Total income.....	116,979	127,320	1,056,625	
Expenses:				
Interest on:				
Deposits	871	2,596	7,867	
Borrowings	1,078	2,182	9,737	
Other	4,954	13,688	44,747	
Fees and commissions	4,281	4,359	38,668	
Other operating expenses.....	14,162	14,182	127,919	
General and administrative expenses	57,285	58,212	517,432	
Reserve for possible loan losses.....	8,736	6,153	78,908	
Losses on impairment of fixed assets (Note 11)	249	608	2,249	
Other expenses.....	4,449	8,512	40,186	
Total expenses.....	96,069	110,495	867,753	
Income before income taxes	20,910	16,824	188,871	
Income taxes (Note 14):				
Current	8,332	5,176	75,259	
Deferred	(1,840)	(268)	(16,619)	
	6,491	4,907	58,630	
Net income.....	14,418	11,916	130,232	
Net income attributable to non-controlling interests.....	—	—	—	
Net income attributable to owners of parent.....	¥ 14,418	¥ 11,916	\$ 130,232	
Per share of common stock				
Basic net income.....	¥ 76.66	¥ 63.35	\$ 0.692	
Diluted net income	76.58	63.29	0.691	
Cash dividends applicable to the year (Note 23)	23.00	22.00	0.207	

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, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2021	2020	2021	2020
Net income.....	¥ 14,418	¥ 11,916	\$ 130,232	
Other comprehensive income (Note 20):				
Net unrealized gains (losses) on available-for-sale securities.....	33,586	(30,699)	303,369	
Net deferred gains (losses) on hedging instruments.....	6,136	(2,563)	55,424	
Adjustments for retirement benefits	963	(573)	8,698	
Total other comprehensive income.....	40,685	(33,836)	367,491	
Comprehensive income.....	¥ 55,104	¥ (21,919)	\$ 497,732	
Comprehensive income attributable to:				
Owners of parent.....	¥ 55,104	¥ (21,919)	\$ 497,732	
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, 2021 and 2020

	Millions of Yen									
	2021									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				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	Total			
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.

	Millions of Yen									
	2020									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				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	Total			
Balance at beginning of year.....	¥ 15,149	¥ 8,153	¥ 445,459	¥ (9,401)	¥ 93,687	¥ (8,893)	¥ (6,648)	¥ 78,145	¥ 311	¥ 537,818
Net income attributable to owners of parent.....			11,916							11,916
Cash dividends.....			(4,328)							(4,328)
Purchases of treasury stock.....				(412)						(412)
Disposals of treasury stock.....			(23)	191						168
Net changes in items other than shareholders' equity.....					(30,699)	(2,563)	(573)	(33,836)	(131)	(33,968)
Net changes during the year.....	—	—	7,564	(221)	(30,699)	(2,563)	(573)	(33,836)	(131)	(26,624)
Balance at end of year.....	¥ 15,149	¥ 8,153	¥ 453,024	¥ (9,622)	¥ 62,987	¥ (11,456)	¥ (7,221)	¥ 44,308	¥ 179	¥ 511,193

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)									
	2021									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				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	Total			
Balance at beginning of year.....	\$ 136,834	\$ 73,642	\$ 4,091,988	\$ (86,911)	\$ 568,936	\$ (103,477)	\$ (65,224)	\$ 400,216	\$ 1,616	\$ 4,617,405
Net income attributable to owners of parent.....			130,232							130,232
Cash dividends.....			(37,367)							(37,367)
Purchases of treasury stock.....				(0)						(0)
Disposals of treasury stock.....			(0)	0						0
Net changes in items other than shareholders' equity.....					303,369	55,424	8,698	367,491	334	367,834
Net changes during the year.....	—	—	92,855	(0)	303,369	55,424	8,698	367,491	334	460,690
Balance at end of year.....	\$ 136,834	\$ 73,642	\$ 4,184,852	\$ (86,911)	\$ 872,315	\$ (48,053)	\$ (56,526)	\$ 767,717	\$ 1,960	\$ 5,078,104

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, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes	¥ 20,910	¥ 16,824	\$ 188,871
Depreciation	4,474	4,452	40,411
Losses on impairment of fixed assets	249	608	2,249
Share-based compensation expenses	37	35	334
Increase (decrease) in reserve for possible loan losses	8,736	6,153	78,908
Increase (decrease) in reserve for point program	(6)	(19)	(54)
Increase (decrease) in reserve for directors' retirement benefits	(14)	(1)	(126)
Increase (decrease) in accrued employees' bonuses	(63)	(8)	(569)
Increase (decrease) in accrued directors' bonuses	(3)	7	(27)
Increase (decrease) in net defined benefit liability	(10,234)	(10,962)	(92,439)
Increase (decrease) in reserve for reimbursement of deposits	(335)	(353)	(3,025)
Interest and dividend income	(65,448)	(76,431)	(591,166)
Interest expense	6,904	18,467	62,361
Losses (gains) on sales of securities, net	(5,037)	443	(45,497)
Losses (gains) on money trusts, net	(109)	(9)	(984)
Foreign exchange losses (gains), net	(5,163)	5,980	(46,635)
Losses (gains) on disposals of fixed assets, net	11	9	99
Decrease (increase) in trading account securities, excluding foreign exchange contracts	167	1,059	1,508
Decrease (increase) in call loans and other debt purchased	(62,557)	(13,577)	(565,052)
Increase (decrease) in payables under repurchase agreements	4,935	(383)	44,575
Decrease (increase) in due from banks, excluding the Bank of Japan	9,715	2,286	87,751
Increase (decrease) in commercial paper	21,617	(16,106)	195,257
Decrease (increase) in foreign exchange assets	3,626	(2,918)	32,752
Decrease (increase) in loans and bills discounted	(238,621)	(100,510)	(2,155,369)
Decrease (increase) in lease receivables and investments in leased assets	(161)	(3,141)	(1,454)
Decrease (increase) in other assets	(19,468)	(12,382)	(175,846)
Increase (decrease) in deposits	770,274	96,454	6,957,582
Increase (decrease) in borrowed money	128,828	(6,723)	1,163,652
Increase (decrease) in call money	41,224	11,278	372,360
Increase (decrease) in foreign exchange liabilities	17	(1,437)	153
Increase (decrease) in payables under securities lending transactions	(44,416)	(160,060)	(401,192)
Increase (decrease) in due to trust account	1,548	549	13,982
Increase (decrease) in other liabilities	28,207	16,590	254,782
Interest and dividends received	69,155	81,119	624,649
Interest paid	(8,461)	(19,601)	(76,424)
Subtotal	660,539	(162,306)	5,966,389
Income taxes paid	(4,088)	(7,053)	(36,925)
Income taxes refund	30	—	270
Net cash provided by (used in) operating activities	656,480	(169,359)	5,929,726
Cash flows from investing activities:			
Purchases of securities	(949,024)	(862,548)	(8,572,161)
Proceeds from sales of securities	410,210	570,149	3,705,266
Proceeds from redemption of securities	314,319	291,041	2,839,120
Purchases of money trusts	(205)	(7,565)	(1,851)
Proceeds from money trusts	114	2,074	1,029
Purchases of tangible fixed assets	(2,605)	(3,572)	(23,529)
Purchases of intangible fixed assets	(820)	(21)	(7,406)
Proceeds from sales of tangible fixed assets	18	71	162
Net cash used in investing activities	(227,992)	(10,370)	(2,059,362)
Cash flows from financing activities:			
Issuance of subordinated bonds	10,000	—	90,326
Cash dividends paid	(4,137)	(4,328)	(37,367)
Purchases of treasury stock	(0)	(412)	(0)
Repayments on lease obligations	(220)	(228)	(1,987)
Proceeds from sales of treasury stock	0	0	0
Proceeds from execution of stock options	—	0	—
Net cash provided by (used in) financing activities	5,642	(4,969)	50,961
Effect of exchange rate changes on cash and cash equivalents	10	(9)	90
Net increase (decrease) in cash and cash equivalents	434,140	(184,709)	3,921,416
Cash and cash equivalents at beginning of year	564,672	749,382	5,100,460
Cash and cash equivalents at end of year (Note 24)	¥ 998,813	¥ 564,672	\$ 9,021,886

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, 2021, which was ¥110.71 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 investment partnerships and a 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, 2021 (six in 2020) 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 investment partnerships, a subsidiary and an affiliated company also were not accounted for by the equity method for the year ended March 31, 2021 (six and one, respectively, in 2020) because their exclusion had no significant effect on the consolidated financial statements.

One 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, 2021 (one in 2020) 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) Securities and Money Trusts

Trading account securities are stated at fair value. 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. 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 with available fair values are, in principle, stated at fair value based on the market price as of the balance sheet date. 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 moving average cost.

Available-for-sale securities for which the fair value is extremely difficult to determine are stated at moving average cost.

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

(c) Derivatives and Hedge Accounting

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, October 8, 2020) 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 generally 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 value for the Bank's actual rate of loan losses for a fixed past period based on the three-year historical default rate 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) Accounting Policy for Deferred Assets

The Bank recognizes bond issuance cost as an expense when incurred.

(p) Leases

As lessor:

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

(q) 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).

(r) 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.

(Additional Information)

The Bank has applied the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Revision ASBJ Statement No. 24, March 31, 2020) for the year-end consolidated financial statements for the fiscal year ended March 31, 2021, and newly discloses accounting principles and procedures adopted in the cases where the relevant provisions set forth in the related accounting standards etc., are not clear.

(s) Consumption Taxes

National and local consumption taxes are accounted for mainly on a tax excluded basis. However, any non-deductible consumption taxes associated with asset purchases are recorded as expense during the fiscal year.

(t) 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.

(1) 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, 2021 was ¥46,291 million (\$418,128 thousand), 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, 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 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, 2021, 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 from 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. New Accounting Standards to Be Applied

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 26, 2021)

(a) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 is applied to fiscal years beginning on or after January 1, 2018, and Topic 606 is applied to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but not to the extent that the alternative treatments would threaten comparability, when consideration should be given to the practice having been used in Japan.

(b) Scheduled Date of Application

These ASBJ statement and guidance will be applied at the start of the fiscal year beginning on April 1, 2021.

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

The effects of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements are minor.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued by the Accounting Standards Board of Japan on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued by the Accounting Standards Board of Japan on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued by the Accounting Standards Board of Japan on July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 31, 2020)

(a) Overview

In light of the situation in which the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have established detailed guidance on fair value measurement with almost the same content (IFRS 13 "Fair Value Measurement" in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 "Fair Value Measurement" in the US GAAP), the Accounting Standards Board of Japan (ASBJ) worked to ensure consistency with international accounting standards mainly for guidance and disclosures on the fair value of financial instruments and issued the "Accounting Standard for Fair Value Measurement" and issued or revised related accounting standards and implementation guidance.

The ASBJ's basic policy for the development of the accounting standard for fair value measurement is to incorporate basically all the provisions of IFRS 13 from the perspective of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method. Other treatments of individual items are established, however, to the extent those treatments do not impair comparability among financial statements largely, taking into consideration the practice having been used in Japan.

(b) Scheduled Date of Application

These ASBJ statements and guidances will be applied at the start of the fiscal year beginning April 1, 2021.

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

The effects of the application of the Accounting Standard for Fair Value

Measurement and its related guidances on the consolidated financial statements are currently under evaluation.

5. Changes in Presentation

Application of "Accounting Standard for Disclosure of Accounting Estimates"

From the year-end consolidated financial statements for the fiscal year ended March 31, 2021, the Bank has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) and has presented notes to significant accounting estimates for the Consolidated Financial Statements.

However, in accordance with the transitional treatment provided in the proviso to paragraph 11 of the accounting standard, these notes do not contain information pertaining to the previous fiscal year.

6. Securities

Securities include investments in interests and equity securities of unconsolidated subsidiaries and affiliates in the amounts of ¥2,650 million (\$23,936 thousand) and ¥108 million (\$975 thousand) as at March 31, 2021 and ¥1,998 million and ¥23 million as at March 31, 2020.

Securities received under repurchase agreements, etc., that are permitted to be disposed of through methods of sale or pledge (re-pledge) in the amount of none were held at March 31, 2021 and ¥113 million as at March 31, 2020 without such disposal.

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 ¥100,209 million (\$905,148 thousand) and ¥94,922 million as at March 31, 2021 and 2020, respectively.

(1) Trading account securities

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Amount of net unrealized gains (losses) included in the consolidated income statements.....	¥ (3)	¥ (10)	\$ (27)

(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, 2021 and 2020:

Type	Millions of Yen		
	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

Type	Thousands of U.S. Dollars		
	2021		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	\$ 1,130,954	\$ 537,828	\$ 593,117
Bonds	12,278,890	12,052,633	226,248
Japanese government bonds	4,590,615	4,444,693	145,912
Japanese municipal bonds.....	5,501,445	5,437,006	64,429
Japanese corporate bonds.....	2,186,821	2,170,933	15,888
Other	3,800,090	3,224,397	575,684
Foreign bonds.....	2,415,924	2,342,164	73,760
Other.....	1,384,156	882,232	501,914
Subtotal.....	\$ 17,209,935	\$ 15,814,876	\$ 1,395,059
Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	\$ 87,968	\$ 96,034	\$ (8,066)
Bonds	3,973,182	4,018,227	(45,036)
Japanese government bonds	2,144,729	2,179,143	(34,405)
Japanese municipal bonds.....	1,254,358	1,262,180	(7,822)
Japanese corporate bonds.....	574,085	576,894	(2,800)
Other	2,130,367	2,215,165	(84,798)
Foreign bonds.....	1,574,681	1,642,715	(68,024)
Other.....	555,676	572,441	(16,764)
Subtotal.....	6,191,527	6,329,428	(137,900)
Total	\$ 23,401,472	\$ 22,144,313	\$ 1,257,149

Type	Millions of Yen		
	2020		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	¥ 89,240	¥ 46,887	¥ 42,353
Bonds	1,487,091	1,454,559	32,532
Japanese government bonds	548,971	528,427	20,544
Japanese municipal bonds.....	700,784	691,056	9,728
Japanese corporate bonds.....	237,335	235,075	2,259
Other	217,635	181,777	35,857
Foreign bonds.....	108,974	103,126	5,848
Other.....	108,660	78,650	30,009
Subtotal.....	¥ 1,793,967	¥ 1,683,224	¥ 110,742
Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	¥ 19,824	¥ 24,302	¥ (4,478)
Bonds	262,789	264,830	(2,040)
Japanese government bonds	93,719	95,232	(1,513)
Japanese municipal bonds.....	50,532	50,723	(191)
Japanese corporate bonds.....	118,538	118,874	(336)
Other	239,070	252,311	(13,240)
Foreign bonds.....	180,720	185,831	(5,110)
Other.....	58,350	66,480	(8,129)
Subtotal.....	521,684	541,444	(19,760)
Total	¥ 2,315,651	¥ 2,224,668	¥ 90,982

(3) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as of March 31, 2021 and 2020:

Held-to-maturity securities

Type	Millions of Yen			
	2021			
	Carrying amount	Fair value	Difference	
Held-to-maturity 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

Type	Thousands of U.S. Dollars			
	2021			
	Carrying amount	Fair value	Difference	
Held-to-maturity securities whose fair value exceeds carrying amount:				
Japanese government bonds	\$ 102,953	\$ 105,166	\$	2,203
Subtotal.....	\$ 102,953	\$ 105,166	\$	2,203
Total	\$ 102,953	\$ 105,166	\$	2,203

Type	Millions of Yen			
	2020			
	Carrying amount	Fair value	Difference	
Held-to-maturity securities whose fair value exceeds carrying amount:				
Japanese government bonds	¥ 11,398	¥ 11,718	¥	320
Subtotal.....	¥ 11,398	¥ 11,718	¥	320
Total	¥ 11,398	¥ 11,718	¥	320

(4) The Bank recognized impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥149 million (\$1,345 thousand) and ¥150 million (\$1,354 thousand), respectively, in the year ended March 31, 2021, and impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥2,403 million and ¥50 million, respectively, in the year ended March 31, 2020.

Impairment loss on securities other than trading account securities, excluding those securities for which the fair value is extremely difficult to determine, 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, 2021 and 2020 were as follows:

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

Type	Thousands of U.S. Dollars			
	2021			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	\$ 213,305	\$ 41,784	\$	9,222
Bonds	1,349,092	10,152		6,196
Japanese government bonds	1,303,604	9,050		6,196
Japanese municipal bonds.....	—	—		—
Japanese corporate bonds.....	45,479	1,101		—
Other	1,645,777	35,931		24,695
Foreign bonds	1,400,722	21,217		19,438
Other.....	245,045	14,705		5,247
Total.....	\$ 3,208,174	\$ 87,878	\$	40,122

Type	Millions of Yen			
	2020			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities.....	¥ 65,274	¥ 6,056	¥	3,617
Bonds	236,002	964		768
Japanese government bonds	216,833	831		768
Japanese municipal bonds.....	17,421	117		—
Japanese corporate bonds.....	1,746	15		—
Other	175,822	3,079		3,730
Foreign bonds	113,266	1,162		458
Other.....	62,556	1,917		3,272
Total.....	¥ 477,098	¥ 10,100	¥	8,116

7. Money Trusts

(1) Money trusts as a type of trading account securities as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	2020
Carrying amount (fair value).....	¥ 23,000	¥ 23,000	\$ 207,749	
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, 2021 and 2020 were as follows:

	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	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars				
	2021				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	\$ 38,840	\$ 38,840	\$ —	\$ —	\$ —

	Millions of Yen				
	2020				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 4,100	¥ 4,100	¥ —	¥ —	¥ —

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

Net unrealized gains and losses on available-for-sale securities as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Net unrealized gains on available-for-sale securities	¥ 138,656	¥ 90,460	\$ 1,252,425
Deferred tax liabilities	(42,082)	(27,472)	(380,110)
Net unrealized gains on available-for-sale securities before adjustment for non-controlling interests, net of taxes.....	96,574	62,987	872,315
Non-controlling interests	—	—	—
Net unrealized gains on available-for-sale securities, net of taxes.....	¥ 96,574	¥ 62,987	\$ 872,315

9. Loans and Bills Discounted

Loans and bills discounted as at March 31, 2021 and 2020 included the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	2020
Loans to bankrupt customers.....	¥ 4,874	¥ 5,702	\$ 44,024	
Loans past due six months or more	56,646	45,533	511,661	
Loans past due three months or more but less than six months ...	833	757	7,524	
Restructured loans	30,343	22,206	274,076	
Total.....	¥ 92,697	¥ 74,201	\$ 837,295	

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as the principal and interest will eventually be uncollectible.

Loans past due six months or more are loans not included in the above category or in restructured loans for which payments are past due six months or more. Interest is not being accrued on these loans.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or the deferral or waiver of interest or principal payments in support of customers in financial difficulties.

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, October 8, 2020). 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, 2021 and 2020 was ¥16,373 million (\$147,890 thousand) and ¥23,725 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 ¥1,296 million (\$11,706 thousand) and ¥1,345 million as at March 31, 2021 and 2020, respectively.

10. 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, 2021 and 2020 amounted to ¥1,629,855 million (\$14,721,840 thousand) and ¥1,509,352 million, respectively. Of these amounts, ¥1,503,729 million (\$13,582,594 thousand) for 2021 and ¥1,411,309 million for 2020 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.

11. Tangible Fixed Assets

Tangible fixed assets as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Land	¥ 19,473	¥ 19,725	\$ 175,891
Buildings	11,227	11,720	101,409
Lease assets	2,082	2,328	18,805
Other tangible fixed assets	5,915	5,581	53,427
Construction in progress.....	67	103	605
Total.....	¥ 38,766	¥ 39,460	\$ 350,158

Accumulated depreciation as at March 31, 2021 and 2020 was ¥80,597 million (\$728,001 thousand) and ¥80,676 million, respectively. The amounts that were directly offset against acquisition costs as at March 31, 2021 and 2020 were ¥5,082 million (\$45,903 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, 2021 and 2020 as follows:

(Millions of Yen)		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		

(Thousands of U.S. Dollars)		2021		Losses on impairment of fixed assets
	Purpose of Use	Type		
Okayama Prefecture	Branches	3 branches	Land and buildings	\$ 289
	Idle assets	2 items		
Prefectures other than Okayama	Branches	6 branches	Land and buildings	\$1,951
	Idle assets	3 items		

(Millions of Yen)		2020		Losses on impairment of fixed assets
	Purpose of Use	Type		
Okayama Prefecture	Branches	13 branches	Land and buildings	¥ 480
	Idle assets	2 items		
Prefectures other than Okayama	Branches	7 branches	Land and buildings	¥ 127
	Idle assets	2 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, 2021, the value in use for one branch of the Bank, and the net realizable value for other assets, and for the year ended March 31, 2020, the value in use for two branches in Okayama Prefecture, and the net realizable value for other assets) and recognized a corresponding loss of ¥249 million (\$2,249 thousand) and ¥608 million as "Losses on impairment of fixed assets" for the years ended March 31, 2021 and 2020, 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%.

12. Intangible Fixed Assets

Intangible fixed assets as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Software.....	¥ 1,721	¥ 2,929	\$ 15,545
Software in progress	620	—	5,600
Other intangible fixed assets	94	135	849
Total.....	¥ 2,437	¥ 3,064	\$ 22,012

13. Pledged Assets

Pledged assets as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Securities	¥ 741,443	¥ 739,359	\$ 6,697,163
Other assets	81	81	731
Total.....	¥ 741,525	¥ 739,441	\$ 6,697,904

Liabilities secured by pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deposits.....	¥ 30,563	¥ 25,708	\$ 276,063
Payables under securities lending transactions	172,747	217,164	1,560,355
Payables under repurchase agreements	129,640	124,704	1,170,987
Borrowed money.....	268,229	140,269	2,422,807
Total.....	¥ 601,180	¥ 507,846	\$ 5,430,223

At March 31, 2021 and 2020, certain trading account securities in the aggregate amount of ¥111 million (\$1,002 thousand) and ¥112 million, respectively, and certain other securities in the aggregate amount of ¥21,521 million (\$194,390 thousand) and ¥24,388 million, respectively, were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

Other assets included the following items as at March 31, 2021 and 2020:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Initial margins for central counterparty	¥ 63,743	¥ 66,588	\$ 575,765
Cash collateral paid for financial instruments.....	13,538	6,925	122,283
Initial margins for futures markets...	776	478	7,009
Guarantee deposits.....	806	832	7,280

14. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Reserve for possible loan losses...	¥ 13,620	¥ 11,922	\$ 123,024
Net defined benefit liability	9,574	9,895	86,478
Unrealized holding losses on available-for-sale securities....	4,656	6,027	42,055
Depreciation	4,906	5,321	44,313
Deferred losses on hedging instruments	3,283	5,140	29,654
Write-down of securities	1,607	1,387	14,515
Losses on impairment of fixed assets.....	1,198	1,163	10,821
Accrued employees' bonuses.....	464	487	4,191
Software.....	176	206	1,589
Other.....	1,529	1,475	13,810
Subtotal.....	41,016	43,027	370,481
Valuation allowance.....	(2,650)	(2,700)	(23,936)
Total deferred tax assets.....	38,366	40,327	346,545

Deferred tax liabilities:

Unrealized holding gains on available-for-sale securities....	(46,727)	(33,456)	(422,066)
Reserve for advanced depreciation of tangible fixed assets	(235)	(235)	(2,122)
Other.....	(948)	(296)	(8,562)
Total deferred tax liabilities	(47,911)	(33,988)	(432,761)
Net deferred tax assets (liabilities) ..	¥ (9,545)	¥ 6,339	\$ (86,216)

Figures for reconciliation between the statutory tax rate and the effective tax rate of the Bank for the years ended March 31, 2021 and 2020 have been omitted as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

15. Borrowed Money, Commercial Paper and Other Liabilities

Borrowed money, commercial paper and other liabilities as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Borrowed Money.....	¥ 286,194	¥ 157,365	\$ 2,585,078
Commercial paper.....	54,228	32,611	489,820
Lease liabilities (due within one year)...	220	220	1,987
Lease liabilities (due after one year)....	1,576	1,789	14,235

The weighted average interest rates on the outstanding balances as at March 31, 2021 and 2020 were as follows:

	2021	2020
Borrowed Money.....	0.078%	1.088%
Commercial paper.....	0.300%	1.933%
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, 2021 and 2020 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Less than one year.....	¥ 273,032	¥ 144,770	\$ 2,466,190
From one to two years.....	3,843	3,474	34,712
From two to three years.....	3,074	2,605	27,766
From three to four years.....	2,451	1,836	22,138
From four to five years.....	1,325	2,138	11,968
Over five years.....	2,466	2,540	22,274
Total borrowed money.....	¥ 286,194	¥ 157,365	\$ 2,585,078

Commercial paper classified by maturity as at March 31, 2021 and 2020 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Less than one year.....	¥ 54,228	¥ 32,611	\$ 489,820
Total commercial paper.....	¥ 54,228	¥ 32,611	\$ 489,820

Lease liabilities classified by maturity as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Less than one year.....	¥ 220	¥ 220	\$ 1,987
From one to two years.....	218	219	1,969
From two to three years.....	217	217	1,960
From three to four years.....	216	217	1,951
From four to five years.....	214	214	1,932
Over five years.....	709	920	6,404
Total lease liabilities.....	¥ 1,796	¥ 2,009	\$ 16,222

16. Bonds Payable

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Subordinated Bond.....	¥ 10,000	¥ —	\$ 90,326

17. 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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance of projected benefit obligation.....	¥ 64,909	¥ 65,133	\$ 586,297
Service cost.....	2,019	2,073	18,236
Interest cost.....	129	129	1,165
Actuarial differences.....	1,377	144	12,437
Retirement benefits paid.....	(2,567)	(2,571)	(23,186)
Prior service cost.....	—	—	—
Other.....	—	—	—
Ending balance of projected benefit obligation.....	¥ 65,867	¥ 64,909	\$ 594,950

(b) Changes in plan assets for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Beginning balance of plan assets...	¥ 46,664	¥ 36,750	\$ 421,497
Expected return on plan assets ..	974	1,309	8,797
Actuarial differences.....	1,443	(1,622)	13,034
Contribution from the employer ..	11,419	11,436	103,143
Retirement benefits paid.....	(1,259)	(1,210)	(11,372)
Other.....	—	—	—
Ending balance of plan assets.....	¥ 59,242	¥ 46,664	\$ 535,109

(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
	2021	2020	2021
Funded defined benefit obligation...	¥ 65,481	¥ 64,574	\$ 591,464
Plan assets.....	(59,242)	(46,664)	(535,109)
	6,238	17,909	56,345
Unfunded defined benefit obligation.....	385	335	3,477
Net liability (asset) recorded in the consolidated balance sheet.....	¥ 6,624	¥ 18,245	\$ 59,831

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Net defined benefit liability.....	¥ 6,624	¥ 18,245	\$ 59,831
Net defined benefit asset.....	—	—	—
Net liability (asset) recorded in the consolidated balance sheet.....	¥ 6,624	¥ 18,245	\$ 59,831

(d) The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost.....	¥ 2,019	¥ 2,073	\$ 18,236
Interest cost.....	129	129	1,165
Expected return on plan assets.....	(974)	(1,309)	(8,797)
Amortization of actuarial differences.....	1,319	942	11,914
Amortization of prior service cost...	—	—	—
Other.....	0	(3)	0
Retirement benefit expenses on defined benefit plans.....	¥ 2,493	¥ 1,832	\$ 22,518

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
	2021	2020	2021
Prior service cost.....	¥ —	¥ —	\$ —
Actuarial differences.....	1,385	(824)	12,510
Total.....	¥ 1,385	¥ (824)	\$ 12,510

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost.....	¥ —	¥ —	\$ —
Unrecognized actuarial differences.....	(9,005)	(10,391)	(81,338)
Other.....	—	—	—
Total.....	¥ (9,005)	¥ (10,391)	\$ (81,338)

(g) Plan assets

1) Components of plan assets

Plan assets consisted of the following:

	2021	2020
Bonds.....	15.3%	13.9%
Equity securities.....	17.3%	19.6%
Cash and deposits.....	25.6%	30.7%
General account.....	7.3%	9.2%
Other.....	34.4%	26.5%
Total.....	100.0%	100.0%

Note: Total plan assets as at March 31, 2021 and 2020 included an employees' retirement benefit trust established for corporate welfare pension plans that represented 44.5% and 35.3% of the total plan assets respectively.

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, 2021 and 2020 were as follows:

	2021	2020
Discount rate	0.200%	0.200%
Long-term expected rate of return	2.068% - 2.100%	1.765% - 3.959%

Note: Since the Bank has adopted 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, 2021 and 2020 was ¥186 million (\$1,680 thousand) and ¥174 million, respectively.

18. Derivative Transactions

Derivative transactions as at March 31, 2021 and 2020 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			
	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

Type	Thousands of U.S. Dollars			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating	\$ 410,513	\$ 390,597	\$ (4,480)	\$ (4,480)
Pay floating/ receive fixed	387,245	375,458	7,063	7,063
Total	—	—	\$ 2,583	\$ 2,583

Type	Millions of Yen			
	2020			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating	¥ 32,398	¥ 28,928	¥ (994)	¥ (994)
Pay floating/ receive fixed	29,013	26,343	954	954
Total	—	—	¥ (39)	¥ (39)

Notes: 1. The above transactions were stated at fair value, and gains and losses were recognized in the consolidated income statements.

2. Fair values were determined based on the discounted value of future cash flows and other factors.

Currency Derivatives:

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

Type	Thousands of U.S. Dollars			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps	\$ 5,560,943	\$ 4,384,969	\$ 1,381	\$ 1,381
Forward foreign exchange				
Sold	593,622	406,259	13,106	13,106
Bought	537,178	398,735	(3,522)	(3,522)
Currency options				
Sold	88,772	33,809	(2,628)	2,321
Bought	88,772	33,809	2,628	(1,725)
NDF				
Sold	858	—	(45)	(45)
Bought	830	—	63	63
Total	—	—	\$ 10,992	\$ 11,588

Type	Millions of Yen			
	2020			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps	¥ 696,328	¥ 535,831	¥ 144	¥ 144
Forward foreign exchange				
Sold	56,847	12,564	(579)	(579)
Bought	37,840	11,815	995	995
Currency options				
Sold	14,762	7,009	(426)	467
Bought	14,762	7,009	426	(371)
NDF				
Sold	324	95	16	16
Bought	315	92	(6)	(6)
Total	—	—	¥ 570	¥ 666

Notes: 1. The above transactions were stated at fair value, and gains and losses were recognized in the consolidated income statements.

2. Fair values were determined based on the discounted value of future cash flows and other factors.

Bond-related Derivatives:

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

Type	Thousands of U.S. Dollars				Recognized gains (losses)
	2021				
	Contract amount	Over 1 year	Fair value		
Financial products exchange transactions					
Bond futures					
Sold.....	\$ 2,727	\$ —	\$ (0)	\$	(0)
Total.....	—	—	\$ (0)	\$	(0)

Type	Millions of Yen				Recognized gains (losses)
	2020				
	Contract amount	Over 1 year	Fair value		
Financial products exchange transactions					
Bond futures					
Sold.....	¥ 308	¥ —	¥ 3	¥	3
Total.....	—	—	¥ 3	¥	3

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

(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		
		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)
Total.....		—	—	¥ (6,902)

Thousands of U.S. Dollars

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)	\$ 2,555,360	\$ 2,472,134	\$ (62,343)
Total.....		—	—	\$ (62,343)

Type	Hedged items	Millions of Yen		
		2020		
		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)	¥ 221,075	¥ 218,575	¥ (16,588)
Total.....		—	—	¥ (16,588)

Notes: 1. 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, October 8, 2020).

2. Fair values were determined based on the discounted value of future cash flows and other factors.

Currency Derivatives:

Type	Hedged items	Millions of Yen		
		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)

Type	Hedged items	Thousands of U.S. Dollars		
		2021		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps.....	Call loans	\$ 201,716	\$ —	\$ (27)
Currency swaps.....	Loans	2,845,858	2,019,998	(6,765)
Total.....		—	—	\$ (6,792)

Type	Hedged items	Millions of Yen		
		2020		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps.....	Call loans	¥ 17,412	¥ —	¥ (0)
Currency swaps.....	Loans	241,602	116,448	104
Total.....		—	—	¥ 103

Notes: 1. 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).

2. Fair values were determined based on the discounted value of future cash flows and other factors.

19. Lease Transactions

Information about operating leases as at March 31, 2020 and 2019 was as follows:

As lessee:

Obligations under operating leases that were not cancellable as at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Due within one year	¥ 122	¥ 151	\$ 1,101
Due after one year	27	146	243
Total.....	¥ 150	¥ 298	\$ 1,354

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Net unrealized gains (losses) on available-for-sale securities:			
Decrease during the year	¥ 53,089	¥ (44,064)	\$ 479,532
Reclassification adjustments	(4,892)	120	(44,187)
Subtotal, before tax	48,196	(43,943)	435,335
Tax benefit or (expense)	(14,610)	13,243	(131,966)
Subtotal, net of tax	33,586	(30,699)	303,369
Net deferred gains (losses) on hedging instruments:			
Decrease during the year	4,865	(12,345)	43,943
Reclassification adjustments	3,963	8,657	35,796
Subtotal, before tax	8,829	(3,688)	79,748
Tax benefit or (expense)	(2,692)	1,125	(24,315)
Subtotal, net of tax	6,136	(2,563)	55,424
Adjustments for retirement benefits:			
Decrease during the year	66	(1,767)	596
Reclassification adjustments	1,319	942	11,914
Subtotal, before tax	1,385	(824)	12,510
Tax benefit or (expense)	(422)	251	(3,811)
Subtotal, net of tax	963	(573)	8,698
Total other comprehensive income	¥ 40,685	¥ (33,836)	\$ 367,491

21. 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 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 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 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 Risk Management Department, which is completely independent of the Credit Rating Center, 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, 2021 and 2020 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Market risk volume	¥ 162,887	¥ 118,994	\$1,471,294
Banking business	162,884	118,989	1,471,267
[Price fluctuation risk]	[117,769]	[92,892]	[1,063,761]
[Interest rate risk]	[57,771]	[37,328]	[521,822]
[Considering correlation]	[(12,657)]	[(11,231)]	[(114,325)]
Trading activities	2	5	18

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.

(d) Supplementary information on fair values

Fair values of financial instruments include values based on market prices and values calculated by other methods when the financial instruments do not have market prices. Since certain assumptions are adopted and other factors considered when making such calculations, 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, 2021 and 2020. Unlisted equity securities and other instruments for which the fair value was extremely difficult to determine are not included in the table below (see Note 2).

	Millions of Yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and due from banks.....	¥ 1,000,773	¥ 1,000,773	¥ —
(2) Trading account securities.....	1,148	1,148	—
(3) Money trusts.....	27,300	27,300	—
(4) Securities			
Bonds held to maturity.....	11,398	11,643	244
Available-for-sale securities.....	2,585,103	2,585,103	—
(5) Loans and bills discounted.....	5,135,435		
Reserve for possible loan losses (*1).....	45,415		
	5,090,020	5,131,309	41,289
Total assets	¥ 8,715,744	¥ 8,757,279	¥ 41,534
Liabilities			
(1) Deposits.....	¥ 7,499,830	¥ 7,500,109	¥ 278
(2) Negotiable certificates of deposit.....	167,189	167,196	7
(3) Payables under securities lending transactions.....	172,747	172,747	—
Total liabilities	¥ 7,839,767	¥ 7,840,053	¥ 286
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied.....	¥ (10,179)	¥ (10,179)	¥ —
Derivative transactions to which hedge accounting is applied.....	(7,655)	(7,655)	—
Total derivative transactions	¥ (17,834)	¥ (17,834)	¥ —

	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
Assets			
(1) Cash and due from banks.....	\$ 9,039,589	\$ 9,039,589	\$ —
(2) Trading account securities.....	10,369	10,369	—
(3) Money trusts.....	246,590	246,590	—
(4) Securities			
Bonds held to maturity.....	102,953	105,166	2,203
Available-for-sale securities.....	23,350,221	23,350,221	—
(5) Loans and bills discounted.....	46,386,369		
Reserve for possible loan losses (*1).....	410,215		
	45,976,153	46,349,101	372,947
Total assets	\$ 78,725,896	\$ 79,101,065	\$ 375,160
Liabilities			
(1) Deposits.....	\$ 67,743,022	\$ 67,745,542	\$ 2,511
(2) Negotiable certificates of deposit.....	1,510,152	1,510,215	63
(3) Payables under securities lending transactions.....	1,560,355	1,560,355	—
Total liabilities	\$ 70,813,539	\$ 70,816,123	\$ 2,583
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied.....	\$ (91,942)	\$ (91,942)	\$ —
Derivative transactions to which hedge accounting is applied.....	(69,144)	(69,144)	—
Total derivative transactions	\$ (161,087)	\$ (161,087)	\$ —

	Millions of Yen		
	2020		
	Book value	Fair value	Difference
Assets			
(1) Cash and due from banks.....	¥ 576,348	¥ 576,348	¥ —
(2) Trading account securities.....	1,316	1,316	—
(3) Money trusts.....	27,100	27,100	—
(4) Securities			
Bonds held to maturity.....	11,398	11,718	320
Available-for-sale securities.....	2,307,119	2,307,119	—
(5) Loans and bills discounted.....	4,899,984		
Reserve for possible loan losses (*1).....	40,155		
	4,859,828	4,900,393	40,565
Total assets	¥ 7,783,111	¥ 7,823,996	¥ 40,885
Liabilities			
(1) Deposits.....	¥ 6,701,781	¥ 6,702,231	¥ 449
(2) Negotiable certificates of deposit.....	194,963	194,968	4
(3) Payables under securities lending transactions.....	217,164	217,164	—
Total liabilities	¥ 7,113,909	¥ 7,114,363	¥ 454
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied.....	¥ (62)	¥ (62)	¥ —
Derivative transactions to which hedge accounting is applied.....	(16,484)	(16,484)	—
Total derivative transactions	¥ (16,547)	¥ (16,547)	¥ —

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. Note that the items subject to hedge accounting are the interest rate swaps designated as hedging instruments to offset the market fluctuations of hedged items such as securities and loans and bills discounted, and although deferral hedge accounting has been principally adopted, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, September 29, 2020) is applied to the hedging relationships of these.

(Note 1) Methods used to calculate fair value of financial instruments

Assets

(1) Cash and Due from Banks

Since the fair value of due from banks with either no maturity date or a short term (within one year) approximates the book value, the fair value is deemed to be the book value.

(2) Trading Account Securities

The fair value of bonds and other securities held for trading is determined using published reference prices (yields) or comparative exchange values based on published reference prices (yields).

The classification of securities according to the purposes for which they are held is described in Note 6, "Securities."

(3) Money Trusts

For securities managed as trust assets in a directed money trust for separate investment with the management of securities as its primary purpose, the fair value of stocks is based on prices on financial products exchanges, and the fair value of bonds is based on prices on financial products exchanges or prices announced by the corresponding financial institutions.

The notes to Money Trusts based on holding purposes are stated in Note 7, "Money Trusts."

(4) Securities

The fair value of stocks is based on prices on financial products exchanges, and the fair value of bonds is based on published reference prices (yields), comparative exchange values based on published reference prices (yields), prices on financial products exchanges or prices (yields) announced by the corresponding financial institutions. The fair value of investment trusts is based on disclosed net asset value.

The fair value of private placement bonds with direct bank guarantees is determined by discounting total future cash flows by the risk-free rate plus a premium based on the credit risk spread rate of individual in-house rating categories.

The classification of securities according to the purposes for which they are held is described in Note 6, "Securities."

(5) Loans and Bills Discounted

Since the terms of loans on bills, commercial bills discounted and overdrafts are short, the fair value of these items approximates the book value. Therefore, we deem the fair value 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 would be able to 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.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, including current deposits and ordinary deposits, we deem the fair value 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, 2021.

(3) Payables under securities lending transactions

Since the terms of securities lending transactions are short (within one year), the fair value approximates the book value, and the fair value is deemed to be the book value.

Derivative Transactions

Derivative transactions, including 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), credit derivative transactions (credit default swaps) and others are based on the prices on financial products exchanges, the discounted value of future cash flows, option pricing models, prices announced by correspondent financial institutions and others.

(Note 2) Financial instruments whose fair values are deemed to be extremely difficult to determine are indicated below and are not included in “Assets - (4) Securities” and in the fair value information on financial instruments in the tables above.

Category	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
(1) Unlisted equity securities (*1) (*2).....	¥ 5,158	¥ 5,553	\$ 46,590
(2) Investments in partnerships (*3).....	15,579	14,693	140,718
(3) Privately placed investment trusts (*1)	797	800	7,198
(4) Foreign stocks in foreign currency (*1).....	0	0	0
Total.....	¥ 21,536	¥ 21,047	\$ 194,526

(*1) We do not treat (1), (3) and (4) as subject to disclosure of fair value because there are no market prices and the fair value is deemed extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were recognized in the amount of ¥0 million (\$0 thousand) and ¥0 million for the fiscal years ended March 31, 2021 and 2020, respectively.

(*3) Of the investments in partnerships, we do not treat assets that consist of unlisted stocks and other financial instruments for which the fair value is extremely difficult to determine as subject to disclosure of fair value.

(Note 3) Maturities of monetary assets and securities with contractual maturities subsequent to the balance sheet date

	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	178,431	¥ 411,422	¥ 216,155	¥ 151,510	¥ 361,268	¥ 962,874
Bonds held to maturity.....	—	5,099	6,299	—	—	—
Japanese government 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
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	¥ 2,541,701	¥ 1,432,364	¥ 970,567	¥ 609,657	¥ 814,817	¥ 1,917,394

	Thousands of U.S. Dollars					
	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).....	\$ 8,646,012	—	—	—	—	—
Securities	1,611,697	\$ 3,716,213	\$ 1,952,443	\$ 1,368,530	\$ 3,263,192	\$ 8,697,263
Bonds held to maturity.....	—	46,057	56,896	—	—	—
Japanese government bonds.....	—	46,057	56,896	—	—	—
Available-for-sale securities with maturities	1,611,697	3,670,147	1,895,546	1,368,530	3,263,192	8,697,263
Japanese government bonds.....	891,003	1,545,488	444,810	45,587	889,215	2,919,221
Japanese municipal bonds	164,574	407,939	233,185	545,406	1,254,150	4,150,528
Corporate bonds.....	424,053	933,854	733,691	74,103	32,553	562,641
Other	132,056	782,847	483,849	703,423	1,087,264	1,064,854
Loans and bills discounted (*2)	12,700,469	9,221,768	6,814,298	4,138,262	4,096,721	8,621,804
Total	\$ 22,958,188	\$ 12,937,982	\$ 8,766,750	\$ 5,506,792	\$ 7,359,922	\$ 17,319,067

	Millions of Yen					
	2020					
	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).....	¥ 576,348	—	—	—	—	—
Securities	220,425	¥ 381,363	¥ 275,813	¥ 69,221	¥ 238,608	¥ 888,188
Bonds held to maturity.....	—	—	10,502	896	—	—
Japanese government bonds.....	—	—	10,502	896	—	—
Available-for-sale securities with maturities	220,425	381,363	265,310	68,325	238,608	888,188
Japanese government bonds.....	85,705	177,814	80,203	—	79,399	219,567
Japanese municipal bonds	34,658	41,680	39,714	39,562	137,509	458,192
Corporate bonds.....	81,984	115,570	73,307	12,708	4,077	68,224
Other	18,076	46,298	72,084	16,055	17,621	142,204
Loans and bills discounted (*2)	1,399,115	970,154	697,458	426,245	412,683	914,414
Total	¥ 2,195,888	¥ 1,351,517	¥ 973,271	¥ 495,467	¥ 651,291	¥ 1,802,603

(*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 ¥61,756 million (\$557,817 thousand) and ¥51,236 million and loans without contract due dates in the amount of ¥26,039 million (\$235,200 thousand) and ¥28,675 million are not included in the above tables as at March 31, 2021 and 2020, respectively.

(Note 4) Repayment schedule of deposits, negotiable certificates of deposit and payables under securities lending transactions subsequent to the balance sheet date

	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	—	—	—	—	—
Total	¥ 7,592,222	¥ 205,616	¥ 41,179	¥ 98	¥ 650	¥ —

	Thousands of U.S. Dollars					
	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 (*).....	\$ 65,511,823	\$ 1,852,470	\$ 371,953	\$ 885	\$ 5,871	\$ —
Negotiable certificates of deposit.....	1,505,374	4,769	—	—	—	—
Payables under securities lending transactions	1,560,355	—	—	—	—	—
Total	\$ 68,577,563	\$ 1,857,248	\$ 371,953	\$ 885	\$ 5,871	\$ —

	Millions of Yen					
	2020					
	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 (*).....	¥ 6,459,982	¥ 197,276	¥ 44,060	¥ —	¥ 461	¥ —
Negotiable certificates of deposit.....	194,291	672	—	—	—	—
Payables under securities lending transactions	217,164	—	—	—	—	—
Total	¥ 6,871,438	¥ 197,949	¥ 44,060	¥ —	¥ 461	¥ —

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

22. 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						
	2021						
	Reportable segments				Other	Total	
Banking	Leasing	Securities	Total				
Ordinary income:							
External customers.....	¥ 97,956	¥ 12,241	¥ 3,048	¥ 113,247	¥ 3,729	¥ 116,976	
Intersegment income.....	1,808	212	62	2,083	1,630	3,713	
Total	¥ 99,765	¥ 12,453	¥ 3,111	¥ 115,330	¥ 5,360	¥ 120,690	
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	

	Thousands of U.S. Dollars						
	2021						
	Reportable segments				Other	Total	
Banking	Leasing	Securities	Total				
Ordinary income:							
External customers.....	\$ 884,798	\$ 110,568	\$ 27,531	\$ 1,022,915	\$ 33,682	\$ 1,056,598	
Intersegment income.....	16,330	1,914	560	18,814	14,723	33,538	
Total	\$ 901,138	\$ 112,483	\$ 28,100	\$ 1,041,730	\$ 48,414	\$ 1,090,145	
Segment profit.....	172,026	4,850	2,131	179,017	17,423	196,441	
Segment assets.....	82,374,229	377,066	99,972	82,851,278	259,822	83,111,110	
Segment liabilities.....	77,516,954	221,886	58,892	77,797,741	112,067	77,909,809	
Other items:							
Depreciation	36,997	2,754	54	39,815	252	40,077	
Interest income	593,812	1,002	18	594,842	1,427	596,278	
Interest expense.....	62,126	849	18	63,002	0	63,002	

	Millions of Yen						
	2020						
	Reportable segments				Other	Total	
Banking	Leasing	Securities	Total				
Ordinary income:							
External customers.....	¥ 109,066	¥ 11,830	¥ 2,660	¥ 123,558	¥ 3,759	¥ 127,318	
Intersegment income.....	1,762	207	92	2,062	1,773	3,835	
Total	¥ 110,829	¥ 12,038	¥ 2,753	¥ 125,620	¥ 5,532	¥ 131,153	
Segment profit (losses).....	15,475	764	(109)	16,129	1,839	17,969	
Segment assets.....	8,116,803	40,419	9,032	8,166,255	27,583	8,193,839	
Segment liabilities.....	7,627,804	24,021	4,709	7,656,535	12,478	7,669,014	
Other items:							
Depreciation	4,201	213	16	4,431	30	4,462	
Interest income	76,726	112	3	76,841	179	77,021	
Interest expense.....	18,442	84	1	18,529	0	18,529	

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.

(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 income statements

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Ordinary income			
Total amount for reportable segments.....	¥ 115,330	¥ 125,620	\$ 1,041,730
Ordinary income of "Other".....	5,360	5,532	48,414
Reclassification of reserves.....	—	—	—
Elimination of intersegment transactions.....	(3,713)	(3,835)	(33,538)
Ordinary income in the consolidated income statements.....	¥ 116,976	¥ 127,318	\$ 1,056,598

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 income statements.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Segment profit			
Total amount for reportable segments.....	¥ 19,819	¥ 16,129	\$ 179,017
Segment profit of "Other".....	1,929	1,839	17,423
Elimination of intersegment transactions.....	(496)	(505)	(4,480)
Ordinary profit in the consolidated income statements.....	¥ 21,252	¥ 17,463	\$ 191,960

(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
	2021	2020	2021
Segment assets			
Total amount for reportable segments.....	¥ 9,172,465	¥ 8,166,255	\$ 82,851,278
Segment assets of "Other".....	28,765	27,583	259,822
Elimination of intersegment transactions.....	(34,350)	(32,734)	(310,270)
Elimination of shares in consolidated subsidiaries.....	(13,718)	(13,718)	(123,909)
Total assets in the consolidated balance sheets.....	¥ 9,153,162	¥ 8,147,386	\$ 82,676,921

(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
	2021	2020	2021
Segment liabilities			
Total amount for reportable segments.....	¥ 8,612,988	¥ 7,656,535	\$ 77,797,741
Segment liabilities of "Other".....	12,407	12,478	112,067
Elimination of intersegment transactions.....	(34,430)	(32,821)	(310,992)
Total liabilities in the consolidated balance sheets.....	¥ 8,590,965	¥ 7,636,192	\$ 77,598,816

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

	Millions of Yen			Consolidated financial statements
	2021			
Other items	Total amount for reportable segments	Other	Adjustments	
Depreciation.....	¥ 4,408	¥ 28	¥ 37	¥ 4,474
Interest income.....	65,855	158	(566)	65,448
Interest expense.....	6,975	0	(71)	6,904

	Thousands of U.S. Dollars			Consolidated financial statements
	2021			
Other items	Total amount for reportable segments	Other	Adjustments	
Depreciation.....	\$ 39,815	\$ 252	\$ 334	\$ 40,411
Interest income.....	594,842	1,427	(5,112)	591,166
Interest expense.....	63,002	0	(641)	62,361

	Millions of Yen			Consolidated financial statements
	2020			
Other items	Total amount for reportable segments	Other	Adjustments	
Depreciation.....	¥ 4,431	¥ 30	¥ (9)	¥ 4,452
Interest income.....	76,841	179	(589)	76,431
Interest expense.....	18,529	0	(62)	18,467

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				
	2021				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 45,813	¥ 28,642	¥ 18,641	¥ 23,879	¥ 116,976

	Thousands of U.S. Dollars				
	2021				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	\$ 413,810	\$ 258,711	\$ 168,376	\$ 215,689	\$ 1,056,598

	Millions of Yen				
	2020				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 50,488	¥ 35,304	¥ 18,995	¥ 22,529	¥ 127,318

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

	Thousands of U.S. Dollars					
	2021					
	Reportable segments				Other	Total
	Banking	Leasing	Securities	Total		
Losses on impairment of fixed assets.....	\$ 2,203	\$ —	\$ 36	\$ 2,249	\$ —	\$ 2,249

	Millions of Yen					
	2020					
	Reportable segments				Other	Total
	Banking	Leasing	Securities	Total		
Losses on impairment of fixed assets.....	¥ 596	¥ —	¥ 12	¥ 608	¥ —	¥ 608

23. 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, 2021 and 2020 was as follows:

(a) Number of outstanding shares and treasury stock

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.

For the year ended March 31, 2020

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.....	6,955	400	143	7,212	Note

Note: The increase in treasury stock of 400 thousand shares was due to the public bidding of 400 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on May 14, 2019, and due to purchases of 0 thousand shares of less than one unit. The decrease in treasury stock of 143 thousand shares was due to the exercise of stock options of 143 thousand shares and 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, 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 (\$18,679 thousand)	¥11.00 (\$0.099)	Mar. 31, 2020	Jun. 26, 2020
Nov. 13, 2020	Board of Directors	Common stock	¥2,068 million (\$18,679 thousand)	¥11.00 (\$0.099)	Sep. 30, 2020	Dec. 8, 2020

For the year ended March 31, 2020

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 26, 2019	General meeting of shareholders	Common stock	¥2,259 million	¥12.00	Mar. 31, 2019	Jun. 27, 2019
Nov. 8, 2019	Board of Directors	Common stock	¥2,068 million	¥11.00	Sep. 30, 2019	Dec. 6, 2019

Dividends were applicable to the year ended March 31, 2021 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. 25, 2021	General meeting of shareholders	Common stock	¥2,256 million (\$20,377 thousand)	¥12.00 (\$0.108)	Mar. 31, 2021	Jun. 28, 2021

Note: The aforementioned has been submitted as a proposal to the Annual General Meeting of Shareholders scheduled to be held on June 25, 2021.

The above cash dividends are distributed from retained earnings.

24. 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
	2021	2020	2021
Cash and due from banks.....	¥ 1,000,773	¥ 576,348	\$ 9,039,589
Due from banks, excluding the Bank of Japan	(1,960)	(11,675)	(17,703)
Cash and cash equivalents	¥ 998,813	¥ 564,672	\$ 9,021,886

25. Stock Options

(1) Line item where Stock option expense is presented and the amount

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
General and administrative expenses	¥ 37	¥ 35	\$ 334

(2) Stock options outstanding as of March 31, 2021 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

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, 2021. Number of stock options is converted to number of shares.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options
For the year ended March 31, 2021	Number of Shares											
Non-vested:												
April 1, 2020 – Outstanding	3,800	4,700	12,200	11,900	13,100	13,500	10,300	17,000	17,400	21,800	45,300	—
Granted.....	—	—	—	—	—	—	—	—	—	—	—	48,000
Forfeited	—	—	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—	—	—	—
March 31, 2021 – Outstanding.....	3,800	4,700	12,200	11,900	13,100	13,500	10,300	17,000	17,400	21,800	45,300	48,000
Vested:												
April 1, 2020 – Outstanding	—	—	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—	—	—
March 31, 2021 – Outstanding.....	—	—	—	—	—	—	—	—	—	—	—	—

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Stock Options											
	(Yen)											
Exercise price	¥ 1	¥ 1	¥ 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	1,508	1,099	753	800

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options	Stock Options
	(U.S. Dollars)											
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 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.....	10.81	8.45	8.28	8.36	11.57	13.40	16.39	9.23	13.62	9.93	6.80	7.23

(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 2020 stock options were as follows:

	2020 Stock Options
Volatility of stock prices (Note 1)	31.143%
Estimated remaining outstanding period (Note 2)	6 years and 11 months
Estimated dividend (Note 3)	¥22.00 per share
Risk-free interest rate (Note 4)	(0.122)%

- Notes: 1. The volatility of stock prices was computed based on the actual stock prices from August 2013 to July 2020, corresponding to the estimated remaining outstanding period.
2. The remaining outstanding period was estimated based on historical data.
3. The estimated dividend was at the time of grant for the dividend 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.

26. 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.

27. Related-party Transactions

Related party transactions for the fiscal years ended March 31, 2021 and 2020 were as follows:

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

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.

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 \$270 thousand	Loans and bills discounted	\$261 thousand
Company, a majority of whose voting rights are owned by directors or their close family members	Nagareo Co., Ltd.	Asakuchi-city, Okayama Prefecture	\$27 thousand	Hat manufacturing	—	Borrowing and lending	Lending Note	Average balance \$370 thousand	Loans and bills discounted	\$370 thousand
	Nishi Techno Co., Ltd.	Okayama-city, Okayama Prefecture	\$180 thousand	Civil engineering	—	Borrowing and lending	Lending Note	Average balance \$4,850 thousand	Loans and bills discounted	\$4,823 thousand

Terms of transactions and policies for determining terms

Note: Interest was based on money market rates.

2020

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 ¥33 million	Loans and bills discounted	¥31 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 ¥303 million	Loans and bills discounted	¥427 million

Terms of transactions and policies for determining terms

Note: Interest was based on money market rates.

28. Subsequent Events

Purchases of treasury stock

On May 14, 2021, the Board of Directors of the Bank passed a resolution to purchase up to 1,200 thousand shares of the Bank's common stock from the market at a price not exceeding ¥1,000 million (\$9,032 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 1,148 thousand shares for ¥999 million (\$9,023 thousand) by Jul. 6, 2021.



Independent auditor's report

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, 2021 and 2020, 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, 2021 and 2020, 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.

Appropriateness of the classification of borrowers who are small and medium-size enterprises or managed by the headquarters operation

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 ¥5,135,435 million were recognized, representing a significant proportion (approximately 56%) of the total assets of ¥9,153,162 million. For those loans and bills discounted, reserve for possible loan losses of ¥45,415 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 ¥2,746,407 million, representing 53% 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</p>	<p>The primary procedures we performed to assess appropriateness of the classification of borrowers who are SMEs or Headquarters Loans 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; ● controls to ensure the effectiveness of the secondary assessment department’s verification in the classification of borrowers; and ● controls to sufficiently identify risk factors and analyze the extent of those risks for individual loan facility among Headquarters Loans. <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 or Headquarters Loans, 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

assessing the feasibility of the profit plan prepared by the borrower. However, as the plan is based on various assumptions, it often involve management's expert judgment to assess its feasibility.

In particular, in the current consolidated fiscal year, there are a number of borrowers that have been facing stagnant business performance more than ever due to the impacts of COVID-19 infections, making it difficult to assess the feasibility of their profit plans, including judgment on whether the impacts were temporary or not.

In addition, Chugoku Bank, leveraging its fund raising capacity, has maintained a certain level of profitability through the headquarters operation for Structured Finance, including marketable loans, and non-Japanese loans (hereinafter, "Headquarters Loans"). As a result, Headquarters Loans of ¥574,658 million was recorded, which accounted for 11% of total loans and bills discounted. Headquarters Loans include loan facilities, such as loans combined with specific derivative transactions such as credit linked loans, project finance for specific projects, and object finance for specific assets including marine vessels, real estate, and aircraft. Compared to the loans to general corporate customers, these loans have the following characteristics:

- The amount of loan per project is relatively large; and
- The repayment source , in principle, is limited to cash flows generated from the specific projects and assets subject to the finance. There are a wide variety of risk factors that affect these cash flows, and accordingly, determination of the extent of the risks involves significant management's expert judgment.

Chugoku Bank considered the aforementioned characteristics and determined the classification of the borrowers by comprehensively considering the results of identifying risk factors, analyzing the extent of the risks, and available information such as external ratings.

flow conditions, and evaluated the appropriateness of the judgments regarding qualitative factors;

- among the loans to SMEs, for the borrowers whose business conditions have not been favorable 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 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; and
- for some loan facilities among Headquarters Loans, where there was an increased risk to the certainty in securing cash flows as a repayment source due to the impacts of COVID-19 infections, we inspected available information such as external ratings and relevant market reports, as well as inquired of management.

For the current consolidated fiscal year, there were some Headquarters Loans such as object finance for aircraft and syndicate loans, to borrowers whose business performance has been stagnant and prospects for recovery timing was difficult to predict, as well as some borrowers whose repayment conditions have been modified, due to the adverse impacts of COVID-19 infections. This raised concerns over the recoverability of these loans, and therefore, significant judgment was increasingly required in determining the classification of those borrowers.

We, therefore, determined that our assessment of the appropriateness of the classification of borrowers who are SMEs or Headquarters Loans was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

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, 2021 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.

松山和弘 

Matsuyama Kazuhiro

Designated Engagement Partner

Certified Public Accountant

神田正史 

Kanda Masashi

Designated Engagement Partner

Certified Public Accountant

斎藤幸治 

Saito Koji

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

August 31, 2021

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

The Chugoku Bank, Limited
March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS:			
Cash and due from banks.....	¥ 1,000,601	¥ 576,290	\$ 9,038,036
Call loans	125,878	59,877	1,137,006
Other debt purchased.....	19,678	23,065	177,743
Trading account securities.....	1,148	1,316	10,369
Money trusts	23,000	23,000	207,749
Securities	2,622,547	2,345,154	23,688,438
Loans and bills discounted	5,144,425	4,909,791	46,467,572
Foreign exchange	8,333	11,960	75,268
Other assets	145,811	124,009	1,317,053
Tangible fixed assets.....	36,811	38,040	332,499
Intangible fixed assets.....	2,328	3,019	21,027
Prepaid pension costs	3,037	—	27,432
Deferred tax assets	—	2,215	—
Customers' liabilities for acceptances and guarantees.....	32,031	33,413	289,323
Reserve for possible loan losses.....	(42,943)	(37,519)	(387,887)
Total assets	¥ 9,122,688	¥ 8,113,634	\$ 82,401,661
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits.....	¥ 7,688,546	¥ 6,916,076	\$ 69,447,619
Call money	71,293	30,068	643,961
Payables under repurchase agreements	129,640	124,704	1,170,987
Payables under securities lending transactions	172,747	217,164	1,560,355
Commercial paper.....	54,228	32,611	489,820
Borrowed money.....	275,463	148,005	2,488,149
Foreign exchange	289	272	2,610
Bonds payable	10,000	—	90,326
Due to trust account.....	4,857	3,309	43,871
Other liabilities.....	124,586	102,216	1,125,336
Liability for employees' severance and retirement benefits.....	380	7,585	3,432
Accrued employees' bonuses	1,217	1,284	10,992
Reserve for reimbursement of deposits.....	307	642	2,773
Reserve for point program	57	59	514
Deferred tax liabilities	13,033	—	117,721
Acceptances and guarantees.....	32,031	33,413	289,323
Total liabilities	¥ 8,578,681	¥ 7,617,413	\$ 77,487,860
Net assets:			
Shareholders' equity:			
Common stock.....	¥ 15,149	¥ 15,149	\$ 136,834
Capital surplus	6,286	6,286	56,778
Retained earnings	442,019	433,148	3,992,584
Less treasury stock, at cost.....	(9,622)	(9,622)	(86,911)
Valuation and translation adjustments:			
Net unrealized gains on available-for-sale securities.....	95,279	62,535	860,617
Net deferred losses on hedging instruments.....	(5,320)	(11,456)	(48,053)
Subscription rights to shares.....	217	179	1,960
Total net assets	544,007	496,220	4,913,801
Total liabilities and net assets	¥ 9,122,688	¥ 8,113,634	\$ 82,401,661

Non-consolidated Income Statements

The Chugoku Bank, Limited
For the Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Income:			
Interest and dividends on:			
Loans and discounts.....	¥ 45,840	¥ 50,493	\$ 414,054
Securities	19,160	25,499	173,064
Other	740	733	6,684
Fees and commissions	19,954	20,217	180,236
Other operating income:			
Gains on sales and redemptions of other securities and trading account securities	2,546	3,052	22,997
Foreign exchange gains	1,345	411	12,148
Net gain on trading securities	8	—	72
Other	513	223	4,633
Other income:			
Bad debt recovered	0	3	0
Gains on sales of equity securities	7,233	7,073	65,332
Gains on money trusts	113	72	1,020
Gains on disposals of fixed assets	—	1	—
Other	2,310	3,048	20,865
Total income	99,765	110,830	901,138
Expenses:			
Interest on:			
Deposits	872	2,599	7,876
Borrowing	1,051	2,156	9,493
Interest rate swaps	4,217	8,460	38,090
Other	737	5,227	6,657
Fees and commissions	4,281	4,359	38,668
Other operating expenses:			
Losses on sales and redemptions of bonds and trading account securities	3,098	3,583	27,983
Foreign exchange losses	—	—	0
Other	45	—	406
General and administrative expenses	54,106	54,953	488,718
Other expenses:			
Losses on sales and write-offs of shares	1,646	7,000	14,867
Losses on money trusts	4	63	36
Reserve for possible loan losses	8,039	5,592	72,613
Write-offs of loans	26	0	234
Losses on disposals of fixed assets	94	31	849
Losses on impairment of fixed assets	244	596	2,203
Other	2,592	1,358	23,412
Total expenses	81,059	95,981	732,174
Income before income taxes	18,706	14,849	168,963
Income taxes:			
Current	7,316	4,326	66,082
Deferred	(1,617)	(291)	(14,605)
Net income	5,698	4,034	51,467
Net income	¥ 13,007	¥ 10,815	\$ 117,487

Non-consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited
For the Years Ended March 31, 2021 and 2020

	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

	Millions of Yen							
	2020							
	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	¥ 426,685	¥ (9,401)	¥ 93,412	¥ (8,893)	¥ 311	¥ 523,551
Net income.....			10,815					10,815
Cash dividends.....			(4,328)					(4,328)
Purchases of treasury stock.....				(412)				(412)
Disposal of treasury stock.....			(23)	191				168
Net changes in items other than shareholders' equity.....					(30,877)	(2,563)	(131)	(33,572)
Net changes during the year.....	—	—	6,463	(221)	(30,877)	(2,563)	(131)	(27,330)
Balance at end of year.....	¥ 15,149	¥ 6,286	¥ 433,148	¥ (9,622)	¥ 62,535	¥ (11,456)	¥ 179	¥ 496,220

	Thousands of U.S. Dollars (Note 1)							
	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.....	\$ 136,834	\$ 56,778	\$ 3,912,455	\$ (86,911)	\$ 564,854	\$ (103,477)	\$ 1,616	\$ 4,482,160
Net income.....			117,487					117,487
Cash dividends.....			(37,367)					(37,367)
Purchases of treasury stock.....				(0)				(0)
Disposal of treasury stock.....			(0)	0				0
Net changes in items other than shareholders' equity.....					295,754	55,424	334	351,521
Net changes during the year.....	—	—	80,119	(0)	295,754	55,424	334	431,632
Balance at end of year.....	\$ 136,834	\$ 56,778	\$ 3,992,584	\$ (86,911)	\$ 860,617	\$ (48,053)	\$ 1,960	\$ 4,913,801

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.



THE CHUGOKU BANK, LTD.