

Annual Report 2022

Year Ended March 31, 2022



Mebuki Financial Group Philosophy

Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services.

The ingenuity of the entire Group will be combined to contribute to sustainable growth in communities. We will build a better future together with local communities, seeking solutions to challenges that affect these communities by providing high-quality, comprehensive financial services.

Mebuki Financial Group Sustainability Policy

Based on the Mebuki Financial Group Philosophy “Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services,” Mebuki Financial Group and Group companies will support solving issues in our regions, while contributing to the achievement of sustainable growth of local communities as well as the improvement of our corporate value.



The Japanese word mebuki, or “green shoots,” conveys an image of new leaves budding on tree branches. This word is used in the Group’s name to express its approach of drawing on the knowledge and creativity of each of its companies to create fresh ideas and new value. The name Mebuki expresses our wish to create new energy and value in local communities and pursue sustainable growth along with these communities.

Contents

About Mebuki Financial Group	
Group Philosophy and Sustainability Policy	1
Developments of Mebuki Financial Group	3
Performance of Mebuki Financial Group	5
Strengths of Mebuki Financial Group in Main Areas of Business	7
A Message from the Management	9
Management and Financial Strategies	13
Mebuki Financial Group’s Value Creation	
Value Creation Process of Mebuki Financial Group	17
Sustainability at Mebuki Financial Group	19
Long-Term Vision 2030	21
Third Medium-Term Group Business Plan	23
Management Strategies for Value Creation	
Value Creation Initiatives of Mebuki Financial Group	
Revitalization of the Regional Economy and Communities	25
Climate Change and Environment Conservation—Initiatives for TCFD Recommendations	32
Promotion of Digitalization and DX	39
Response of to Aging Society	44
Promotion of Diversity	46
Management Base Supporting Value Creation	
Governance of Mebuki Financial Group	
Corporate Governance	49
List of Directors	55
Messages from the Outside Directors	57
Risk Management System	60
Cyber Security	62
Initiatives for Compliance	63
Internal Audit	65
Corporate Data	
Group Structure and Corporate Data	66
Overseas Representative Offices.....	67
Organization	68
Group Financial Data	69

Disclaimer regarding forward-looking statements

This Annual Report contains certain forward-looking statements, including estimates, forecasts, targets, and plans. Such forward-looking statements are based on the information available and the assumptions deemed reasonable by the management at the time of publication of the Annual Report, and do not represent any guarantee by the management of future performance. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

Details on ESG information are available on our website: <https://www.mebuki-fg.co.jp/eng/esg/esg.html>

Joyo Bank and Ashikaga Bank of Mebuki Financial Group (“the Group”), with their core markets in Ibaraki and Tochigi Prefectures, have been meeting the needs of the times and growing together with their customers and the region. In October 2016, Joyo Bank and Ashikaga Holdings entered into a business integration, and with the subsequent consolidation of Mebuki Lease, Mebuki Securities, Mebuki Credit Guarantee, and Mebuki Card, the Group has built a structure capable of meeting the diverse needs of its customers more than ever before. The Company will continue to commit to solving regional problems and realizing region’s sustainable growth as well as improving the Company’s corporate value.

1935 Joyo Bank

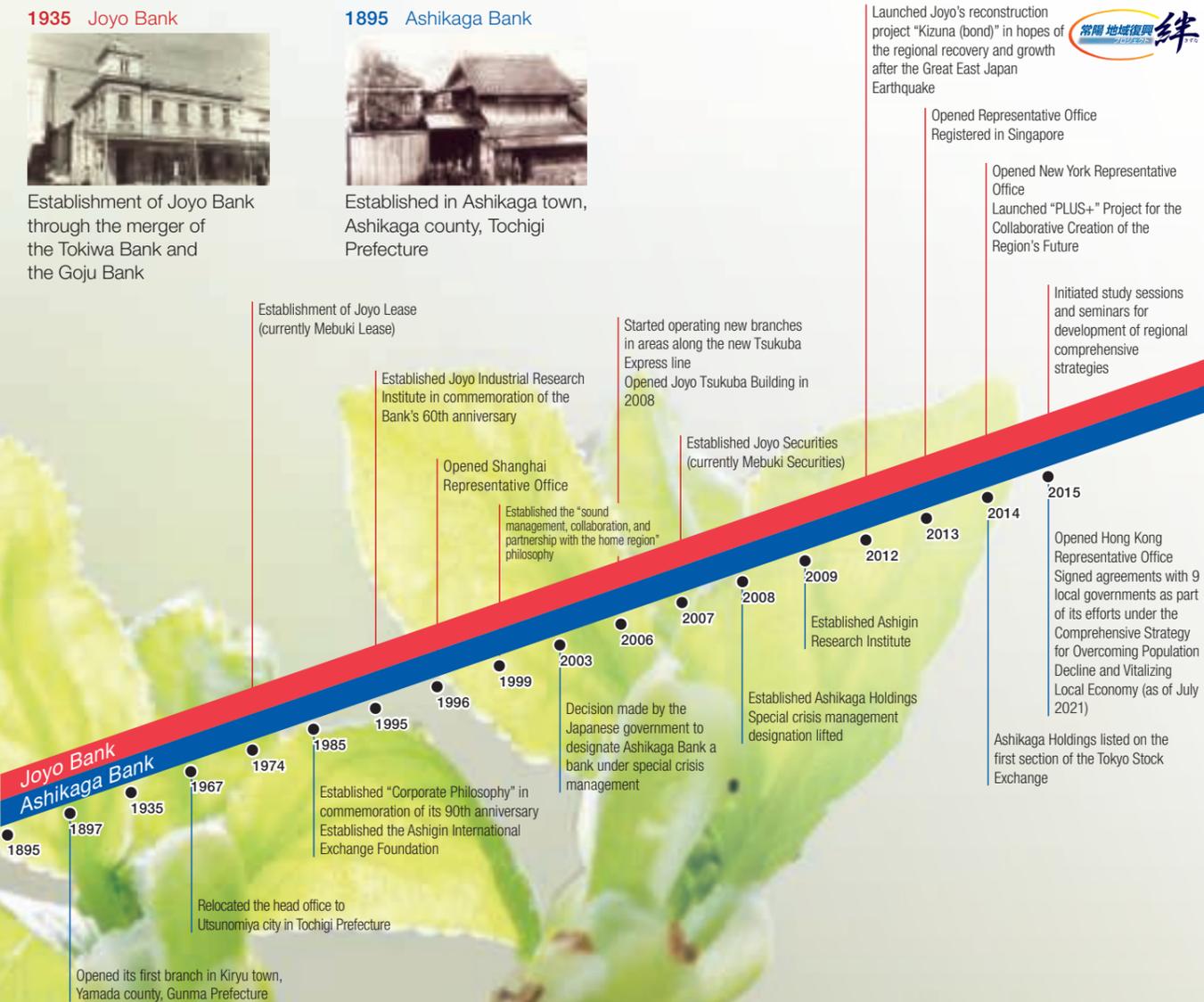


Establishment of Joyo Bank through the merger of the Tokiwa Bank and the Goju Bank

1895 Ashikaga Bank



Established in Ashikaga town, Ashikaga county, Tochigi Prefecture

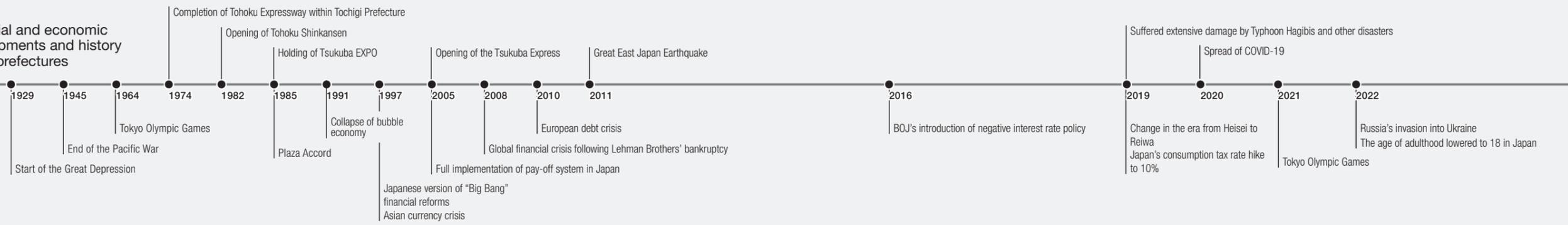


Long-Term Vision 2030
Vision
A Value Creation Group Working Together with Local Communities

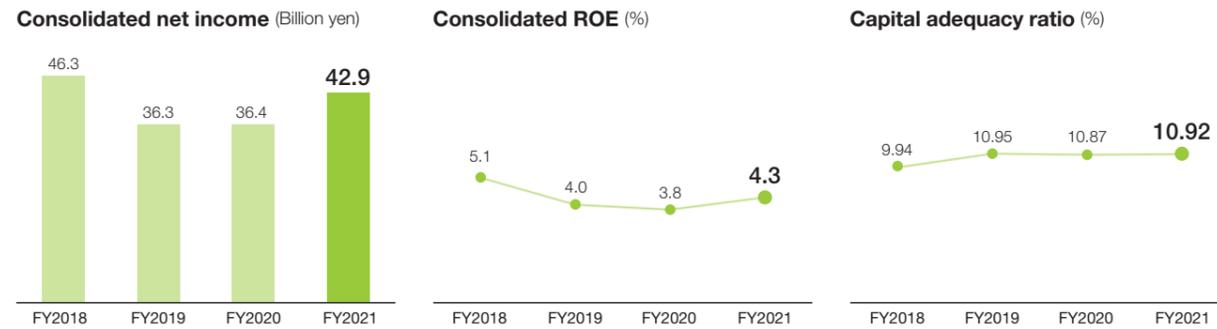
Established Mebuki Financial Group



Financial and economic developments and history of the prefectures

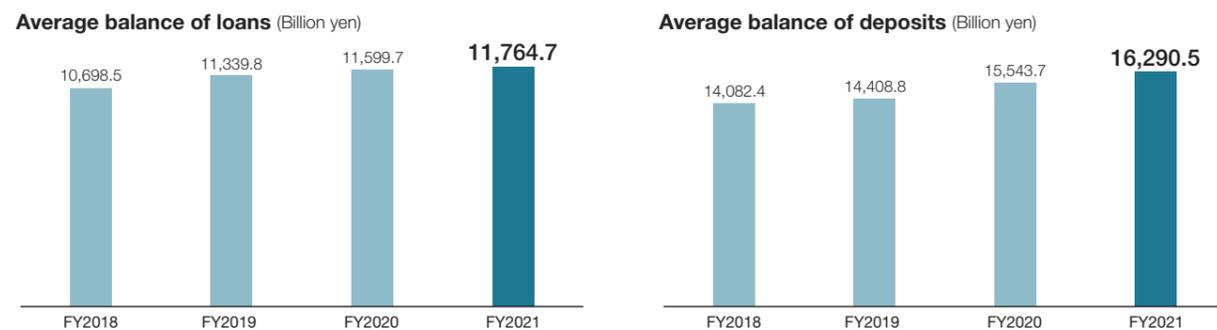
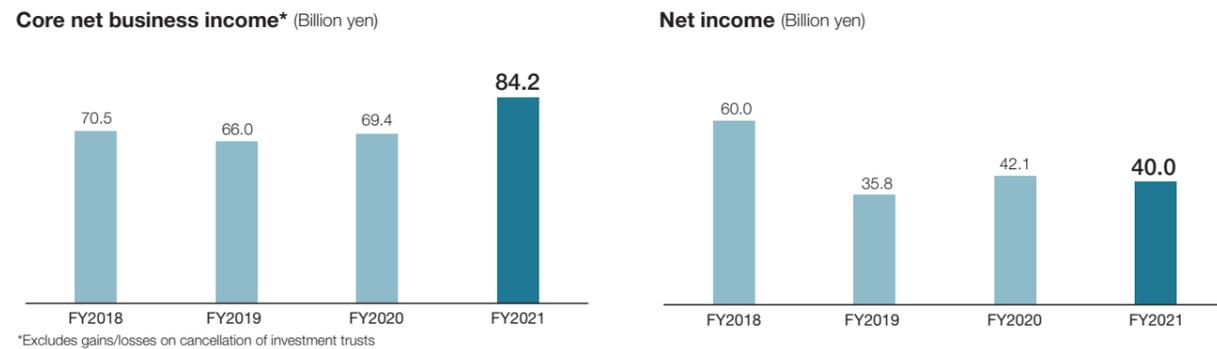
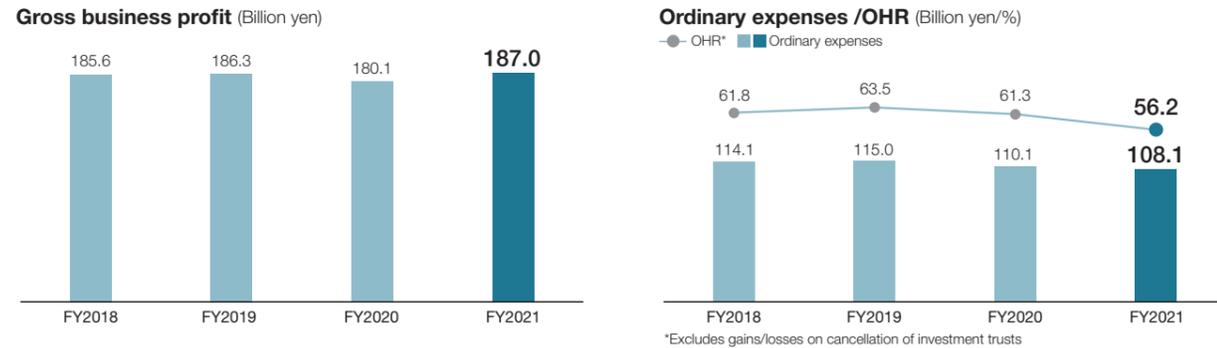


Financial Highlights ▶P13 Mebuki FG (Consolidated)

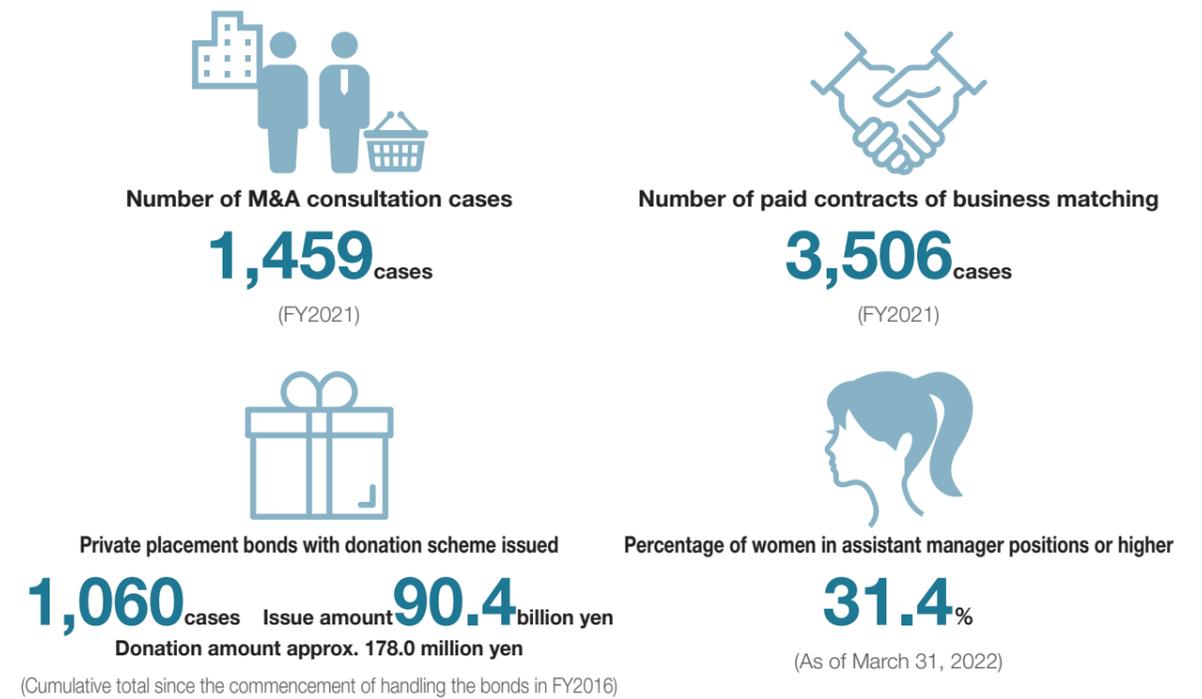


Bank Total*

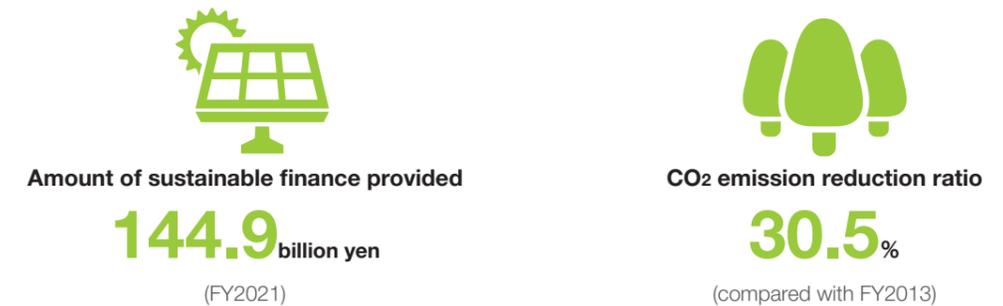
*Joyo Bank + Ashikaga Bank



ESG Highlights (Bank Total) Social

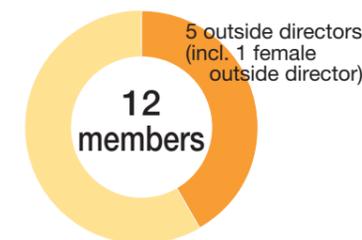


Environment



Governance

Board of Directors



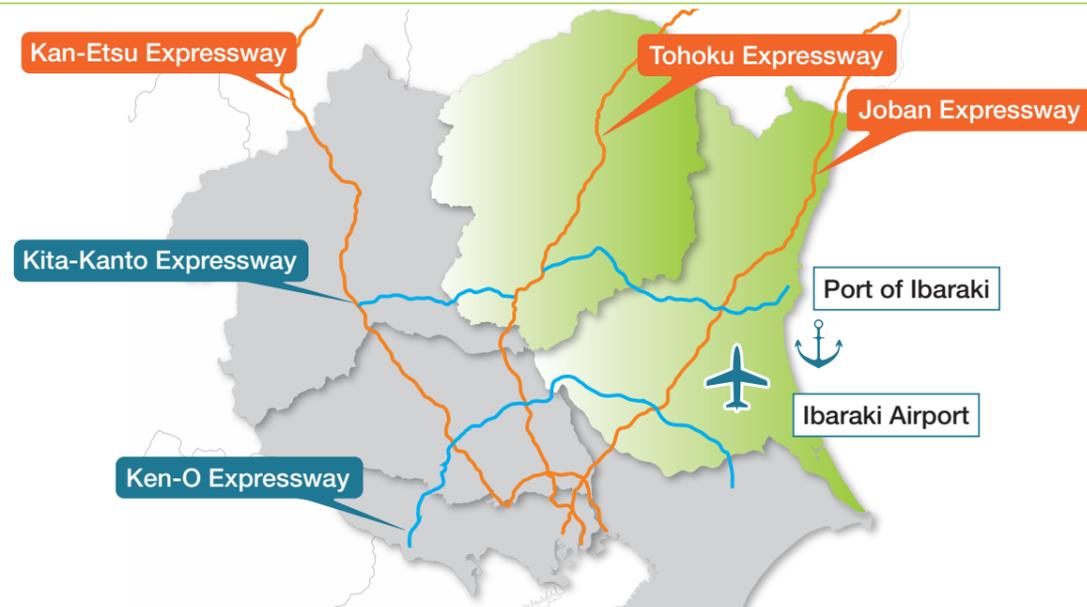
External evaluation



Market Environment and Scale of Ibaraki Prefecture and Tochigi Prefecture

Mebuki Financial Group's primary areas of business are Ibaraki Prefecture and Tochigi Prefecture, both adjacent to the Tokyo metropolitan area, and have been high concentration areas of manufacturers. We also expect future economic growth in these areas, with the further development of the transportation network and high attractiveness as to where to set up factories. Additionally, their agricultural output also ranks top in the country, backed by the mass consumption in the Tokyo metropolitan area. Both prefectures have balanced industrial structures.

Connecting expressways developed wide-area networks



Total area of new factory locations



Note: The above ranks are those of the total area of new factory locations (each year) among 47 prefectures based on the "Survey of Factory Location Trends" by the Ministry of Economy, Trade and Industry.

Potential in the main areas of business

	Economic data	Ibaraki Prefecture	Tochigi Prefecture
Population*1		2.87 million people 11th	1.94 million people 19th
Nominal prefectural gross product*1		14.0 trillion yen 11th	9.3 trillion yen 15th
Prefectural income per capita*1		3.32 million yen 6th	3.47 million yen 3rd
Number of business establishments*2	118 thousand establishments 13th	88 thousand establishments 19th	
Manufactured goods shipped*3		12.5 trillion yen 7th	8.9 trillion yen 13th
Agricultural output*4		430.2 billion yen 3rd	285.9 billion yen 9th

*1 "Prefectural Accounts" by the Cabinet Office *2 "2016 Economic Census for Business Frame" by Statistics Bureau, Ministry of Internal Affairs and Communications
*3 "Census of Manufactures" by Ibaraki Prefecture and Tochigi Prefecture *4 "2019 Agricultural Production Income Statistics" by the Ministry of Agriculture, Forestry and Fisheries

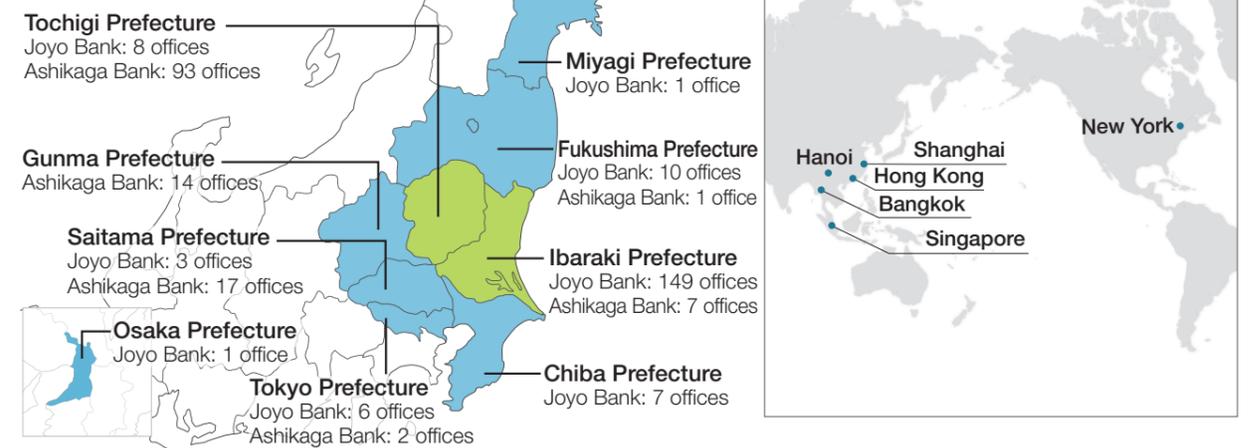
Wide-Area Network Based in Ibaraki and Tochigi Prefectures

The Group has set up 257 branch offices in the economic zones with significant potential including Ibaraki and Tochigi Prefectures, and thereby boasts a top-ranking market share in this area.

In addition, the Group supports overseas business of its customers through 6 Representative Offices.

Domestic: **319** offices Overseas: **6** offices (Representative Offices)

(As of March 31, 2022)
(Joyo Bank + Ashikaga Bank)



Mebuki Financial Group's share in Ibaraki Prefecture and Tochigi Prefecture*



*The Company calculated the shares based on data from Kinryu Journal, Special Issue, December 2021.

Collaboration with Enterprises and Local Communities Beyond the Boundaries of the Group

The Group not only provides high-quality comprehensive financial services but also addresses the challenges of more communities and customers through collaborations with diverse partners both at home and abroad beyond the existing boundaries of industries and businesses.



Toward Solutions to the Diversifying Issues of Local Communities and Customers



Tetsuya Akino,
President and Director



Kazuyuki Shimizu,
Executive Vice President and Director

In the business environment that surrounds us, change is accelerating; changes in the social structure, including lower birthrates, demographic aging, and population declines, technological innovations such as digitalization, and new movements like the transition to a carbon-free, recycling-based society. Moreover, most recently, uncertainties have mounted as the impact of the COVID-19 pandemic has become protracted and geopolitical risks have emerged with the Russia-Ukraine problem.

At the same time, through the various issues emerging with local communities and customers, such changes in external conditions can be seen as increasing the opportunities for us to play a more active role as a financial institution.

Important to resolving diverse issues is consulting that understands the customer in greater depth and thinks together with them, and I think our strength in having built up trust and confidence with local communities and

customers over many years will pay great dividends in this regard.

The needs and issues of customers go beyond the field of finance; they span non-financial areas like digitalization and decarbonization, so solutions to them require coordination among group functions and with outside resources as well as the effective functioning of a regional network rooted in local communities and customers.

This challenging business environment is expected to continue, but as we implement our Third Medium-Term Group Business Plan, which was started in April 2022, we will leverage the strengths of the Group to be a driving force in resolving community and customer issues, pursuing digital transformation, and promoting the transition to a carbon-free, recycling-based society. I think contributing to the growth and development of local communities and customers constitutes the *raison d'être* of Mebuki Financial Group.

Results and challenges of the Second Medium-Term Group Business Plan (previous Medium-Term Business Plan)

Under our Second Medium-Term Group Business Plan (previous medium-term business plan), we positioned the three years from fiscal 2019 to fiscal 2021 as a period for “producing solid results and upshifting for the next stage of growth,” and carried out various

measures focused on structural reforms and strengthening consulting functions.

Regarding structural reforms, with the integration of core systems in January 2020, we worked to optimize branch networks, streamline administrative processes,

and reorganize division functions and group companies. In optimizing our branch networks, we reduced real branches by around 20% (62 branches) over three years while improving customer convenience by launching a banking app and enhancing its functions, among other measures, and freed up 1,200 people from administrative areas, including departments primarily involved in administrative processes.

With regard to strengthening consulting functions, among personnel freed up by structural reforms, we committed around 200 to strengthen sales capabilities, expanded service offerings and external partners, and thereby built a system for resolving the diverse issues of local communities and customers.

As a result, in fiscal 2021, the last fiscal year of the Second Medium-Term Group Business Plan, core net business income, which expresses core business profitability, exceeded both the planned target and the result of the previous fiscal year, and, further, core OHR*1 declined to 54.5%, so we were able to make progress in improving management efficiency. However, in light of the protracted impact of the COVID-19 pandemic, we set aside reserves as a preventative measure (increasing credit related costs) and other steps were taken to provide for the future, which led to consolidated net income*2 falling short of the planned target.

Under the Second Medium-Term Group Business Plan, we were able to raise core business profitability and generate other positive results, but with the advance of technological innovations and accelerating changes in the social structure, caused by lower birthrates, demographic aging, and population declines as well as the global spread of the COVID-19 pandemic, the situation is becoming increasingly difficult for the traditional banking services of deposits, loans, and money transfer.

In this environment, we recognize that the challenge for Mebuki Financial Group will be to further increase the efficiency of traditional banking services, maintain and expand the customer base, strengthen consulting functions, enhance our solutions menu, expand our business domain to solve the diverse issues of local communities and customers, and contribute to a carbon-free, recycling-based society. For the sustainable growth of local communities, customers, and the Group, we will need to work to enhance and promote comprehensive financial services and take on the challenge of new business areas.

*1 Excluding system integration expenses
*2 Attributable to owners of the parent

Summary of the Second Medium-Term Group Business Plan, p.14

Sustainability issues recognized as important management issues

We formulated the Group Sustainability Policy in March 2022 for the sustainable growth of both the Group and local communities and customers.

Within this Group Sustainability Policy, we have defined five key issues (materiality) that will be our particular focus in contributing to the realization of sustainable local communities.

Five Key Issues

- (1) Revitalization of regional economy and local communities
- (2) Climate change and environment conservation
- (3) Promotion of digitalization
- (4) Response to aging society
- (5) Promotion of diversity

To address these five key issues, we have set long-term KPIs that include a sustainable finance goal, a CO₂ emission reduction goal, and a percentage of female employees in positions equivalent to assistant manager

or higher, and we will more robustly promote a variety of initiatives for them. For the CO₂ emission reduction goal in particular, to further strengthen our initiatives, we have raised our target for CO₂ emission reduction by fiscal 2030 to net zero emissions, from the previous target of reduction of 30% or more compared to fiscal 2013.

In order to be a resilient organization in support of these initiatives, we will promote diversity even more so than in the past. Along with increasing opportunities for diverse human resources to play an active role, enhancing job satisfaction is the key to survival as an organization. When support is provided for the career aspirations of employees, each individual raises their level with goals and motivation, and as human resources diversity is promoted, it generates innovation. Through this, we will provide new value to local communities and customers.

Sustainability at Mebuki Financial Group, p.19

Long-term vision targeting the year 2030

With the business environment changing substantially and uncertainties increasing, we have formulated a medium- to long-term vision, Long-Term Vision 2030, in order to achieve sustainable growth together with local communities and customers, and as we work toward its achievement, it will be necessary for us to evolve as a company.

From this medium- to long-term perspective, we held many active discussions incorporating diverse

viewpoints, including those of outside directors, about the added value Mebuki Financial Group may be able to provide and what sort of company we wish to become.

With a desire to “continue to create new value by working together with local stakeholders to solve their various issues” and to “contribute to the realization of sustainable local communities through value creation, and remain an essential presence in local

communities,” we defined our vision for 2030 as “A Value Creation Group Working Together with Local Communities.”

We also defined target levels: a consolidated fee income ratio of 50% or more and consolidated ordinary profit of ¥100 billion or more. This clearly expresses our intention, both internally and publicly, to create new businesses and services in the comprehensive financial services area—consulting and group functions, specifically—and in new business areas and develop them into group revenue sources so that they approach the same level as the traditional banking services area.

To realize this long-term vision, first, we will reinforce our core businesses of traditional banking services and comprehensive financial services and work to expand business areas that leverage these strengths. In expanding our business areas, we will work to resolve local issues beyond the conventional framework of financial services and reinvest know-how obtained through these efforts into our core business. We believe that putting this cycle into motion will lead to the creation of new value by the Group.

 Long-Term Vision 2030, p. 21

Third Medium-Term Group Business Plan

To achieve our long-term vision, we back-casted to compile tasks for the first three years and create the Third Medium-Term Group Business Plan. The three years of this plan, which is Phase 1, is positioned as the “Period for Taking on Challenges for Sustainable Growth,” and there are three basic strategies for this.

- (1) Pursue a business model to support local communities
- (2) Build a sustainable management base
- (3) Develop human resources and promote active participation



For the first of these strategies, “Pursue a business model to support local communities,” we will raise the quality of services related to solving community and customer issues and expand our business areas to contribute to the realization of sustainable local communities. In addition, by providing customers the convenience of digital services along with the confidence and advanced service of face-to-face interactions, we will work to be an essential presence in local communities.

With regard to the second basic strategy, “Build a sustainable management base,” we will engage in business model reforms and business innovation through utilization of digital technologies and other measures and strengthen our management structure while creating new value. Moreover, we will increase the efficiency of group management and work for its further advancement by raising the efficiency of management resource allocation through redeployment of personnel, IT investment, and cost reductions.

For the third basic strategy, “Develop human resources and promote active participation,” we will develop and secure human resources capable of supporting execution of these strategies and creating value and will provide new value and peace of mind to local communities and customers by being a group with diversity and independence through enhanced job satisfaction in order to thereby raise the engagement of each individual employee.

 Third Medium-Term Group Business Plan, p. 23

Accelerating Digital Transformation (DX)

For business model reforms, business innovation, and improving convenience for local communities and customers, promoting digital transformation (DX) is indispensable. Under the Third Medium-Term Group Business Plan, we will continue to accelerate DX initiatives. Regarding these initiatives, we will not only utilize DX in the Group but also support the DX efforts of local communities and customers.

Business process reforms utilizing digital technology that were implemented under the Second Medium-Term Group Business Plan have reduced administrative

procedures that require documents and seals from our business processes and have also led to improved convenience for customers through introduction of a banking app, enhancement of online loan applications, and other measures. Going forward, we plan to further increase contact points for customers with whom we had minimal contact previously and for younger customers, including those in Generation Z, and will strive to further expand transactions with them.

We will thoroughly reduce administrative volume by utilizing digital technology and shift personnel to

consulting and other services with high added value that help build the trust and confidence of customers. At branches, we will reduce administrative space and increase the number of branches with dedicated booths set up for customers to consult with us in greater detail. In this way, we will transform the role of branches from space for administrative processing to space for communication and consultation with customers.

Moreover, utilizing information gathered through both digital and face-to-face channels, we will improve the sophistication of marketing and reinvest knowledge and know-know accumulated through digital initiatives into

local communities and customers to further promote DX in the region as a whole. As for investments to this end, under our Third Medium-Term Group Business Plan, we are planning digital investment of ¥7.0 billion for the Group overall. We will also free up 580 personnel throughout the Group through digitalization, streamlining business processes, and other measures and commit 200 personnel to consulting, DX, new businesses, and other areas.

 Promotion of Digitalization and DX, p.39

Increasing opportunities for employees to fully demonstrate their abilities and more actively participate

We intend to further strengthen investment in human resources to put into practice our Long-Term Vision 2030 and Third Medium-Term Group Business Plan and provide new value not overly constrained by the framework of finance.

As for programs, we are enhancing training and on-the-job training programs to smooth the transition from administration to sales and consulting and thereby help numerous employees take on this challenge. In addition, we are also reviewing our personnel system to ensure appropriate compensation for employees playing an active role regardless of age, gender, or other personal attributes.

Regarding personnel involved in DX promotion in particular, we have defined as “core DX personnel” those employees in the head office who create new businesses using digital technologies and who plan and lead business process reforms for the Group as well as those employees who provide DX support for customers. Under the Third Medium-Term Group Business Plan, we are aiming to train at least 400 of these personnel. In addition, to improve digital literacy among all employees, we have defined as “base DX personnel” those employees who have reached a certain level of IT knowledge, and we plan to also train 3,000 or more of these personnel by the end of fiscal 2023.

We also recognize that diversity and inclusion are extremely important, and with regard to gender diversity in particular, we have set a long-term goal of raising the percentage of women in positions equivalent to assistant

manager or higher from the current level of 31.4% (as of March 31, 2022) to 35% by 2025. Further, we will increase opportunities for senior employees to play a more active role and work to create an environment that makes good use of their many years of experience and skills.

We will maintain an environment that allows every employee to work happily and energetically regardless of position, age, gender, nationality, or disability, and we plan to increase opportunities for every employee to actively participate while fully demonstrating their abilities.

 Promotion of Diversity, p.46



Providing new value to be a value creation group working together with local communities

We are committed to remaining an essential presence in local communities. This means continuing to be a trusted presence for local communities and customers, and we believe the Group’s strengths are geared precisely toward this, the trust and confidence we have earned, a robust customer base and financial foundation, and the comprehensive capabilities of the Group.

Based on our vision for 2030 of being “A Value Creation Group Working Together with Local Communities,” the Group is taking steps forward toward the realization of sustainable local communities.

The Group’s executives and employees are all united in facing the difficult business environment and helping

to solve the diversifying issues of local communities and customers through leveraging our strengths to provide new value. By doing so, we hope to continue being an essential, trusted member of local community.

We would like to thank local communities, customers, shareholders, and all other stakeholders for your continuing understanding and support.

July 2022

Tetsuya Akino, President and Director

Kazuyuki Shimizu, Executive Vice President and Director

Results for FY2021

In FY2021, amid a harsh external environment marked by the COVID-19 pandemic and Russia's aggression in Ukraine, we worked proactively to enhance the consulting function and bring about structural reforms, and as a result, core net business income*1, an indicator of the profitability of our main business, increased by 14.8 billion yen year on year to 84.2 billion yen.

Differences of interests between deposits and loans decreased year on year for reasons such as the completion of a round of COVID-19 related loans. We, however, made efforts to provide adequate consulting service, and as a result, recorded a year-on-year increase in net fees and commissions.*1 Such efforts included supporting corporate customers in their main lines of business and strengthening collaborations between the two banks and Mebuki Securities in our group.

We also steadfastly pushed forward with structural reforms. As a result, expenses*1 decreased by 1.9 billion yen year on year.

Meanwhile, as a precaution to the impact of the COVID-19 pandemic and the Russo-Ukrainian situations on our earnings, we had recognized allowance for potential credit losses. As a result, credit costs*1 decreased by 2.8 billion yen year on year to 19.6 billion yen.

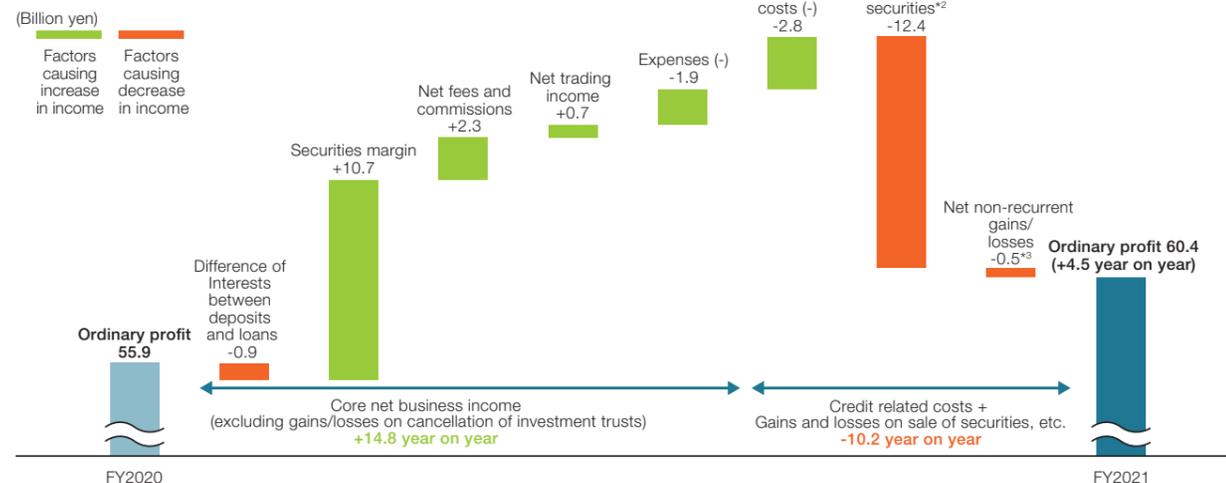
Further, ordinary profit*1 increased by 4.5 billion yen year on year to 60.4 billion yen, with gains/losses on securities*2 decreased by 12.4 billion yen year on year, backed by flexible securities' operations based on market conditions, future outlook, and other factors.

As a result, consolidated net income attributable to owners of the parent of Mebuki Financial Group amounted to 42.9 billion yen, higher than the results for the previous year of 6.4 billion yen.

*1 Bank total (Core net business income excludes gains/losses on cancellation of investment trusts)

Year-on-year change in ordinary profit

(Bank total)

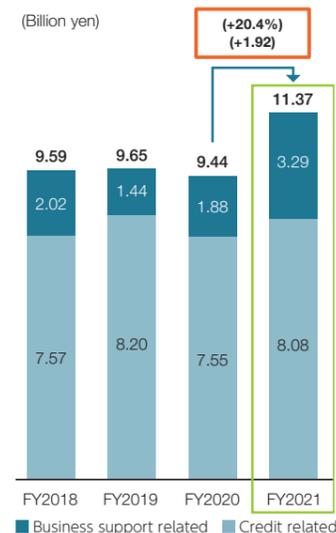


*2 Gains/losses on cancellation of investment trusts + Gains/losses on bond transactions + Gains/losses related to stocks

*3 Including (-)1.5 billion yen of costs related to liability for retirement benefits, and 0.9 billion yen of gains on equity options, etc.

Fees from corporate customers

(Bank total)



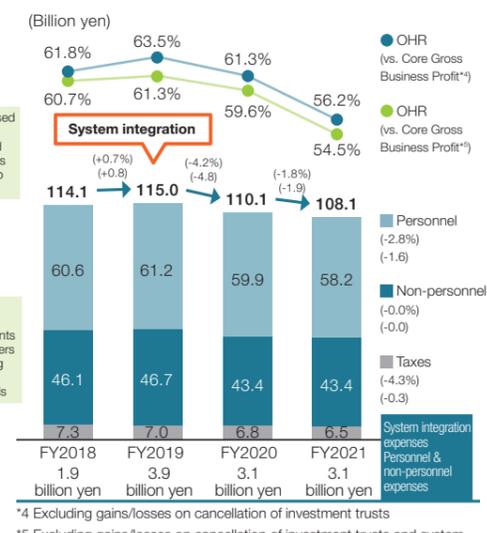
Customer assets under custody related commissions

(Bank total + Mebuki Securities)



Expenses

(Bank total)



*4 Excluding gains/losses on cancellation of investment trusts

*5 Excluding gains/losses on cancellation of investment trusts and system integration expenses

Summary of the Second Medium-Term Group Business Plan

Under the Second Medium-Term Group Business Plan for the three years from April 2019 through March 2021, the Group took various measures based on its basic strategies, namely "Create growth business models with local regions," "Structural reforms for enhanced productivity" and "Develop human resources for value creation."

We positioned the three-year period of the Second Medium-Term Group Business Plan as a period for "producing solid results and upshifting for the next stage

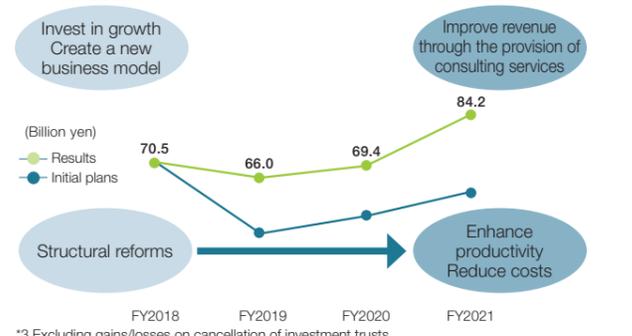
of growth." Under the plan, we implemented structural reforms, such as optimizing our branch networks and reorganizing division functions, beginning with the integration of the core systems in January 2020. We also deployed a three-year cumulative total of 200 people to consulting services and the IT field. We have put all our efforts into resolving issues faced by our customers in the region, which are becoming increasingly diverse, and have created business models that grow with local communities.

The Second Medium-Term Group Business Plan (April 2019–March 2022)

Major Accomplishments		The status of Progress in Achieving the Management Objectives	
Basic Strategy 1 Creating Growth Business Models with Local Regions	<ul style="list-style-type: none"> Enhanced the ability to satisfy customers in need of support for their main lines of business Enhanced consulting functions for individual customers Enhanced non-face-to-face services 	Numerical targets	Results for FY2021
Basic Strategy 2 Structural Reform for Enhanced Productivity	<ul style="list-style-type: none"> Reviewed branch networks Implemented core system integration, and administrative systems unification Established new subsidiaries, restructured existing subsidiaries, and strengthened governance 	Consolidated ROE	5.0% or more / 4.3%
Basic Strategy 3 Developing Human Resources for Value Creation	<ul style="list-style-type: none"> Revised personnel systems for the two subsidiary banks Enhanced the development of specialized human resources Established the system for promoting diversity 	Consolidated net income*1	Approx. 47.0 billion yen / 42.9 billion yen
		Core OHR (bank total)*2	Approx. 60% / 54.5%

*1 Net income attributable to owners of the parent
*2 Excluding gains/losses on cancellation of investment trusts and system integration expenses

Changes in core net business income*3



<Shift in allocation of management resources through structural reforms>

*The amount of expenses represents a comparison between FY2021 and FY2018.

Human resources	Invested areas (including consulting services): Approx. 200 people (as planned) Saved areas (including the administrative area, and head office): Approx. 1,200 people (up 200 people vs. the plan)
Things	Consolidation of branches: 62 locations (more than planned) Downsizing of branches: 152 locations
Money	The amount of expenses*4: -7.2 billion yen (down 2.2 billion yen vs. the plan)

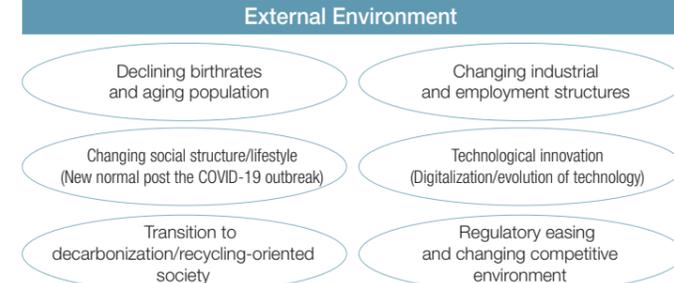
*4 Excluding system integration expenses

Environmental Awareness

- Although we noted that we improved the profitability of our main business as planned in the Second Medium-Term Group Business Plan, the environment surrounding the traditional banking business has been increasingly difficult for reasons such as accelerated changes in the social structure in the wake of population decline, the COVID-19 pandemic, and technological innovation.
- To achieve the sustainable growth of both local communities and the Group, we need to enhance and expand our comprehensive financial services and tap into new business segments.

Issues in View of the Second Medium-Term Group Business Plan

- Further improving the efficiency of traditional banking services, and maintaining/expanding customer base
- Further enhancing consulting functions and a range of solutions to issues
- Expanding business areas in a bid to solve diverse issues of local communities
- Contributing to realizing decarbonization and recycling-oriented society



- Direction of initiatives
- Realize the sustainable growth of both local communities and the Group
- Enhance and expand comprehensive financial services
- Challenge of new business areas



Forecast for FY2022 (earnings estimates)

We expect net income attributable to owners of the parent for FY2022 to increase by 2.0 billion yen year on year to 45.0 billion yen. While the outlook remains uncertain in the wake of the COVID-19 pandemic and Russia's aggression in Ukraine, we will push forward

with the Third Medium-Term Group Business Plan (P23), which started in April this year, to further increase the profitability of our main business.

We will inform as promptly as possible in cases we need to revise our earnings estimates.

Forecast (Mebuki FG consolidated)

(Billion yen)

	Forecast for FY2022	Year-on-year change
Ordinary profit	65.0	+0.0
Net income attributable to owners of the parent	45.0	+2.0

Forecast (Bank total)

(Billion yen)

	Forecast for FY2022
Ordinary profit	62.5
Net income	43.0
(Credit related costs)	(11.0)

Shareholder Returns and Capital Policy

We will target a total return ratio of 30% or more while taking into account both the maintenance of solid capital levels for our future growth and the appropriate distribution of profits to our shareholders.

We will continue to consider the total return ratio including the dividend level in light of market trends and business forecasts.

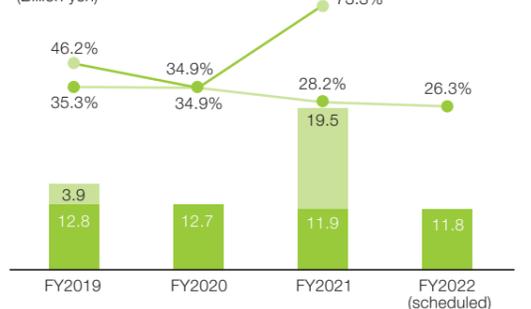
We maintained stable dividends and paid out 11 yen per share in FY2021 (the same level as the previous

year). We also repurchased own shares in a flexible manner, achieving a total return of 73.3%, well above the target of 30%.

We plan to maintain stable dividends and pay out 11 yen per share also in FY2022 (the same level as the previous fiscal year). Consolidated capital adequacy ratio of Mebuki Financial Group as of March 31, 2022 increased by 0.05 percentage points year on year to 10.92%.

Dividends and Shareholder Returns

(Billion yen)

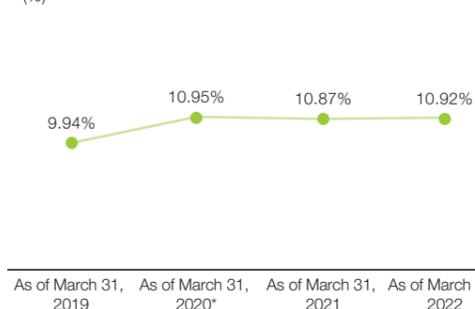


Dividends per share

Year	Dividends per share (Yen)
FY2019	¥11.0
FY2020	¥11.0
FY2021	¥11.0
FY2022 (scheduled)	¥11.0

Consolidated capital adequacy ratio

(%)



*Ashikaga Bank started to calculate each risk-weighted asset according to the foundation internal rating-based approach (FIRB) from the end of March 2020.

Reduction of Strategic Shareholdings

The subsidiary banks that hold strategic shareholdings are making efforts to reduce the balance of strategic shareholdings, taking into consideration risk reduction and capital efficiency based on its economic rationality. We have held sufficient dialogues with the issuing companies upon sales of such shares.

The amount of reduction in FY2021 was approx. 21.2 billion yen (bank total, based on acquisition cost), and involved shares from 24 issuers. The resulting balance of strategic shareholdings (listed companies) amounted to 70.7 billion yen as of March 31, 2021. The ratio of the balance of strategic shareholdings to consolidated capital decreased from 20.1% to 16.9%.

Assessing the rationality of holding individual stock by the Board of Directors, etc.

Our basic policy for strategic shareholdings is based on medium- to long-term economic rationality on the basis of risk and returns and future outlook so we can secure sustainable growth, increase corporate value of the Group and issuing companies over the medium- to long-term, and build stable business relationships with those companies.

The economic rationality of strategic shareholdings is examined from the viewpoint of profitability, creditworthiness, regional characteristics (relevancy to principal base of operations), improvement of business relationship, etc., using their overall business RORA* based on our ROE target.

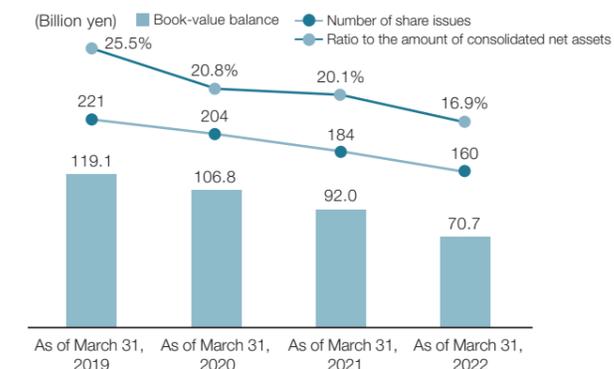
As of March 31, 2022, the Board of Directors confirmed every strategic shareholding to be meaningful pursuant to the basic policy to secure sustainable growth, increase corporate value of the Group and issuing companies over the medium- to long-term, and build stable business relationships with those companies.

Regarding the profitability, we confirmed that their overall business RORA combining all listed companies of strategic shareholdings exceeded the target value.

* RORA = (Net interest margin on loans and deposits - Expenses (including credit related costs) + Fees and Commissions + Dividends) ÷ Risk-weighted Assets (Loans and Stocks)

Strategic shareholdings

(bank total, listed companies only, based on acquisition cost)



Dialogue with Shareholders and Investors

Our Group has endeavored to improve soundness and transparency of our business management and ensure timely and easy-to-understand information disclosure and provision in order to earn trust from and improve our Group's reputation among all stakeholders including customers, shareholders and community residents.

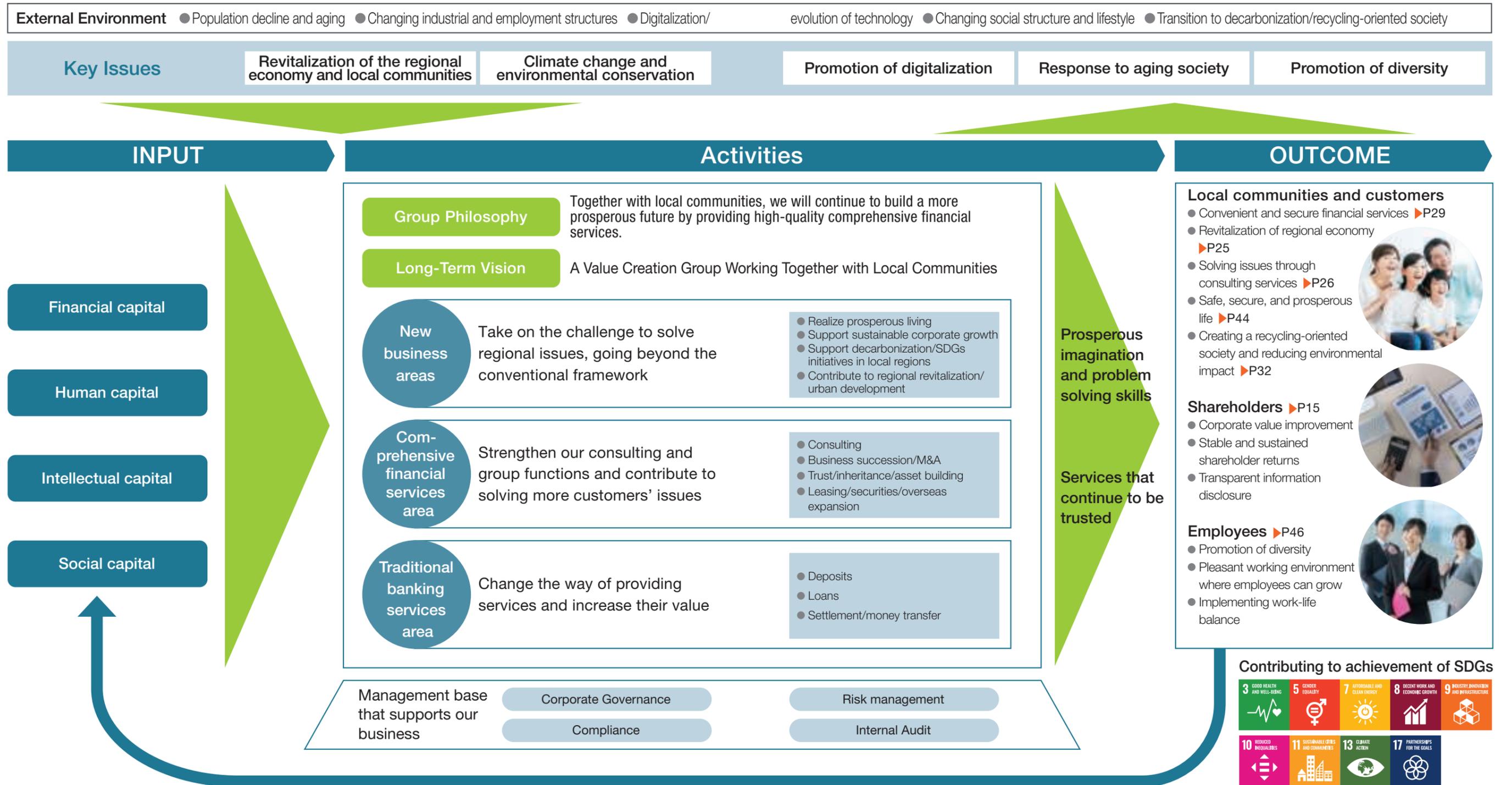
For FY2021, in consideration of the COVID-19 crisis, we held hybrid IR sessions combining offline and online results briefings, and also enhanced information disclosure by other means, including online videoconferencing and the distribution of video content.

We will continue to ensure impartial and fair information disclosure and promote constructive dialogue with shareholders and investors.

Investor relations sessions

	FY2018	FY2019	FY2020	FY2021
IR sessions for individual investors	8 times, 845 participants	(Cancelled)	Distribution of explanatory video	Distribution of explanatory video
IR sessions for institutional investors and analysts in Japan (including exclusive interviews)	79 times, 418 companies	68 times, 454 companies	58 times, 260 companies	57 times, 253 companies
IR sessions for overseas institutional investors and analysts (including exclusive interviews)	3 times, 19 companies	2 times, 12 companies	8 times, 8 companies	6 times, 6 companies
Total	90 times, 1,282 people (companies)	70 times, 466 companies	66 times, 268 companies	63 times, 259 companies

Based on the corporate philosophy of the Group, Mebuki Financial Group will resolve a variety of issues jointly with community residents by taking advantage of its wide-area network, solid customer base and other strengths, and thereby create value for stakeholders, improve the Group's corporate value, and contribute to the sustainable growth of local communities.



Management base that supports our business

- Corporate Governance
- Risk management
- Compliance
- Internal Audit

Details of each capital

- Financial capital ▶P13**
- Sufficient capital
 - Sound loan assets
 - Stable funding

- Human capital ▶P46**
- Diverse and sufficient human resources
 - Fulfilling training programs and specialized human resources
 - Human resources rooted in local communities

- Intellectual capital**
- Brand strength and history ▶P3
 - Comprehensive abilities with strong know-how of the Group ▶P66
 - Advanced risk management ▶P60

- Social capital**
- Wide-area networks based in Ibaraki and Tochigi Prefectures ▶P8
 - Solid customer base ▶P8
 - Network with domestic and international partners ▶P8, 27

Formulation of Sustainability Policy

Recognizing issues about sustainability as important management agendas, Mebuki Financial Group has formulated the Group Sustainability Policy with the aim of achieving both the sustainable growth and the corporate value enhancement of the Group, while solving the issues of and realizing the sustainable growth of local communities.

In addition, we have formulated independent policies to clarify policies regarding Environment, Human Rights, and Diversity.

Mebuki Financial Group Sustainability Policy

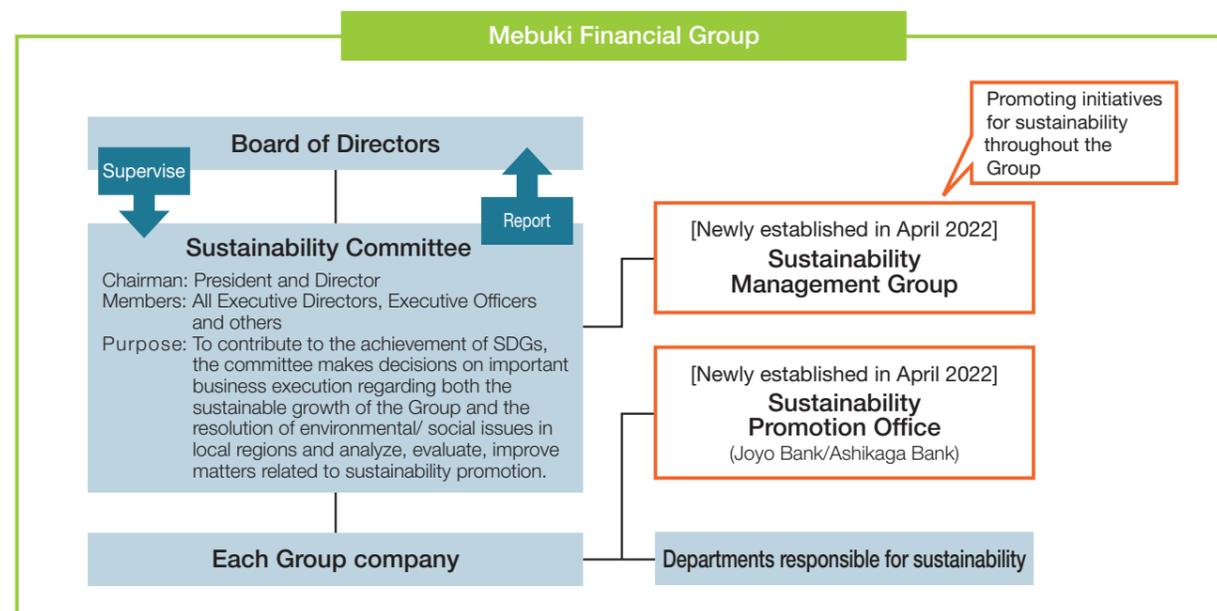


Based on the Mebuki Financial Group Philosophy "Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services," Mebuki Financial Group and Group companies will support solving issues in our regions, while contributing to the achievement of sustainable growth of local communities as well as the improvement of our corporate value.

Structure for Promoting Sustainability

To establish a structure that uniformly manages the development and progress of initiatives related to sustainability issues, including climate change, we have set up the Sustainability Committee chaired by the President and Director and have held committee meetings once in six months or more. We have built a structure in which the Board of Directors can supervise the Group's sustainability initiatives by reporting the details of deliberations at each meeting to the Board of Directors.

In April 2022, the Group newly established organizations dedicated to sustainability (Sustainability Management Group within Mebuki Financial Group, Inc.; and Sustainability Promotion Office within bank subsidiary Joyo Bank and Ashikaga Bank)



Setting of Key Issues (Materiality)

Mebuki Financial Group has set key issues (materiality) that it should focus on in order to contribute to realizing sustainable local communities.

Key issues (materiality)	Main initiatives in the Third Medium-Term Group Business Plan	Targeted SDGs
Revitalization of the regional economy and local communities ▶ P.25	<p>[Specific Strategy 1-2] Deepening comprehensive financial services</p> <ul style="list-style-type: none"> Enhance consulting function for corporate customers Implement initiatives for regional revitalization/SDGs Deepen life plan consulting <p>[Specific Strategy 1-3] Challenges to expand business areas</p> <ul style="list-style-type: none"> Develop new business areas by leveraging the Group's strengths Make effective use of strategic investments, alliances, etc. 	   
Climate change and environment conservation ▶ P.32	<p>[Specific Strategy 1-2] Deepening comprehensive financial services</p> <ul style="list-style-type: none"> Implement initiatives for regional revitalization/SDGs 	  
Promotion of digitalization ▶ P.39	<p>[Specific Strategy 1-1] Innovating traditional banking services</p> <ul style="list-style-type: none"> Enhance contact points with customers and non-face-to-face services through digitalization Optimize channel network and enhance consulting function <p>[Specific Strategy 2-1] Promoting DX</p>	  
Response to aging society ▶ P.44	<p>[Specific Strategy 1-2] Deepening comprehensive financial services</p> <ul style="list-style-type: none"> Enhance responses to an aging society 	  
Promotion of diversity ▶ P.46	<p>[Basic Strategy 3] Develop human resources and promote active participation</p> <ul style="list-style-type: none"> Promote active participation / diversity among employees 	  

Setting of Long-Term KPIs for Sustainability

The Group aspires to realize sustainable local communities and enhance corporate value, and thus, has set Long-term KPIs for sustainability in order to clearly define its basic stance and goals related to sustainability as shown below.

As the Group holding regional financial institutions, we will strengthen our efforts to solve the issues of local communities, and contribute to realizing sustainable local communities by achieving the long-term KPIs.

Long-term KPIs for sustainability		
Sustainable finance goals	CO ₂ emission reduction goal	Percentage of female employees in positions equivalent to assistant manager or higher
FY2021–FY2030 (cumulative total)3 trillion yen (of which 2 trillion yen for environmental fields)	Net-zero CO ₂ emissions in FY2030	As of March 31, 2025 35% or more

Long-Term Vision

In the face of drastic changes in business environment, we have defined a long-term vision targeting the year 2030 (the vision and target level) so we can realize sustainable growth together with local communities.

“Long-Term Vision 2030” is based on our desire to “continue to create new value by working together with local stakeholders to solve their various issues” and to “contribute to the realization of sustainable local communities through value creation, and remain an essential presence in local communities.”



*1 Consolidated fee income ratio = Consolidated fee income*2 ÷ Income from customers*3

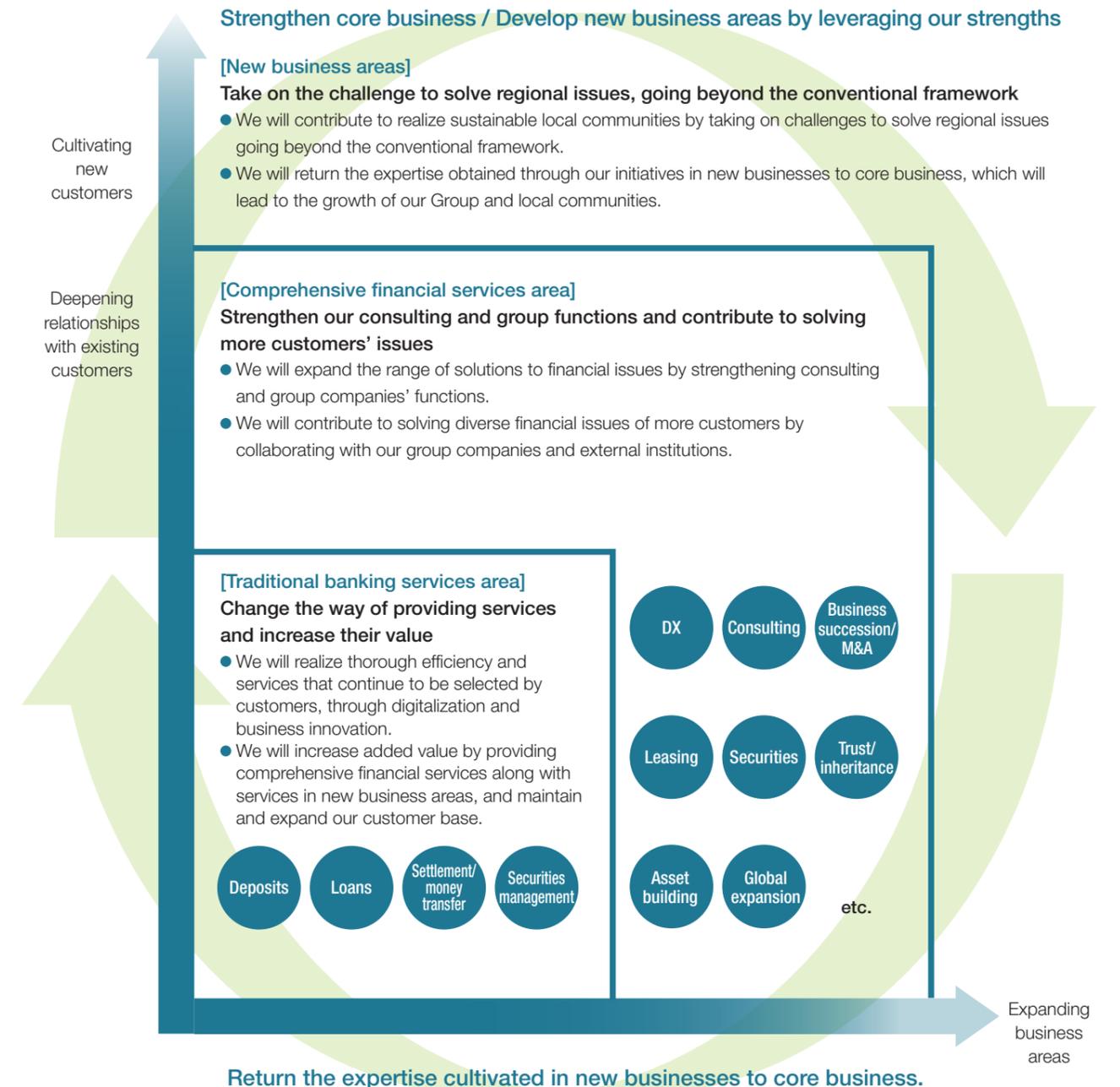
*2 Consolidated fee income = Fee from customers of Banks + Gross profit from customers of other group companies

*3 Income from customers = Difference of interests between loans and deposits + Consolidated fee income, excluding securities' income

Approach to Realization of Long-Term Vision

To realize our long-term vision, we will strengthen our core business areas such as traditional banking and comprehensive financial services, and take effort to expand our business areas by leveraging our strengths.

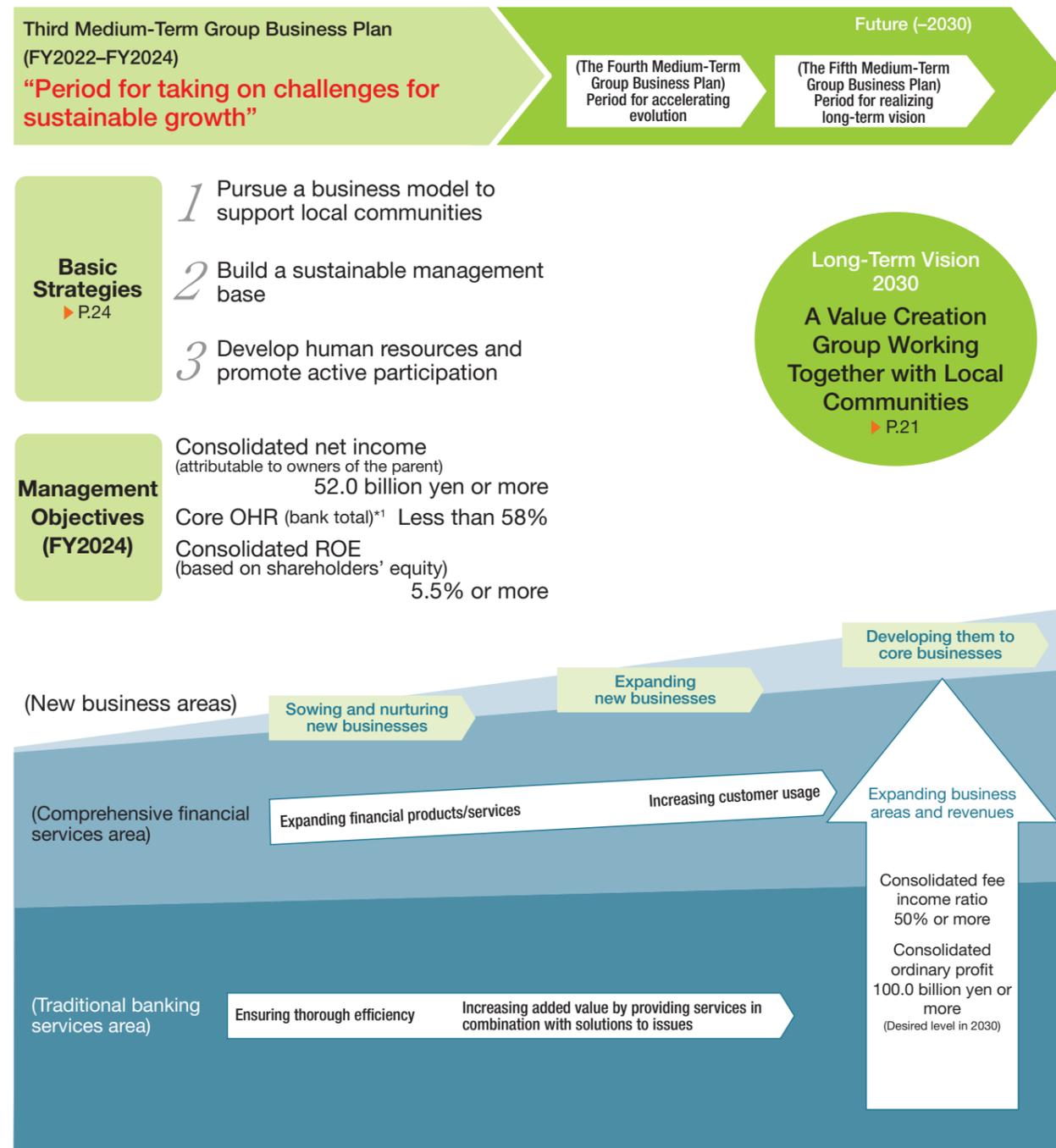
We will create new value by taking on challenges to solve regional issues beyond the framework of conventional financial services and returning the expertise obtained through these initiatives to our core business.



Positioning of the Third Medium-Term Group Business Plan

We have positioned the Third Medium-Term Group Business Plan as a period for taking on challenges for sustainable growth.

While strengthening our management structure by innovating traditional banking services and deepening comprehensive financial services, we will take effort to sow and nurture new business areas and aim to contribute to local communities beyond the framework of conventional financial services.



*1 Expenses ÷ Core gross business profit (Gross business profit** - gains/losses on bond transactions)

**2 Excluding gains/losses on cancellation of investment trusts and remuneration from “Special Deposit Facility to enhance the resilience of the regional financial system” and “Special Funds-applying Operations to facilitate financing in response to COVID-19” by Bank of Japan

Basic Strategies

In the Third Medium-Term Group Business Plan, we will pursue a business model that supports local communities so we can contribute to them through new value creation.

Toward new value creation, we will work to build a sustainable management base by promoting Digital Transformation (DX), etc., and to develop human resources and promote their active participation.

	Basic Strategy 1 Pursue a business model to support local communities	Basic Strategy 2 Build a sustainable management base	Basic Strategy 3 Develop human resources and promote active participation.
New business areas	[Specific Strategy 1-3] Challenges to expand business areas ▶ P.25 • Provide value beyond the conventional framework by leveraging the strengths of our Group and its investments	[Specific Strategy 2-2] Enhancing group management ▶ P.39 • Reorganize the Group in the context of DX and sustainability • Adapt business management to expanded business areas	Developing and securing human resources who create value ▶ P.46 • Dispatch trainees About 120 people (3 year cumulative) • DX personnel 400 people (as of March 31, 2025) Basis of DX personnel 3,000 people (As of March 31, 2025) <small>*Number as of March 31, 2022: Approx. 1,200 people</small>
Comprehensive financial services area	[Specific Strategy 1-2] Deepening comprehensive financial services ▶ P.25 • Strengthen our consulting and group functions and contribute to solving more customers' issues	[Specific Strategy 2-1] Promoting DX ▶ P.39 • Provide new services by making effective use of digital technology and data, and increase the added value of conventional services • Accumulate, analyze and utilize data obtained through digital and face-to-face channels • Accelerate business innovation • Expand non-face-to-face and remote procedures	Shifting human resources to focus areas 200 people (3 year cumulative) New digitalization investments 7.0 billion yen (3 year cumulative) •Reduction and review of operations to save management resources through promotion of DX etc. About 580 people (3 year cumulative) Reduction in expenses: 3.0 billion yen (compared to FY2021, the final year of the Second Medium-Term Group Business Plan) Implementing diversity/initiatives for job satisfaction ▶ P.47 • Expanding working opportunities for female employees Percentage of female employees in positions equivalent to assistant manager or higher 35% or higher (as of March 31, 2025) <small>*Percentage as of March 31, 2022: 31.4%</small>
Traditional banking services area	[Specific Strategy 1-1] Innovating traditional banking services ▶ P.39 • Enhance customers' convenience by leveraging digital technology and non-face-to-face services • Increase the value of services by strengthening consulting function and providing integrated services for solving issues		
	[Specific Strategy 1-4] Diversifying securities management services/ investments and financing ▶ P.16 • Strengthen profitability with appropriate risk-taking		

Revitalization of the Regional Economy and local Communities

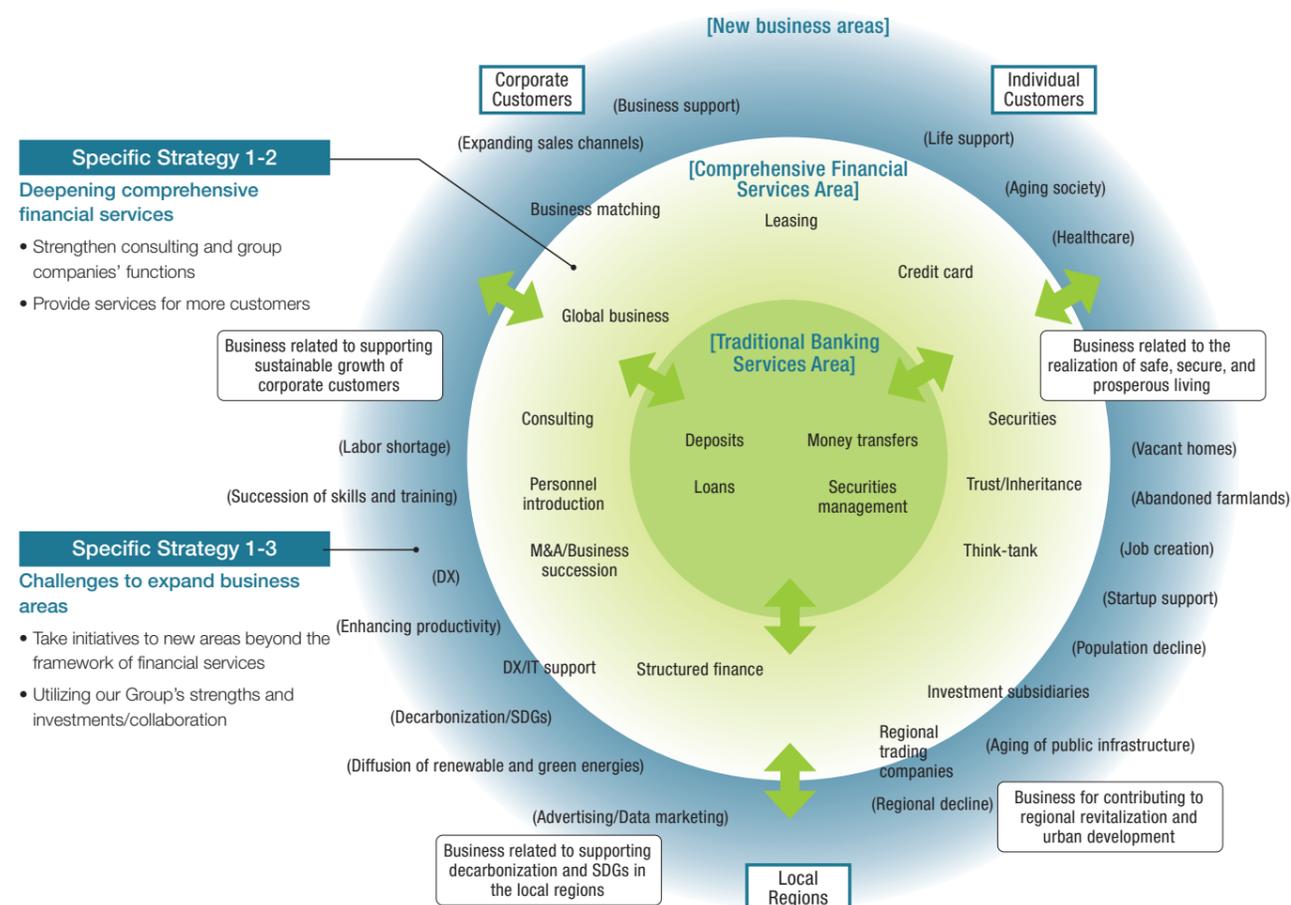


We are facing major trends such as a declining birthrate and aging population, changes in industrial and employment structures due to digitalization, and the transition to a decarbonized and recycling-oriented society. Furthermore, the prolonged COVID-19 crisis and the emergence of geopolitical risks have also intensified uncertainties. As a result, local customers are forced to respond to the ever-diversifying and mounting management challenges they have faced.

The Group will contribute to the realization of sustainable local communities by enhancing consulting services and expanding the Group's functions to improve the quality of services related to solving problems for local communities and customers and by taking advantage of the Group's strengths to develop into new business areas.

Main initiatives in the Medium-Term Group Business Plan [Specific Strategy 1-2 Deepening comprehensive financial services] [Specific Strategy 1-3 Challenges to expand business areas]

We will enhance our consulting functions to solve customer concerns and business issues, including business continuity and expansion, technology succession, human resources development, and global expansion. Through collaboration between the Group's functions and external institutions, we will provide highly specialized and optimal solutions to strengthen our efforts to resolve issues that truly satisfy our customers.



*Regional issues and needs are shown in parentheses of the figure.

Deepening comprehensive financial services

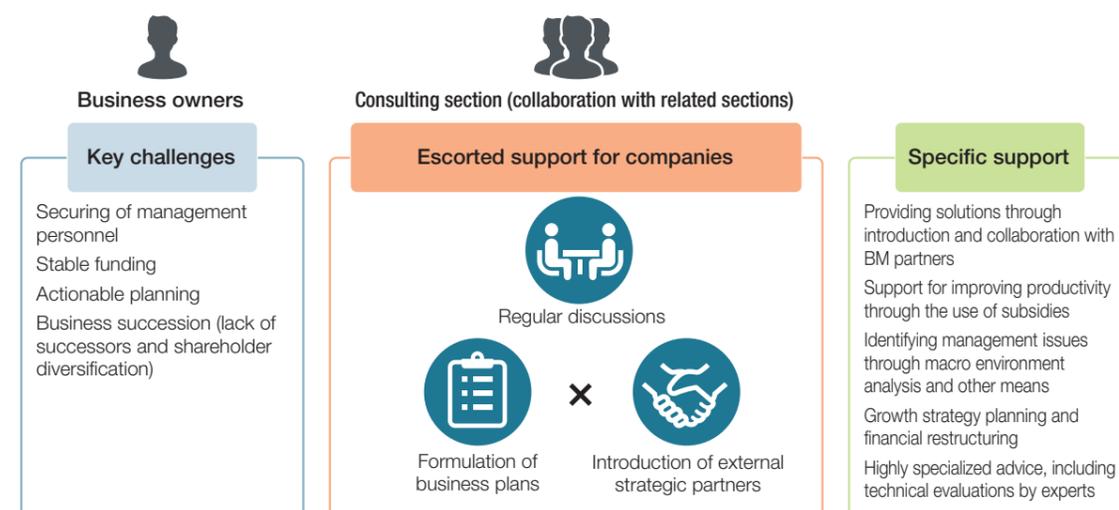
Deepening Consulting Function for Business Companies

We are developing solution business at all stages of our corporate customers.

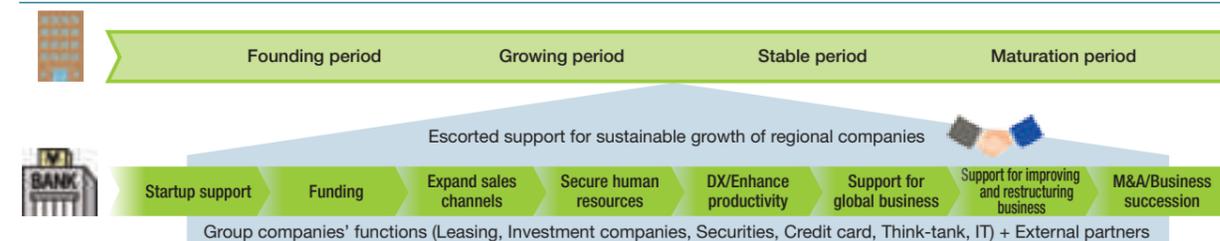
Our branches and consulting section work together to respond to customer issues and needs by providing highly specialized information and making proposals in cooperation with the Group's functions, business matching contractors, external experts, and public institutions.

Escorted support for sustainable growth of regional companies

Escorted support for companies



Considerate consulting support tailored to each business stage



[Founding period to growing period]

- Support for new business creation and commercialization (Mebuki Business Award)
- Start-up fund support
- Holding various business conferences (Mebuki Financial Group Manufacturing Business Forum, Mebuki Food Exhibition, and other conferences)
- Holding various seminars (subsidy utilization seminar and other seminars)
- Securing human resources (personnel introduction, utilization of personnel working side jobs, and support for human resources development)

[Stable period to maturation period]

- Support for efficiency improvement through IT/DX (provision of information and external collaboration)
- Support for global business (seminars, business conferences, and business matching)
- Support for business succession (external collaboration and utilization of funds)

Deepening comprehensive financial services

Support for Global Business

Both banks have six overseas representative offices (Shanghai, Singapore, New York, Hong Kong, Bangkok, and Hanoi). Using our overseas representative offices, we provide customers with the local information they need, such as information about the investment environment, infrastructure, local needs, taxation, logistics routes, and employment conditions. In addition, through business alliances with correspondent networks (overseas correspondent banks) and leading banks worldwide, we offer support for local companies in trade transactions, global business, and global sales channel expansion.

Overseas network of Mebuki Financial Group (▶P67)

Our six overseas representative offices cover the Americas, all of East Asia, and ASEAN + India, providing local information as well as accepting various research requests.

Country and region	Major business partners	Country and region	Major business partners
China	Bank of China Bank of Communications	Vietnam	VietinBank Vietcombank
Taiwan	CTBC Bank		Foreign Investment Agency of Vietnam
Thailand	Kasikorn Bank Bangkok Bank	Philippines	BDO Unibank Metrobank
Indonesia	Bank Negara Indonesia Bank CIMB Niaga	India	State Bank of India Banamex
		Mexico	Aguascalientes State Government, Jalisco State Government, etc.

Helping our customers expand their global business at various stages

Supporting the resumption of chicken egg exports to Hong Kong

We helped suppliers resume chicken egg exports that had been suspended due to the nuclear accident caused by the Great East Japan Earthquake. We provided integrated support for direct export operations, enabling export resumption for the first time in about nine years.



Supporting the development of sales channels for local sake

Holding online business conferences for Hong Kong buyers. In cooperation with local governments (Ibaraki and Tochigi Prefectures), we held online business conferences to help local sake brewers meet with local buyers in Hong Kong. Our local representatives provided cooperative support, such as guidance to sake brewers and invitation of buyers.



Supporting the expansion of overseas sales channels for frozen baked sweet potatoes

We supported a customer engaged in the sweet potato processing and wholesale business to expand its sales channels in Hong Kong. It began exporting frozen baked potatoes. Since then, its sales channels have been expanding, especially in Singapore and Europe.



Deepening comprehensive financial services

Initiatives for Regional Revitalization and SDGs

We are working to solve regional issues by playing various connecting roles.

Connect businesses	Connect to next generation	Connect regions
<ul style="list-style-type: none"> Maintain and enhance supply chain 	<ul style="list-style-type: none"> Enhance business succession/M&A and strengthen our support system 	<ul style="list-style-type: none"> Support initiatives for decarbonization/SDGs in local regions and companies Solve regional issues by collaborating with local governments, etc.
<ul style="list-style-type: none"> Strengthen relations with regional core companies and establish an ecosystem Providing consulting and support for the alliance of member companies in the ecosystem 	<ul style="list-style-type: none"> Increase our response capabilities for business succession/M&A Enhance initiatives based on characteristics of the industry and regions Provide support for companies utilizing the tax system applied to business succession Provide support for business consolidation and restructuring 	<ul style="list-style-type: none"> Support initiatives for decarbonization/SDGs in local regions and corporate customers
		<p>Promote SDGs initiatives in local regions</p> <ul style="list-style-type: none"> Hold SDGs related seminars and conduct a simple evaluation <p>Practical support for SDGs in local regions</p> <ul style="list-style-type: none"> Consulting for SDGs ("SDGs Declaration Support Service," etc.) Sustainable finance Support to establish renewable energy facilities <p>Introduce case studies of SDGs initiatives in local regions</p> <ul style="list-style-type: none"> Media functions such as dissemination of initiatives for SDGs by regional companies, etc.

Initiatives to maintain and enhance regional supply chains

- Build and enhance ecosystems through strengthening relations with regional core companies
- Provide consulting and support for the alliance of member companies in the ecosystem
 - Support for new business development
 - Open innovation
 - Support for technological collaboration among companies in the region
- Strengthen wide-area collaborative sales
 - Strengthening of collaborative sales activities related to core business support
- Enhance collaboration in finance and consulting fields

Support for regional SDGs and decarbonization initiatives

- Support initiatives for decarbonization/SDGs in local regions and corporate customers
- Support visualization of CO₂ emissions calculations and provide CO₂ reduction solutions in collaboration with external experts
- Exercise media functions, such as disseminating examples of efforts by other companies
- Provide products and services that raise the awareness of suppliers' participation in SDGs
- Provide support to activate SDGs initiatives within the region (provide media and platform functions)
- Introduce sustainable finance such as Positive Impact Finance and educate the public about SDGs
- Provide support for the installation of renewable energy facilities (related to decarbonization)

Solving regional issues by collaborating with local governments

- Solve regional issues in collaboration with local governments and companies
 - Support for utilization of public property
 - Providing information on SDGs and supporting green projects in collaboration with local governments
 - Promoting business attraction and community development support
 - Response to vacant homes and aging infrastructure
- Help local governments digitalize and improve operational efficiency

SDGs Declaration Support Service (Supporting the preparation of written SDGs declarations since November 2021)



Results as of March 31, 2022

Number of support cases: **289**

(Bank total)

Deepening comprehensive financial services

Deepening Life Plan Consulting

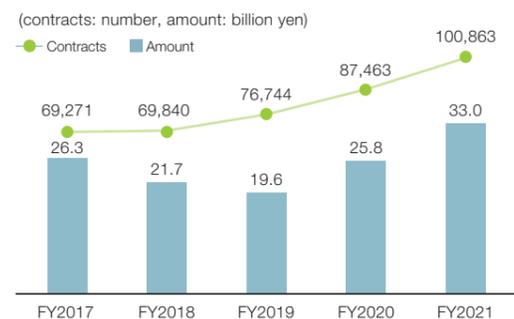
Changes in the social situation, called “the 100-year life,” have diversified customers’ worries and concerns. We are working to provide a system that enables us to provide prompt and appropriate proposals and advice to our customers and channels that are easily accessible to all generations of customers, including the digital generation.

Providing services tailored to life events

Asset building and management

We provide financial products and services tailored to our customers’ plans so that they can secure the funds they need at various stages of their lives by considering their life plans from a young age to lead a fulfilling life.

Amount and contracts of accumulated investment trust



Consumption (Loans)

Housing, education, and retirement funds are the three significant funds in life. In addition to these funds, some expenses are inevitably necessary for daily life, such as marriage funds and car purchase expenses. We help our customers fund their needs with well-managed loans with explicit usage.

Security and insurance

We also offer products that are prepared for life risks, such as medical treatment expenses due to illness or injury, reduced income, death of the head of the household, and living expenses in old age for longer average life expectancy.

Asset management and succession

We have established a system capable of meeting the diverse needs of customers. We support customers’ asset management and smooth asset succession to the next generation. Specifically, we began the dedicated inheritance consulting service on Saturdays and Sundays and dedicated specialized staff in offices to address the general troubles of the elderly.

Support for concerns of the elderly and their families
→ P.45

Improving our consulting system

- Introduce regional life plan advisors
- Establish a department specialized in consulting services for individuals
- Strengthen information collaboration between the banks and Mebuki Securities
- Train professional staff and provide adequate education and guidance



Expanding services for the digital generation

- Expand asset-building services using smartphones and the web
- Enhance functionality of banking apps (advice distribution, mutual funds, insurance, etc.)
- Expand the asset formation layer by proposing the combined use of NISA and iDeCo
- Expand the Robot advisors function
- Contribute to society through support for mandatory financial education



Contributions to Local Communities

As a regional financial institution, we always connect with society in our business area. Thus we have a responsibility to fulfill as a company in the relationship. We are actively engaged in social contribution activities that we believe we should fulfill, such as financial education initiatives that leverage our core business, employee volunteer participation in community events, and support through donations.

Support for children’s independence

We conduct lessons on finance to teach the importance of money and the role of banks to the next generation. We also provide financial education seminars for high school and college students to help them learn about the mechanism of the monetary economy and specific financial knowledge.

For high school students, we offer group work with lectures and simulations on life planning, asset building, and asset management up to 100. The group work includes cautions to avoid contract problems and multiple debts due to lowering the age of majority and creating a money plan that fits with the life plan.



Employees’ efforts to contribute to local communities

We support community activities through volunteer activities including environment conservation activities, cleanup in the communities, participating in events such as festivals, and collecting recyclable resources.

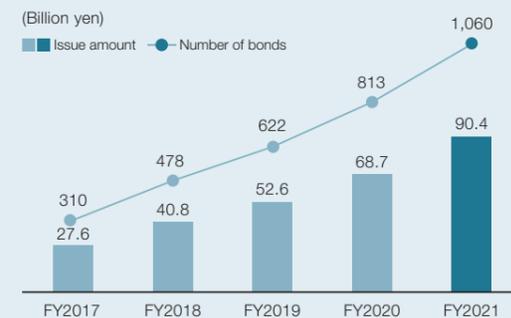


Donation through private placement bonds with donation scheme

A portion of the commission received when issuing private placement bonds for customers is used for donating goods to schools, organizations engaged in SDGs initiatives, or healthcare institutions of the customer’s choice, amounting to more than 170 million yen.



Issuance of private placement bonds with donation scheme (Cumulative total)



Examples of donation recipients

Nurseries, schools, and medical institutions
Local professional sports teams
Tochigi Prefecture and Ibaraki Prefecture (as operating expenses for the National Athletic Meet), and local governments
Incorporated non-profit organizations (organizations engaged in initiatives for SDGs, etc.)

Challenges to expand business areas

Developing New Business Areas by Leveraging the Group's Strength

In new business areas, we will take advantage of the Group's strengths and alliances with external organizations in areas that could not be addressed with conventional services to solve local and customer issues.

Based on the traditional banking services area, we will expand the range of comprehensive financial services, take on new challenges, and solve regional issues from financial and non-financial perspectives. We aim to achieve sustainable growth in local communities and enhance the Group's corporate value.

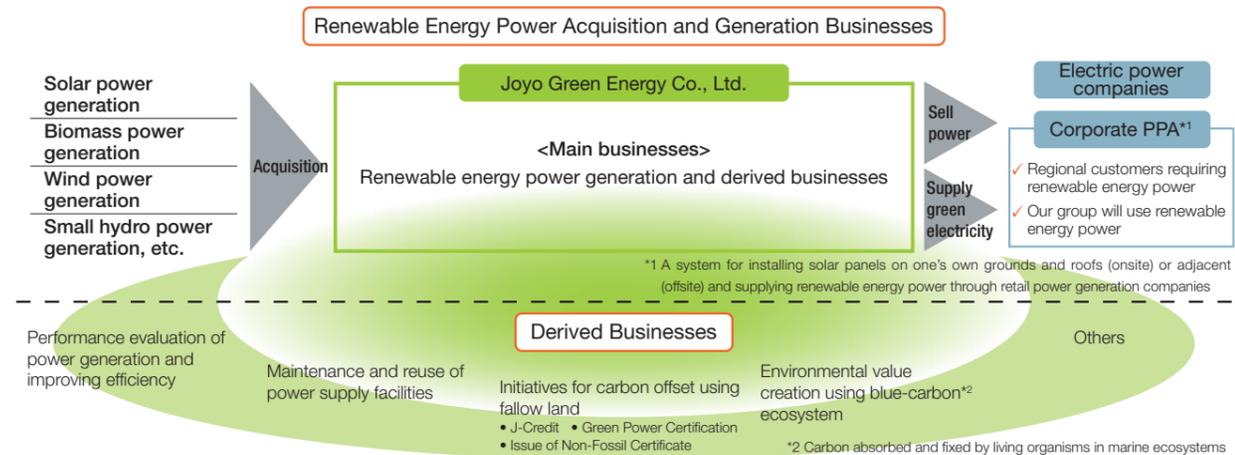
Approach to new businesses



Developing new business areas by leveraging the Group's strength

Establishing Joyo Green Energy Co., Ltd.

Joyo Bank has established Joyo Green Energy Co., Ltd. to contribute to the region's carbon neutrality by acquiring and generating renewable energy power and their derived businesses.



Established a regional trading company Colletochi, Ltd.

Ashikaga Bank established a regional trading company, Colletochi, Ltd., to revitalize the local economy by supporting businesses with their core businesses through sales of excellent local products, goods, and services. Based on the belief that cooperation with local companies is essential to achieving this objective, we established the company through joint investment with three companies: Shimotsuke Shimbun, Suzuki Print Co., Ltd., and Caters inc.

[Main businesses]	<ul style="list-style-type: none"> Sales of local products and support for new product development EC operation business Other businesses incidental or related to the above
[Joint investment companies]	<ul style="list-style-type: none"> THE SHIMOTSUKE NEWS PAPERS CO., LTD (publication of the Shimotsuke Newspaper, sponsorship of various projects, and planning and operation of events) Suzuki Print Co., Ltd. (general printing and publication of regional information magazine <i>Tochipe</i>) Caters inc. (website production, web system development, and design creation)

Climate Change and Environment Conservation – Initiatives for TCFD Recommendations –



Mebuki Financial Group, as a comprehensive financial services group working together with local communities, is engaged in environmental initiatives in a bid to maintain the natural environment in a healthy state and pass on the bountiful and beautiful environment to the future. Specifically, the Group supports businesses related to environmental conservation, provides environmental related financial products, establishes environment-friendly branches, and makes donation to forest protection funds. Its employees also have participated in forest development activities.

Positioning the response to global warming and climate change as a key priority issue, the Group will endeavor to analyze and disclose risks associated with climate change and will also accelerate initiatives aimed at the sustainable growth of local communities, including climate change and environmental conservation initiatives.

Main initiatives in the Medium-Term Group Business Plan

[Specific Strategy 1-2 Deepening comprehensive financial services]

Decarbonation is one of the imminent management issues we need to address together with our customers. It is important that we address expeditiously to the issue through financing and consulting. To this end, we will provide supports that meet entirely to customers' needs, including a service to support the preparation of written SDGs declarations (page 28) and a range of proposals on such as carbon management consulting (page 28).

Deepening comprehensive financial services

Initiatives for Climate Change and Environment Conservation

Group Environmental Policy

Mebuki Financial Group, Inc. and its group companies will contribute to the sustainable growth of local communities through its corporate activities. Specifically, the Group will endeavor to reduce environmental burden through the efficient use of resources and the reduction of waste in its corporate activities, as well as address environmental issues through the provision of financial services that help conserve the environment as part of its business activities.

Environment-friendly business activities

Promoting renewable energy businesses

We proactively support our customers' initiatives towards realizing a carbon-free society. Specifically, we provide financial support to their renewable energy businesses.

Initiatives for reducing greenhouse gas emissions

<Establishment of environment-friendly new branch offices>

We have been newly establishing environment-friendly branch offices by installing solar power generation systems and switching lighting to LED bulbs, for instance.

<Adoption of environmentally friendly fuel-efficient cars>

We have been gradually replacing our fleet of business cars used for sales activities with more fuel-efficient models, as well as promoting the adoption of electric and fuel cell vehicles.



Status of establishment of environment-friendly branch offices (as of March 31, 2022)

FY	Number of branch offices	
2021	Joyo Bank	105
	Ashikaga Bank	78

Forest and environmental conservation activities

Subsidies/donations to environment conservation organizations and groups

Using the mechanism of charitable trust, we grant subsidies to organizations and groups working on environment conservation.

[Track record of subsidies granted (cumulative total):
Number of subsidies made 1,571;
Subsidy amount 169.44 million yen]

In addition, Ashikaga Bank supports the Nikko Cedar Avenue Ownership System, working on beautification activities, including participation in the cleanup at the Avenue.

Tree-planting activities

We have conducted tree-planting and other activities in order to pass on our communities' beautiful and sound forests on to the next generation.

We are also making efforts to protect limited natural resources by promoting the use of smartphone apps and online passbooks to save paper.

Response to Climate Change (Initiatives for TCFD Recommendations)

The Group declared support for the TCFD Recommendations in March 2021 and strengthened its response to climate change.

We have set CO₂ emissions reduction and sustainable finance goals to accelerate our contribution to realizing a decarbonized society and regional sustainable growth.

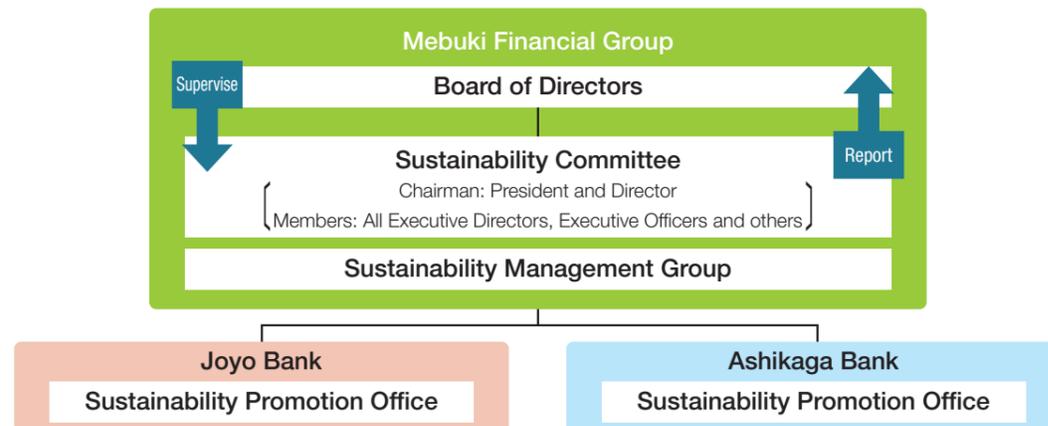
Governance

To further reinforce its initiatives for sustainability issues* including climate change, Mebuki Financial Group has formulated Group Sustainability Policy, Group Environmental Policy, and Environmentally and Socially Friendly Investments and Loans Policy. Positioning the sustainability issues as important management agendas, the Group has operated its business based on these policies.

To establish a structure that uniformly manages the development and progress of initiatives related to sustainability issues, including climate change, we have set up the Sustainability Committee chaired by the President and Director and have held committee meetings as frequently as once in six months or more.

We have also built a structure in which the Board of Directors can supervise the Group's sustainability initiatives by reporting the details of deliberations at each committee meeting to the Board of Directors. In April 2022, the Group newly established organizations dedicated to sustainability (Sustainability Management Group within Mebuki Financial Group, Inc.; and Sustainability Promotion Office within subsidiary banks, Joyo Bank and Ashikaga Bank). The Group will bring together its functions and knowledge to accelerate group-wide initiatives towards realizing sustainable local communities.

*Initiatives for achieving both the sustainable growth of the Group and the resolution of environmental/social issues in local regions



Strategies

Recognizing that addressing the issue of climate change is a significant challenge for the global environment, we have stipulated in the Group Environmental Policy that the Group is committed to realizing a decarbonized society.

1. Awareness of risks and opportunities

We are aware of climate change-related risks and opportunities as follows:

Transition risks

<Policy and Legal, Industry and Market, Technology>
Transition to a decarbonized society may entail the tightening of laws and regulations, such as the setting of stricter CO₂ emissions reduction targets, the introduction/hike of carbon taxes, and changes in the industrial structure.

As a consequence, the Group and its customers may be exposed to risks, such as the deteriorated earnings for customers and increased credit related costs for the

Group. As such, the Group may need to review/revise its operational strategies, including the Environmentally and Socially Friendly Investments and Loans Policy (a sector-specific policy).

In addition, while the Group is required to transform the business model so that it better fits a decarbonized society and make other related efforts such as the reduction of carbon emissions, the demand for information disclosure from stakeholders has been rising. All these suggest that how a company addresses climate change issues has increasingly become one of the metrics to value the company (over the medium- to long-term).

<Reputation>

Shortcomings, including the failure to sufficiently address climate change and disclose related information, could harm the Group's reputation. As a consequence, the Group may be exposed to risks, such as the greater difficulty in funding (over the short- to long-term).

Physical risks

The progress of global warming could increase the severity of extreme natural disasters such as typhoons and flooding or bring about chronic changes to the climate such as increased rainfall.

These risks could harm customers' earnings and collateral properties, and as a consequence, result in risks such as increases in credit related costs.

Further, in the event the Group's business locations are hit by natural disasters, it may be exposed to risks, such as the difficulty of continuing business and the need to incur additional costs for continuing/restoring business operations (over the short- to long-term).

Opportunities

With the increasing transition to a decarbonized society, we expect that the demand for climate change related businesses (including the provision of consulting services, products and services) will grow; and sustainable finance and related transactions, including renewable energy related loans, will increase (over the short- to long-term). In addition, we believe that financial supports to finance investments in infrastructure and other capital investments, aimed at minimizing damages from natural disasters triggered by abnormal weather

(e.g. damages to offices and residences), will increase (over the short- to long-term).

We also believe that a reduction in business costs through measures such as the saving of resources and energy (over the short- to long-term), and the enhancement of corporate value and social reputation through strengthened responses to climate change and proactive information disclosure will bring us opportunities (over the medium- to long-term).

*Short-term: approx. 5 years; Medium-term: approx. 10 years; Long-term: approx. 30 years

2. Scenario analysis

Here is the overview of the scenario analysis in FY2021.

(1) Qualitative analysis

• In view of transition risks (Policy and Legal, Industry and Market, Technology, and Reputation), we picked out Electricity, Petrochemical, and Automobile from our investments and loans portfolio as the sectors that will be affected most by transition risks, and have analyzed the potential risks customers will face in these sectors.

*The Oil, Gas, and Coal sectors, which are included in carbon-related assets, have been excluded from the scope of this analysis, as the Group's exposure to these sectors is limited (accounting for only about 0.6% of the total amount of credit as of March 31, 2022).

• We have analyzed the risks that customers could face in these sectors from the perspective of physical risks.

Transition risks

Sectors subject to the analysis	Major evaluation items	Major risks
Electricity	Policy and Legal Carbon tax/price, reinforcement of greenhouse gas (GHG) emissions control	• Introduction/hike of carbon tax (an increase in operational costs, a decrease in assets value, a decrease in sales) • Reinforcement of GHG emissions control (an increase in operational costs, a decrease in assets value)
	Industry and Market Energy mix, etc.	• Diffusion of renewable energy (a decrease in profits, an increase in operational costs)
	Technology Diffusion of low-carbon technologies	• Transition to low-carbon technologies (a decrease in sales, an increase in R&D spending, an increase in operational costs)
Petrochemical	Reputation Changing customer behavior	• Enhanced environmental awareness (a decrease in sales, an increase in operational costs)
	Policy and Legal Carbon tax/price Response to regulations on plastics	• Introduction/hike of carbon tax (an increase in operational costs) • Adoption of regulations on plastics (an increase in operational costs)
	Industry and Market Raw materials prices	• Rises in raw materials prices (an increase in operational costs)
Automobile	Technology Diffusion of renewable energy	• Diffusion of renewable energy (an increase in operational costs)
	Reputation Changing customer behavior	• Shifts in customer preferences (a decrease in sales)
	Policy and Legal Carbon tax/price	• Introduction/hike of carbon tax (an increase in operational costs, a decrease in sales)
	Market Evolution of electric vehicles (EV)	• A decrease in internal combustion engine vehicles (a decrease in sales)
	Technology Diffusion of EV (a next-generation technology)	• Shift to EV (increases in capital investments)
	Reputation Changing customer behavior	• Shifts in customer preferences (a decrease in sales)

Physical risks

	Evaluation items	Major risks
Acute risks	Increased severity of extreme weather events	• Damage to continued business operation as a consequence of increased severity of extreme weather events (a decrease in sales) • Strengthening of disaster prevention measures, and actual damages to property (an increase in operational costs)

(2) Quantitative analysis

Transition risks

Risk events	Deteriorated financial position for customers as a result of the transition to a decarbonized society
Scenarios	NZE scenario*1 (1.5°C scenario), RCP2.6 scenario*2 (2°C scenario)
Subject of the analysis	Electricity, Petrochemical, and Automobile sectors
Period of analysis	Until 2050
Risk indicators	Credit related costs (credit costs) that will likely increase
Risk amount	Increase in credit related costs: Up to 9.0 billion yen

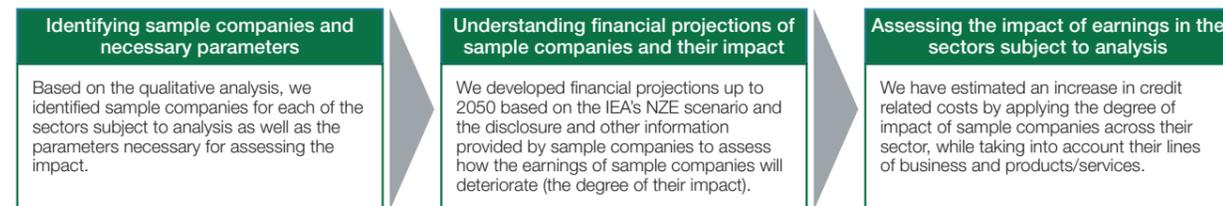
*1 A scenario developed by International Energy Agency (the "IEA")

*2 A scenario developed by Intergovernmental Panel on Climate Change (the "IPCC")

[Procedures for analysis]

We have conducted quantitative analyses on the impacts of the Introduction of Carbon Tax, Customers' Initiatives, Changes in the Markets, and others, which are all aimed at the transition to a decarbonized society. Specifically, we have analyzed how the deteriorated earnings of customers, as a consequence of the

transition to a decarbonized society, will affect the Group's credit related costs over time based on the projections under the IEA's Net Zero by 2050 (NZE) scenario and the disclosure and other information provided by sample companies.



Physical risks

Risk events	Damage to collateral properties caused by flooding, and subsequent discontinuation of business and deterioration of financial conditions for customers
Scenarios	RCP8.5 scenario* (4°C scenario)
Subject of the analysis	Customers with their business locations in Ibaraki Prefecture and/or Tochigi Prefecture
Period of analysis	Until 2050
Risk indicators	Credit related costs (credit costs) that will likely increase
Risk amount	Increase in credit related costs: Up to 6.0 billion yen

* A scenario developed by Intergovernmental Panel on Climate Change (the "IPCC")

[Procedures for analysis]

As to the impact of flooding damages caused by typhoons and other natural disasters, we have conducted a quantitative analysis through surveys on customers with their business locations in Ibaraki/Tochigi Prefecture, the Group's core areas of business.

Specifically, we have analyzed how damages to collateral properties and the deteriorated earnings due

to the discontinued business operations by customers will affect the Group's credit related costs over time. We made the analysis based on materials published by the Ministry of Land, Infrastructure, Transport and Tourism and other information, assuming the 4°C scenario in which the level of flood falling under the natural disasters on hazard maps takes place.



<Status of carbon-related assets (as of March 31, 2022)>

"Oil, Gas, and Coal" and "Electricity Utility" sectors account for 1.3% (167.2 billion yen)* of the total amount of credit.

As for other carbon-related assets, we have carefully studied which sectors should be analyzed and consider disclosing related information in the future.

*The sum of loans, acceptances and guarantees, foreign exchanges, private placement bonds, unused portions of commitment lines, etc., excluding the water supply and renewable energy power generation businesses

Risk Management

The Group has established the Environmentally and Socially Friendly Investments and Loans Policy with the aim of maintaining its sound corporate management and enhancing its corporate value through appropriate efforts to address climate change risks.

We are aware that climate change risks could permeate and materially affect the Group's business

operations, strategies, and financial planning by way of credit risks, operational risks, and a broad range of complex pathways over a variety of time frames.

We will deep-dive into how risks permeate in what time frame for each risk category and manage risks in a comprehensive framework.

[Example of spreads of climate change risks]

Category	Definition of risks	Physical risks	Transition risks
Credit risks	Credit risk refers to the risk of incurring losses as a result of customers becoming unable to pay the principal and interest of loans as promised due primarily to the deterioration of their financial conditions.	Increases in credit risk due to damages to customers' assets, caused by the increased severity of natural disasters and the subsequent impairment of collateral values, and to the slow-down/deteriorated earnings of customers' businesses.	Deterioration in earnings and subsequent increases in credit risks of customers for reasons including their insufficient responses to changes associated with the transition to a decarbonized society, such as the changes in policies/regulations, markets, and technological development
Market risks	Market risk refers to the risk of incurring losses due to changes in the value of financial assets and liabilities of the Group, which are caused by the fluctuation in interest rates, foreign exchange rates, and stock prices.	Increase in market risks with the declining values of securities, etc., caused by the increased severity of natural disasters	Deterioration in earnings of investees on the back of the transition to a decarbonized society, increase in market risks coupled with a decline in the values of securities and other instruments caused by changes in investor behavior
Liquidity risks	Liquidity risk refers to the risk of incurring losses due primarily to the difficulty securing necessary funds, caused by an unexpected outflow of funds or similar events, or a sharp rise in funding costs.	Increase in liquidity risk coupled with increased outflow of funds due in part to the withdrawal of deposits by customers who were affected by the increased severity of natural disasters, and as a consequence, are cash-strapped	Increase in liquidity risk coupled with increased funding costs on the back of a rating downgrade of the Group due in part to its insufficient response to climate change risks and the outflow of deposits
Operational risks	Operational risk refers to the risk of incurring losses as caused by inappropriateness in the Group's business processes, activities of directors and employees or, system operations, or by external events.	Increase in tangible asset risk, discontinued business operations, and increase in disaster prevention costs as a consequence of damages to the Group's business locations by natural disasters	Increase in reputational risk due to insufficient responses to the transition to a decarbonized society (e.g. insufficient disclosure, holding of carbon-related assets)

<Announcement of loans policy to particular sectors>

Concerning investments and loans to particular sectors that could cause negative impact on the environment and society, we have established the Environmentally and Socially Friendly Investments and Loans Policy and has sought to reduce and prevent their impact on the environment and society.

Since March 2021 when we established the investments and loans policy, we have not engaged in investments and loans in conflict with the policy.

Sector	Investments and loans policy	Details of findings in FY2021
Coal-fired power generation business	In principle, we do not engage in investments and loans for newly established coal-fired power plants. (However, exceptions may be considered after taking into account the background or characteristics of each project such as its overall power generation efficiency, its impacts on the environment and local communities, etc., based on international guidelines.*1)	We did not engage in investments and loans for newly established coal-fired power plants in FY2021. We will reduce the existing balance**2 to zero in FY2039.
Deforestation business	Investment decisions for deforestation operations will be made after careful consideration of the status of their acquisition of international certifications (FSC*3 or PEFC*4), environmental considerations, and their conflicts with local communities.	We did not engage in investments and loans for deforestation businesses.
Palm oil plantation development business	Investment decisions for palm oil plantation development will be made after careful consideration of the status of their acquisition of an international certification (RSPO*5), environmental considerations, and their conflicts with local communities.	We did not engage in investments and loans for palm oil plantation development businesses.
Cluster munitions manufacturing business	In view of the inhumane nature of cluster munitions, we prohibit investments and loans for businesses that manufacture cluster munitions, regardless of the use of the funds.	We did not engage in investments and loans for cluster munitions manufacturing businesses.
Human rights violations, forced labor, etc.	We prohibit investments and loans for businesses that violate the principles of international human rights standards*6 such as child labor and forced labor.	We did not engage in investments and loans for businesses that violate the principles of international human rights standards such as human rights violations and forced labor.

*1 Including the Arrangement on Officially Supported Export Credits set forth by the Organisation for Economic Co-operation and Development (the "OECD")
 *2 The balance of existing investments and loans include only the projects in which the business operators had adopted the best technology available for the scale of power generation of each project (BAT: Best Available Technology) when the investments were made.
 *3 Forest Stewardship Council. A non-profit organization that operates an international forest certification system based on the principle of appropriate, socially beneficial, and economically sustainable forest management from the perspective of environmental protection
 *4 Forest certification program. An international umbrella organization that promotes examination of forest certification systems that have been individually developed in each country based on the Intergovernmental Process for Sustainable Forest Management, which covers 85% of the world's forests, and that promotes mutual recognition of these systems
 *5 Roundtable on Sustainable Palm Oil. An organization that develops globally trusted certification standards to promote sustainable palm oil production and use
 *6 Including Universal Declaration of Human Rights, and UN Guiding Principles on Business and Human Rights

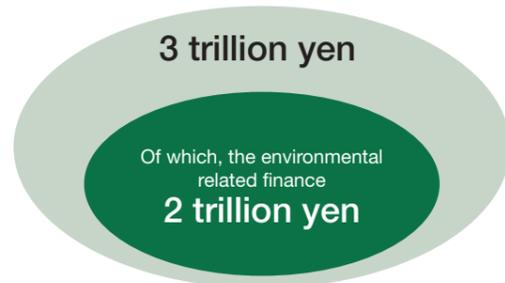
Indicators and Targets

Sustainable finance goals

We have set goals to execute sustainable finance for a cumulative total of 3 trillion yen, of which the environment fields represent 2 trillion yen, over the period from FY2021 to FY2030.

During FY2021, we executed 144.9 billion yen of sustainable finance, including 35.7 billion yen in environmental fields.

Target amount of sustainable finance (FY2021 – FY2030)



Target sectors of the sustainable finance	
Environment related fields	Projects that help adapt to/mitigate climate change, such as renewable energy projects Capital investments that contribute to renewable energy, energy saving, and carbon neutrality
Social fields	Projects that contribute to regional revitalization and recreation Projects that contribute to fostering start-ups and job creation

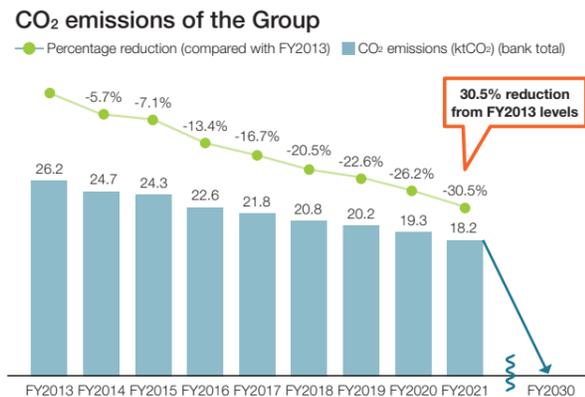
Definition of "Sustainable Finance"
 "Finance to support customers' activities aiming to realize a sustainable society through solving environmental and social issues," as referenced in related external standards (the Green Loan Principles, the Green Bond Principles, the Social Bond Principles, etc.)

CO₂ emission reduction target (Scope 1, 2)

As part of the efforts to strengthen our response to climate change, at the meeting held in March 2022, the Sustainability Committee raised the CO₂ emissions reduction target for FY2030 to Net zero from a reduction of 30% or more at domestic offices from FY2013 levels. We have reduced CO₂ emissions by 30.5% in FY2021 from FY2013 levels. In the years ahead, the Group will accelerate its shift to renewable energy by making effective use of electricity generated from renewal energy sources, purchasing non-fossil fuel certificates, or by other efforts.

Results for FY2021* **30.5% reduction from FY2013 levels**

*Total CO₂ emissions of Scope 1 + Scope 2 of Joyo Bank + Ashikaga Bank based on the reporting standards stipulated in the Energy Efficiency Act, plus CO₂ emissions from the use of gasoline. We have revised the disclosure content since FY2021.



Reduction of CO₂ emissions

Target for FY2030 Net zero

CO₂ emissions (Scope 3)

We commenced to measure CO₂ emissions for Scope 3 in FY2021. We will seek to expand the range of Scope 3 categories subject to assessment in the years ahead.

(Unit: Tons of CO₂)

Category	FY2021
Business trip	776
Commuting of employees	2,665

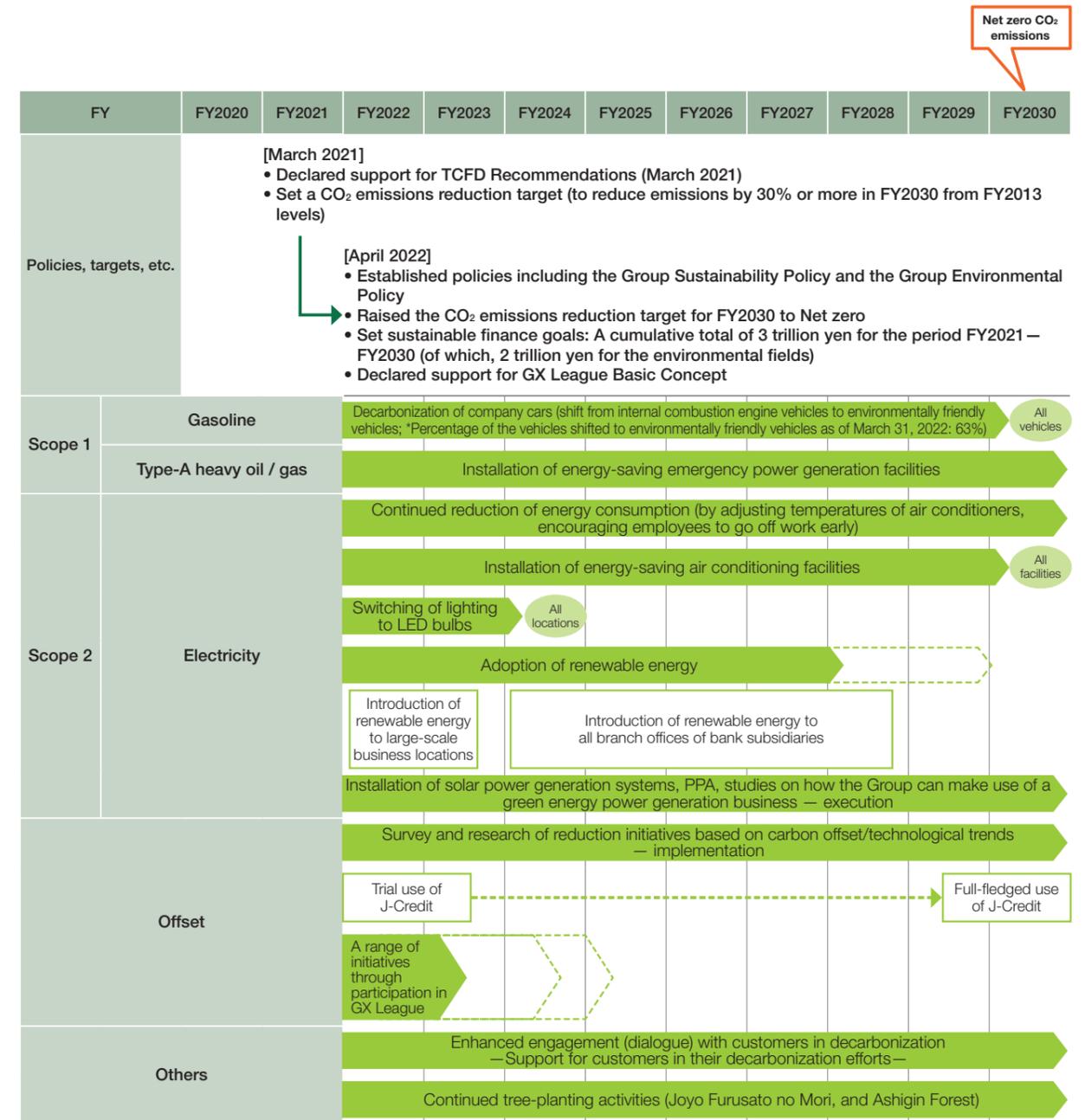
Roadmap to Net zero CO₂ emissions

Roadmap to achieving the "CO₂ emission reduction target of Net zero in FY2030" is as shown below.

Since July 2022, Joyo Bank and Ashikaga Bank have started using electricity generated from renewable energy sources at five large-scale business locations including head office. This we believe will help reduce

4,293 tons of CO₂ emissions annually. We will continue to push forward with initiatives for saving energy and resources towards realizing a sustainable society.

We will review and revise the roadmap, as needed, taking into factors such as technological trends and changes in environment.



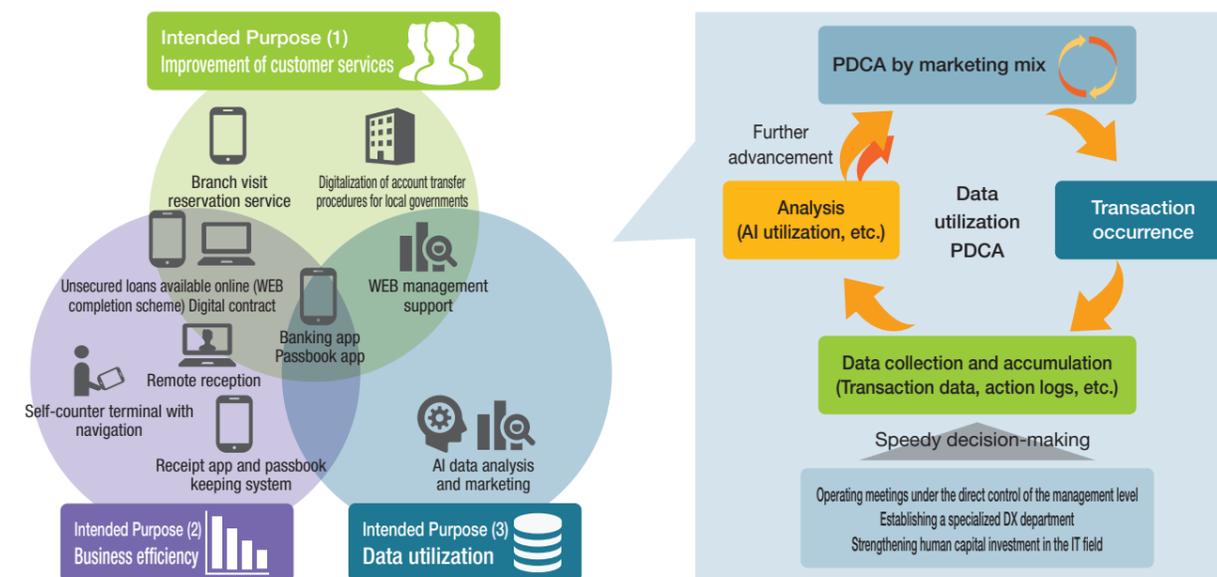
Promotion of Digitalization and DX



Using data and digital technologies, we will promote digital transformation (DX). We will develop a system capable of responding to the promotion of digitalization and DX to enhance convenience using non-face-to-face services. At the same time, we will provide new services such as proposals that lead to solutions in line with our customers' management strategies and work to add value to existing services.

Main initiatives in the Medium-Term Group Business Plan [Specific Strategy 1-1 Innovating traditional banking services] [Specific Strategy 2-1 Promoting DX]

With the improvement of convenience by providing expanded services through the digital channel and enhancing the expertise of face-to-face services, we will provide financial and non-financial services to meet various customers' needs and better experience value through both channels. Furthermore, we aim to transform our business model from five perspectives: expanding digital transactions, accelerating business innovation, advancing data analysis and data utilization, developing a DX promotion system, and strengthening the infrastructure of IT/DX. Using digital technology and data as a driving force, we will review our business processes to improve efficiency, such as eliminating paperwork, and strengthen our management structure by increasing the use of data and creating new value.



Personnel relocation

By enhancing the efficiency of group management, we plan to establish an operational structure of 6,500 people in FY2024 (total staff of 8,900 people, including part-time workers, etc.).



IT investment

For pursuing a business model supporting local communities and accelerating our business innovation, we will invest ¥15.0 bn in IT, of which ¥7.0 bn in new digitalization, in the next three years.

Total amount of IT investments	¥15.0 bn (3-year cumulative)
o/w New digitalization investments	¥7.0 bn (same as above)

Cost reduction

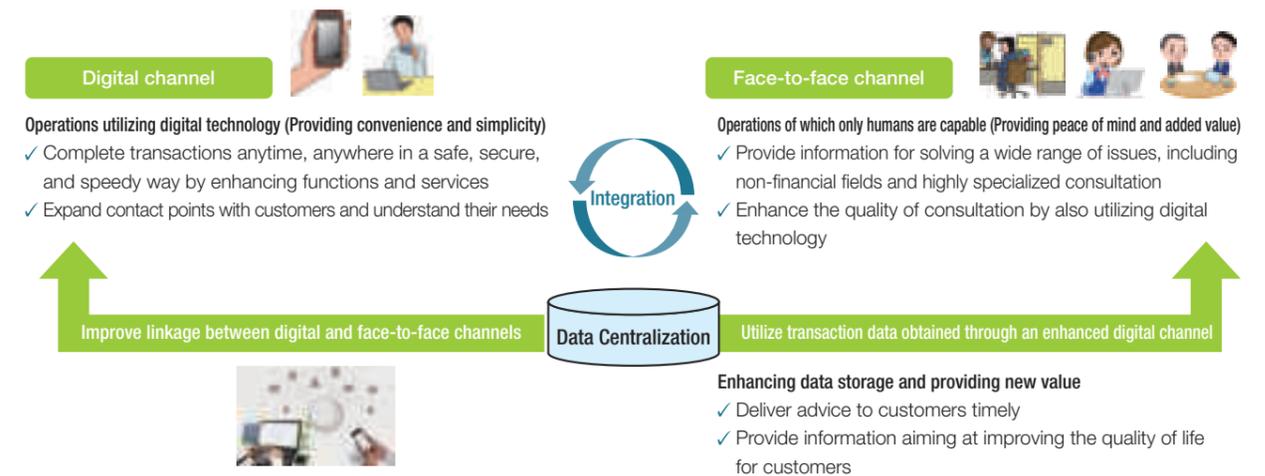
Through DX promotion and business innovation, we will enhance cost reduction by ¥3.0 bn,* mainly in the traditional banking area, and invest in digitalization and human resources development.

(*) "Total expenses in FY2024" - "Total expenses in FY2021"

Innovating traditional banking services

Enhancing Contact Points with Customers and Non-face-to-face Services through Digitalization

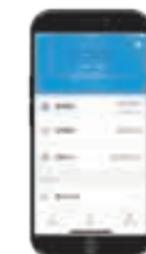
With the improvement of convenience by providing expanded services through the digital channel and enhancing the expertise of face-to-face services, we will provide financial and non-financial services to meet various customers' needs and better experience value through both channels. In response to the advancement of digitalization/technology and the changes in value/lifestyle of our customers, we will make a new point of contact with them by providing optimized channels.



Enhance Smartphone/WEB

Making a new contact point with customers by using digital technologies

- Expand non-face-to-face services for individual customers
- Continuous improvement of functions of the Banking App
- Speedy funding support by providing loans available online (WEB)



Optimize Branches/ATMs

- Maintain and expand contact points with customers by flexible operations of branch offices in response to regional characteristics/needs (service content, business days/hours, utilizing idle properties, etc.)
- Optimize the network of ATMs, taking into account the advancement of a cashless society



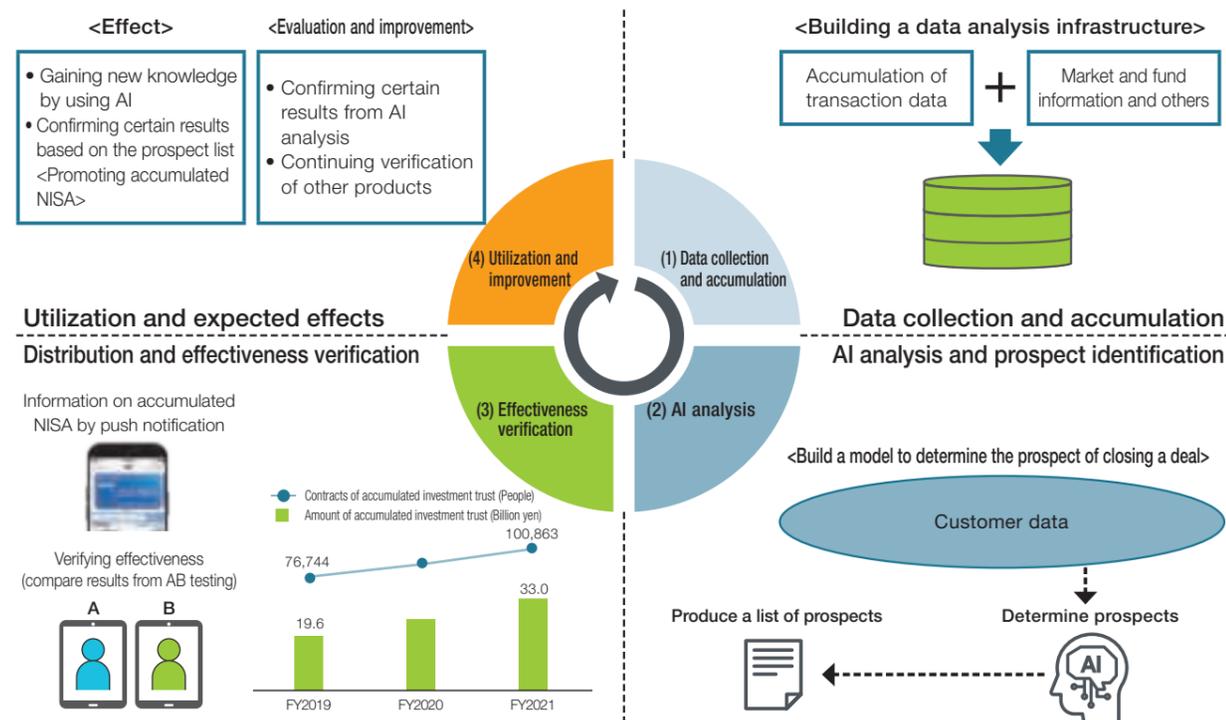
Enhance Cashless/Clearing Services

- Provide businesses with diverse clearing functions
- Expand service lineup and improve convenience by using a digital application

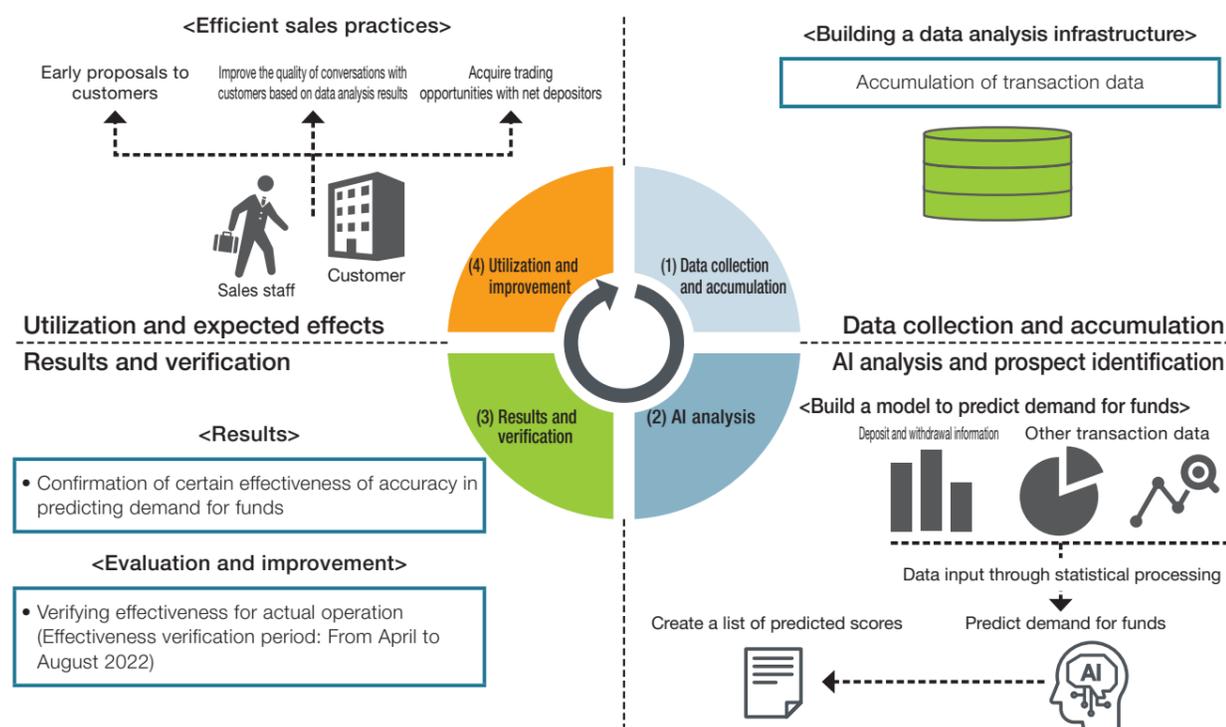
[Practice of timely proposals through data utilization]

We are working to improve efficiency through data utilization. We will continue to take on the challenge of utilizing data in various situations to create new value that has never been seen before.

Use Case (1): Identifying and distributing information on prospective investment trust investors



Use Case (2): Identifying prospective customer with funding needs and securing customer contacts quickly



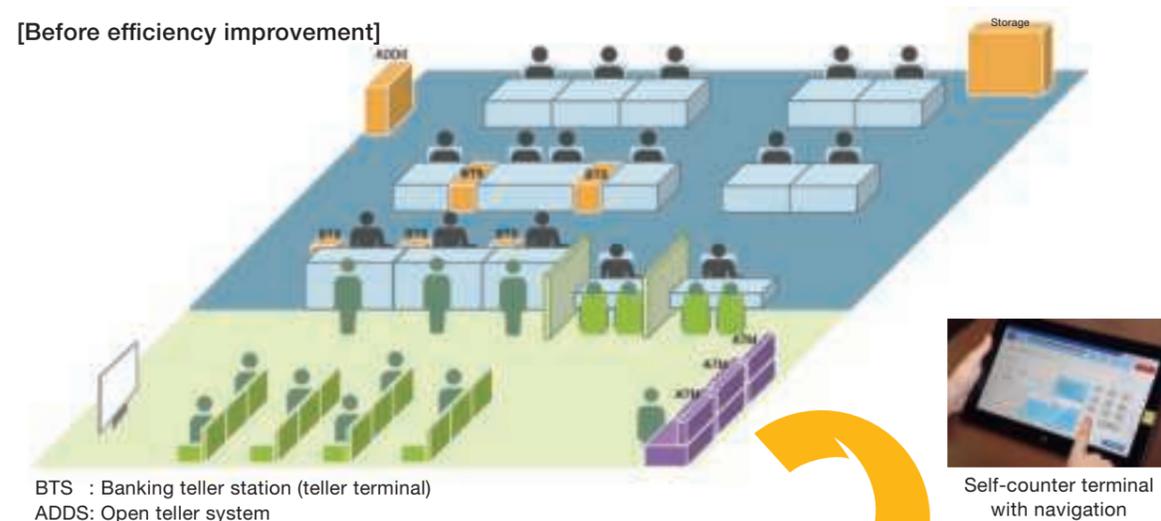
Innovating traditional banking services

Optimizing Channel Network and Enhancing Consulting Function

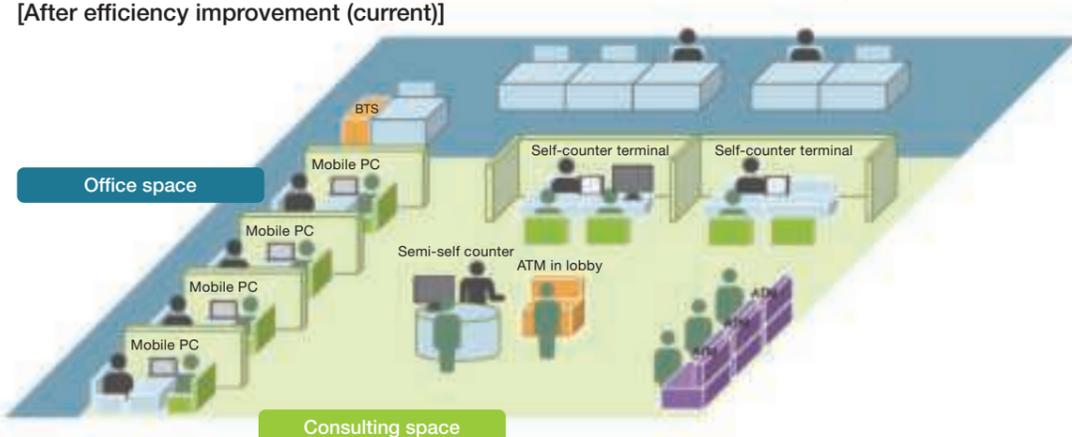
Review branch formats in response to regional characteristics and needs, and strengthen consultation functions

We are taking on the challenge of creating branches that meet the needs of the times. For example, we changed our branches to those specializing in consultation services, changed business days and hours (holidays and evening reception available), and have been utilizing idle real estate, by adopting a cashless system and using mobile PCs and tablets.

[Before efficiency improvement]



[After efficiency improvement (current)]



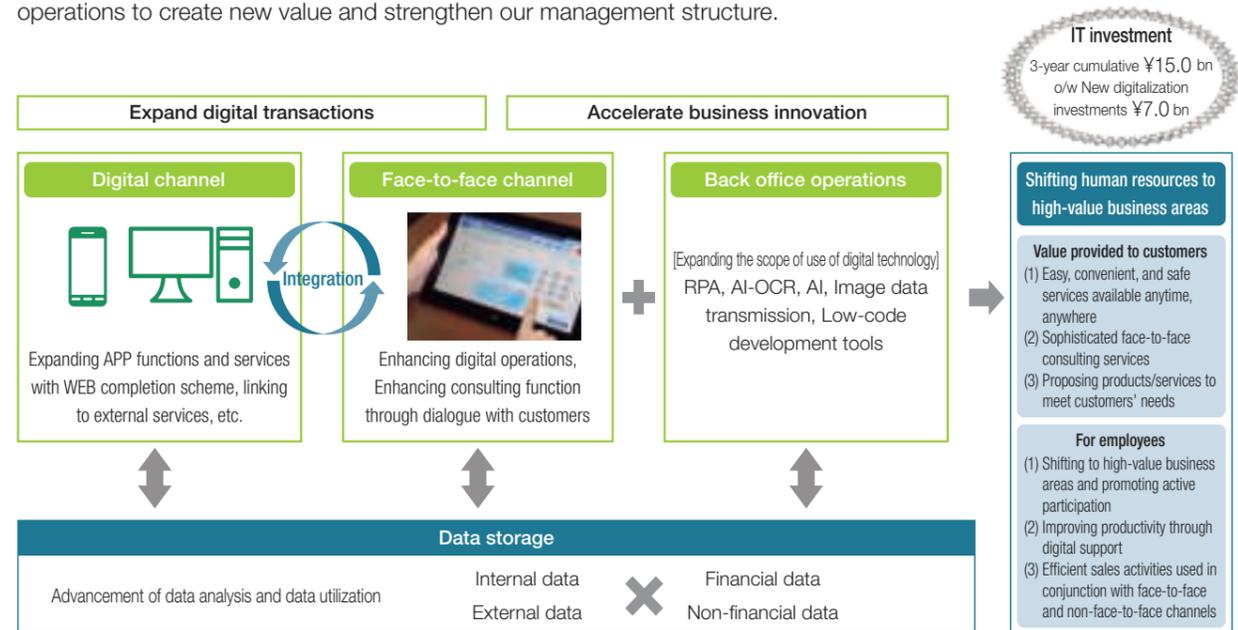
—Effects of adopting a cashless system and using mobile PCs and tablets—

- Removal of open teller systems, drastic reduction of teller terminals => Reduction of office space, expansion of consultation space, and branch operations by smaller number of staff
- No cash safes => Reduction of administrative burden and outsourcing of ATM cash management
- Reduced paper entry => Reduction of a burden on customers, paperless work, and reduction of administrative burden, etc.

Promoting DX

Promoting DX

Through the utilization of digital technology and other means, we will work to reform our business model and innovate operations to create new value and strengthen our management structure.



Accelerate business innovation

Branch offices and business concentration departments

- Reduce low value-added, unprofitable, and inefficient operations
- Review products and services
- Review administrative rules and business processes
- Reduce required documents, returned materials, and stamps
- Expand functionality of the self-counter terminal with navigation
- Response to tax public funds QR, etc.

Head offices and group companies

- Secure human resources by digitalizing back office operations
- Implement cost reduction initiatives
- Continue and thoroughly implement business process restructuring based on the premise of paperless and seal-less operations
- Reduce and automate routine tasks
- Expand the scope of use of RPA, AI, and other technologies
- Digitalize the Group company operations

Shifting human resources to high-value business areas

Through the digitalization and efficiency improvement of administrative procedures, we will reduce and review our business operations, equivalent to 580 people, and relocate 200 people to consulting, DX, new fields, etc.

Response to Aging Society



Changes in the social situation, called “the 100-year life,” have diversified customers’ worries and concerns. We have proactively worked to expand our financial services leveraging our knowledge of gerontology and have also provided meticulous support to help solve problems and cater to diverse needs in financial transactions of customers. These activities are aimed at ultimately creating local communities in which people can continue to live their lives in comfort.

Main initiatives in the Medium-Term Group Business Plan [Specific Strategy 1-2 Deepening comprehensive financial services]

Our specialized staff has worked to provide one-stop solutions to concerns of elderly customers and their families in a manner they can feel comfortable talking about such concerns. The Group will provide not only consulting on asset management and succession but also services to help enhance and maintain customers’ quality of life (QOL). Such services include support for living environment, and housekeeping services in collaboration with players in other industries.



Deepening comprehensive financial services

Enhance Our Response to an Aging Society

Enhance our system to provide various services related to gerontology

Strengthen connections with elderly families (households)

<Smileful Partner>

We have enhanced the placement of specialized staff who responds to concerns of elderly customers and their families (Smileful Partner).

- Respond to current and future concerns
- Address a decline in cognitive function
- Support smooth asset succession to the next generation
- Cultivate measures to prevent financial crimes



<Holiday Wealth Salon>

An appointment-only salon providing inheritance consulting services that are available only on Saturdays and Sundays in which specialized staff supports customers in an easy-to-understand and careful manner.

The salon provides not only individual customers but also couples, and families living separately from the customers with opportunities to take time out to discuss families’ assets.



Strengthen collaborations with external institutions/ professionals (including external partners, administrative organizations, and experts)

- Provision of a watching service for the elderly in collaboration with a security company
- Placement of care-fitters at branches
- Acquisition of qualifications as dementia supporter by executives and employees
- Implementation of measures to prevent damages from fraudulent phone calls in collaboration with the police
- Collaboration with each municipality and regional comprehensive support center
 - ▶ Watching over the elderly and other customers
 - ▶ Enlightenment activities for community residents, with a special page on our corporate website
 - ▶ Introduction to a daily life independence support program



Training for dementia supporters

One-stop services responding to concerns of the elderly and their families

Expanding services/products for the elderly

Asset management

Supporting transactions by family members or other agents

- Utilizing agent cards and passbook apps
- Transactions on behalf of individual customers as an agent
- Family contact registration system

Providing guarantor and voluntary guardian services

Providing services using trusts

- Guardianship support trust
- Family trust

Asset succession

Providing services using trusts

- Testamentary trust
- Testamentary substitute trust

Asset succession planning service

Provision of gift function using insurance products

Testamentary preparation support services



Support for living environment

Effective use of real estates

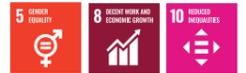
- Handling of reverse mortgage housing loans
- Handling of leasebacks
- Advice on relocation and renovation

Non-financial services in collaboration with other industries

Collaboration with external institutions

- Provision of referral to the providers of home security, vacant house management, and other related services
- Provision of referral to the providers of housekeeping, garden management, home repair, and other related services

Promotion of Diversity



The Group is committed to establishing a working environment that allows diverse human resources to actively participate in workplace, irrespective of their age, gender, and other properties, as well as a system that promote their self-motivated growth, to ultimately enhance their job satisfaction and engagement.

Main initiatives in the Medium-Term Group Business Plan [Basic Strategy 3 Develop human resources and promote active participation]

We have endeavored to develop and secure human resources who live up to the expectations and trust of customers. Specifically, we have made efforts to establish an environment that allows diverse human resources to participate in workplace more actively, including the enhancement of training programs and reskilling opportunities. In addition, we are aiming to improve our working environment. To this end, we will expand the opportunities for motivated human resources to actively participate in workplace by introducing a new personnel system, and will help them achieve a better work-life balance so we can provide supports the workstyle of each of our employees by enhancing related systems.



Develop human resources and promote active participation

Implement Diversity

Develop and secure human resources capable of creating values

We have endeavored to develop and secure human resources who live up to the expectations and trust of customers. Specifically, we have made efforts to develop and secure human resources with problem solving skills and enhance training programs and reskilling opportunities.

Develop and secure human resources capable of creating values

Theme	Main measures
Develop and secure human resources with problem solving skills	<ul style="list-style-type: none"> • Develop and secure specialized human resources responsible for deepening comprehensive financial services and expanding business areas
Strengthen initiatives for raising the level of knowledge and execution capability	<ul style="list-style-type: none"> • Encourage the acquisition of qualifications • Develop human resources with a view to visualizing the status of their acquisition of execution capabilities
Enhance training programs/ reskilling opportunities	<ul style="list-style-type: none"> • Enhance training programs with a view to shifting human resources to front-office operations and in line with the progress of digitalization

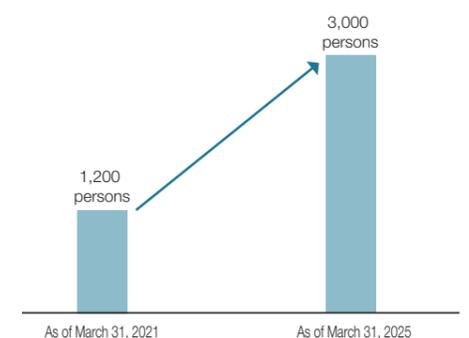


Develop and secure human resources responsible for deepening comprehensive financial services and tapping new business areas

We have worked to develop consulting personnel with specialist knowledge who are able to meet customer needs across all business and life stages. We have dispatched trainees to the head offices and outside of the banks. The trainees gain experience by visiting customers with bankers who have a wealth of experience in consulting and by participating in training sessions, for instance. They then give the knowledge they have acquired back to branches they belong to, contributing to raising the level of skills of other staff in the branches.

To expand business areas, we have dispatched trainees to both inside and outside of the banks in a bid to develop and secure IT/DX personnel. We have also encouraged all the employees to acquire IT Passport, a national qualification.

DX personnel KPI



Enhance training programs / reskilling opportunities

We have cut clerical work by utilizing IT and digital technologies, and have transferred the saved personnel to the divisions providing consulting services that help solve the issues of customers, such as consulting and IT divisions.

In fact, we have worked to upgrade online training and training materials, in addition to providing OJT and role-playing training programs. We have also endeavored to create an environment in which every and each employee of the Group readily takes on challenges, such as filing an application for trainees. As a result, many of our employees have participated actively in the fields new to them.



Case training for IT coordinators

Implement diversity

Promotion of Diversity

We have developed human resources so that our employees are able to equitably build their careers irrespective of their age, gender, and other properties. In addition, we have made efforts to establish an environment that allows employees to continue working for many years. In fact, we have endeavored to empower women through a range of initiatives based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Workstyle Reform.

In October 2021, we established Diversity Promotion Office, an organization supervising the initiatives for promoting diversity, within the personnel division of the two subsidiary banks. Also, in April 2022, we established Group Diversity Policy to further strengthen and accelerate initiatives aimed at ensuring diversity across the Group.

Expand active working opportunities for diverse human resources

Promote active participation in workplace by female and senior employees

We have led the active participation of group-wide female employees and have continued to hold Mebuki Women's Class, a class for fostering women leaders who serve as role models for young female employees, while promoting highly motivated and capable female employees to higher managerial positions.

In the Third Medium-Term Group Business Plan, we have set female empowerment targets, such as "increasing the ratio of female employees in positions

equivalent to assistant manager or higher to 35% or higher." Through these targets, we aim to expand the pool of female candidate for senior management and continue to promote female employees to higher positions, thereby increasing the opportunities for women to actively participate in workplace. We will also create an environment in which senior human resources actively participate in workplace drawing on their long years of experience.

Percentage of woman in assistant manager or higher



Online Mebuki Women's Class

As of March 31, 2022 As of March 31, 2025 (target)

Implement initiatives for enhancing job satisfaction

We have set forth policies regarding workstyle reform and the enhancement of working environment for employees in its Corporate Ethics, the basic policies on corporate activities, to help the Group employees achieve an optimum work-life balance.

(Excerpt from Article 8 of Mebuki Financial Group's Corporate Ethics)

The Group will realize the work-style that respects the diversity, individuality and personality of its employees, and will secure the workplace considering a healthy and safe environment for employees.

Revision of personnel system

Joyo Bank and Ashikaga Bank revised their personnel systems for the first time in 10 years and 15 years respectively. We will develop many specialists in finance who can adequately cater to diverse customer needs. Specifically, we develop these human resources by strengthening the supports to improve bankers' skills,

and put in place a system designed to promote highly motivated and capable employees to higher positions irrespective of their age and gender, to ultimately create a working environment that provides greater job satisfaction.

Improvement in work-life balance

Create a pleasant working environment

We are establishing systems and working environments that allow employees to work in line with their life stages, such as childcare and nursing care of family members, as well as their lifestyles.



Seminars for employees returning to workplace from childcare leave

Flexible work system	Working from home	Enhanced special paid holidays reserve system
We have introduced a flexible working system which doesn't fix working hours per day and permits employees to schedule when to start and leave work on their own.	We have helped our employees work efficiently by leasing them mobile PCs so they can work from home without commuting.	The system allows employees to take holidays on a day-to-day basis when they need to see doctors regularly, provide nursing and other care to family members or relatives.
Creating a workplace environment that makes it easy for employees to take childcare and other leaves, and encouraging them to take such leaves	Seminars for employees returning to workplace from childcare leave	
Following the revision to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, we have revised our related rules and institutions so both male and female employees can balance work and family, to further improve the work-life balance of our employees.	We provide the seminars as the opportunities for our employees to reduce their anxiety about balancing work and parenting, and to raise employees' motivation to return to work smoothly.	

Consideration to human rights

Group Human Rights Policy

The Group respect the basic human rights of all its stakeholders, including customers, executives, and employees.

Based on the Group Human Rights Policy, to respect the basic human rights of all stakeholders, we have pushed forward with the initiatives to respect human rights by paying attention to how the corporate activities of our borrowers and suppliers (supply chain) negatively affect human rights.

For details, see our corporate website. <https://www.mebuki-fg.co.jp/sustainability/sdgs/>

External evaluation

The Group was awarded the 3rd level "Eruboshi" certification by the Ministry of Health, Labour and Welfare, as a general employer that conforms with the standards under the Act on the Promotion of Female Participation and Career Advancement in the Workplace



"Platinum Kurumin" certification was granted as a company that provides superior support for childcare to its employees based on the Act on Advancement of Measures to Support Raising Next-Generation Children



Recognized as an outstanding organization under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category)

Corporate Governance

Basic approach to corporate governance

A commitment to management characterized by responsibility, and sound, appropriate business operations will earn greater trust for the Group from all stakeholders—customers, shareholders, local communities and employees—and boost corporate value. By following the approaches listed below, we are working to strengthen and improve corporate governance.

- We respect shareholders' rights and ensure equality.
- We consider the benefits of stakeholders, including shareholders, and cooperate appropriately with stakeholders.

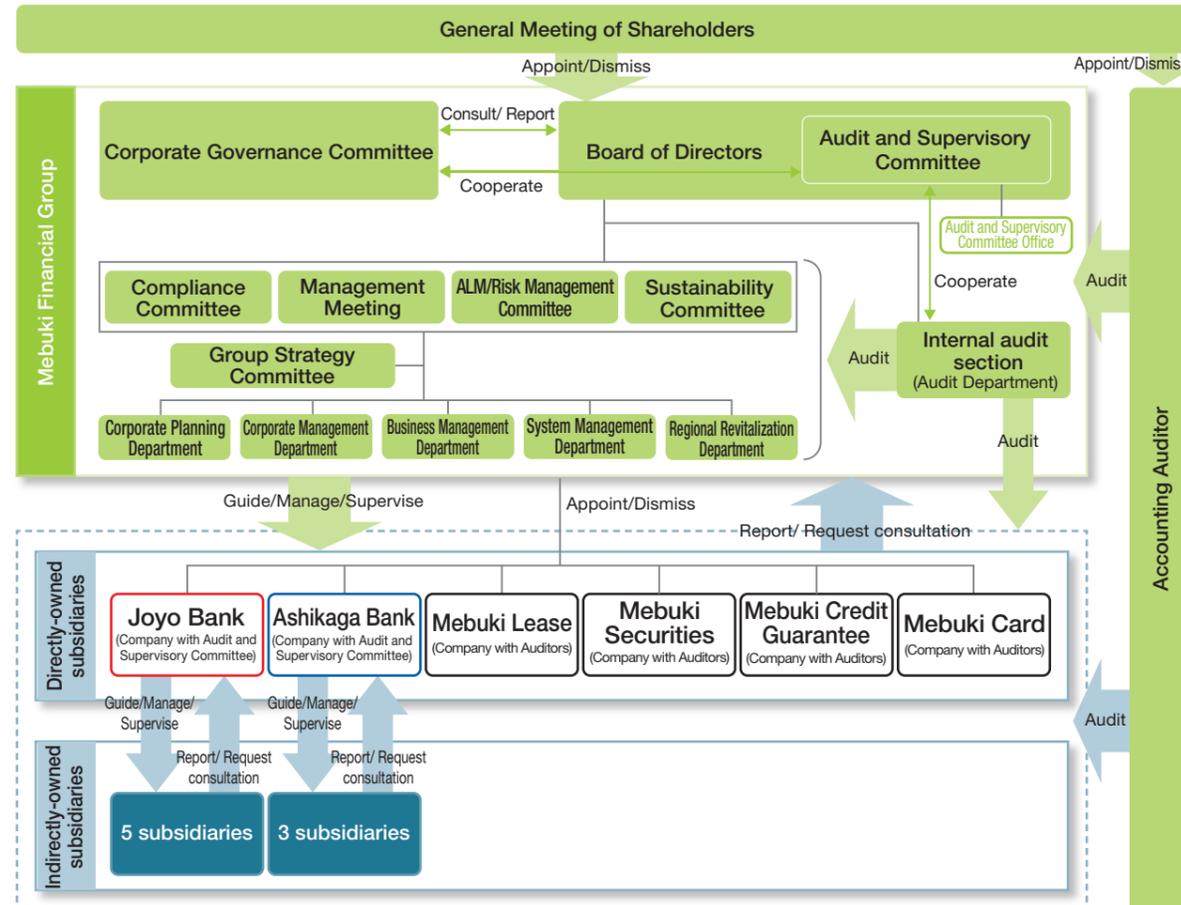
- We disclose company information appropriately and ensure transparency.
- We ensure the effectiveness of a transparent, fair, prompt and decisive decision-making function and supervisory function of the Board of Directors on business operation by utilizing independent outside directors.
- We work to communicate with shareholders constructively about the continuous growth and improvement of medium-to-long term corporate values.

Corporate governance structure

The Company has adopted a company with an Audit and Supervisory Committee as a corporate governance system, which allows us to realize prompt and decisive decision-making and business execution by entrusting many of the decision-making authorities relevant to business execution to directors as constituent members

of the Board of Directors in which the Group's knowledge and expertise are concentrated, while ensuring the transparent and fair decision-making function and the solid audit and supervisory function through the appointment of multiple outside directors.

Mebuki Financial Group's corporate governance structure (As of April 1, 2022)



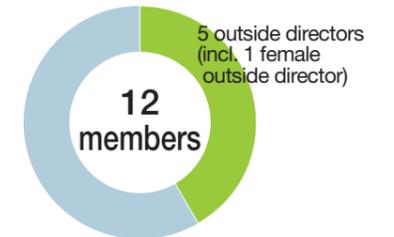
Details of the Company's organizations

Board of Directors

The Board of Directors decides basic corporate policies and important business matters and supervises the execution of duties by directors. We aim to realize prompt and decisive decision-making and business execution by entrusting most decision-making authorities relevant to business execution to directors as constituent members of the Board of Directors in which our Group's knowledge and expertise are concentrated, while ensuring a transparent and fair decision-making function and a solid supervisory function through the appointment of multiple outside directors that have experience as corporate managers, lawyers, and academic experts.

The Board of Directors meets monthly in principle.

Board of Directors

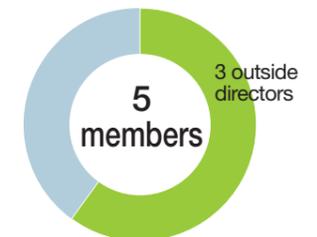


Audit and Supervisory Committee

The Audit and Supervisory Committee audits the execution of duties by directors and determines the details of proposals related to the appointment, dismissal, and non-reappointment of accounting auditors to be submitted to the General Meeting of Shareholders.

The Audit and Supervisory Committee meets monthly in principle.

Audit and Supervisory Committee

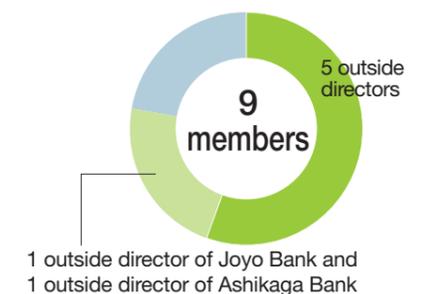


Corporate Governance Committee

We have established the Corporate Governance Committee as an advisory board to the Board of Directors to ensure the objectivity and transparency of matters regarding the compensation for and the appointment of directors. Matters regarding the nomination of director candidates and the compensation for directors are decided by the Board of Directors upon deliberation by the Corporate Governance Committee.

The Corporate Governance Committee is chaired by an outside director, and the majority of its members are also outside directors including the outside directors of subsidiary banks. In FY2021, the meetings of the Corporate Governance Committee were held eight times.

Corporate Governance Committee



[Main matters for deliberation]

- Compensation for directors
- Evaluation of the effectiveness of the Board of Directors
- Status of dialogue with shareholders
- Election of director candidates, etc.



Decision-Making Bodies

We have established the Management Meeting, the ALM/Risk Management Committee, the Compliance Committee and the Sustainability Committee as bodies to discuss and decide important matters regarding business execution based on the decisions made by the

Board of Directors. Each decision-making body reports the status of deliberation and decisions regarding business execution to the Board of Directors, and is supervised by the Board of Directors.

Decision-Making Bodies	Overview	Composition
Management Meeting	The Management Meeting is responsible for making decisions on business execution to the extent of the authorities delegated by the Board of Directors, as well as discussion on important matters regarding business execution.	All 5 Executive Directors Both Executive Officers, a total of 7 members
ALM/Risk Management Committee	The ALM/Risk Management Committee is responsible for making decisions on business execution relevant to group risk management and ALM to the extent of the authorities delegated by the Board of Directors and for considering and discussing important matters on business execution.	All 5 Executive Directors Both Executive Officers General Manager, Corporate Planning Department General Manager, Corporate Management Department General Manager, Basel Unit, Corporate Management Department, a total of 10 members
Compliance Committee	The Compliance Committee is responsible for making decisions on business execution regarding compliance to the extent of the authorities delegated by the Board of Directors, and considering and discussing important matters relevant to the practice of compliance.	All 5 Executive Directors Both Executive Officers General Manager, Corporate Planning Department General Manager, Corporate Management Department General Manager, Audit Department, a total of 10 members
Sustainability Committee	The Sustainability Committee is responsible for making decisions on business execution regarding promotion of sustainability to the extent of the authorities delegated by the Board of Directors, and considering and discussing important matters relevant to the promotion of sustainability. The Sustainability Committee meets semi-annually and as needed.	All 5 Executive Directors Both Executive Officers General Manager, Corporate Planning Department General Manager, Corporate Management Department General Manager, Regional Revitalization Department, a total of 10 members

Evaluation of the effectiveness of the Board of Directors

The Board of Directors of the Company conducts analysis and evaluation of its effectiveness as a whole each year, in order to utilize the results of such evaluation to improve the operations of the Board of Directors, by confirming the opinions of each director on such matters as the composition and operation of the Board of Directors.

<Evaluation method>

Regarding the FY2021 evaluation, opinions were exchanged on the evaluation method and the contents of the questionnaire at the executive session comprising all outside directors of the Company and its subsidiary banks, as was the case in the previous fiscal year.

Based on this discussion, questionnaires on the composition and operations of the Board of Directors and other matters were distributed to all directors, and replies and comments were obtained. With regard to the results of the evaluations based on these replies and comments, the Board of Directors of the Company, upon deliberation by the Corporate Governance Committee (with outside directors accounting for the majority of its members), finalized and determined the results of analysis and evaluation of the effectiveness of the Board of Directors as a whole.

<Evaluation results>

The Board of Directors of the Company has confirmed that directors with diverse knowledge and experience have been elected and the composition is well balanced; all directors, upon sharing the roles and responsibilities of the Board of Directors, have successfully fulfilled both decision-making and supervising functions while taking advantage of the perspective of independent outside directors; and thus the effectiveness of the Board of Directors as a whole has been mostly assured.

<Future measures>

The operation of the Board of Director throughout the year resulted in continued improvements in the issues identified by the previous evaluation, specifically in "Improvement of the discussions by the Board of Directors" and "Utilization of the perspectives of independent outside directors". However, based on each director's assessment and opinions, we recognized the necessity of continuous working on these matters for further improvement.

[Main items of questionnaire]

1. Roles and responsibilities of the (Board of) directors
2. Composition or other qualities of the Board of Directors
3. Operation or other matters of the Board of Directors
4. Execution of functions of the Board of Directors

1. **Enhancement of exchange of opinions among directors**
 - Further enhancement of discussions regarding medium-to-long term management issues and providing value to stakeholders
 - Devising management of the Board of Directors for more revitalization of discussions
2. **Further utilization of the perspectives of independent outside directors**
 - Enhancement of discussions among outside directors, and expansion and diversification of opportunities for information provision to outside directors

Appointment of Directors

Directors

The Board of Directors selects candidates for directors who satisfy the selection criteria for directors based on the deliberation at the Corporate Governance Committee.

Selection criteria for candidates for directors

- (1) Shall have high knowledge and expertise about the Company's business activities.
- (2) Shall have superior ability of managerial decision-making and execution.
- (3) Shall have superior leadership, decisiveness, foresight and creativity.
- (4) Shall have high integrity and deep insight to be suitable for a director.
- (5) Shall have no health problems in performing the duties as a director.

Outside Director

The Board of Directors selects candidates for outside directors who meet the following selection criteria, in addition to meeting the legal requisites for outside directors. Two or more of such outside directors shall be the persons who fulfill the independence standards for outside directors of the Company.

Selection criteria for candidates for outside directors

- (1) Shall have extensive experience in overall management or be in positions as professionals in laws, accounting, finance, and others to be suitable as a supervisor that has high knowledge and experience similarly.
- (2) Shall have high integrity and deep insight as an outside director.
- (3) Shall have the sufficient time for performing his/her duties as a director.
- (4) Shall have no health or job-related problems in performing the duties as an outside director.

Reasons for being selected as an outside director, concurrent positions and other statuses for each outside director are as follows. The Group registered all of the five directors with the Tokyo Stock Exchange as independent directors who do not have conflicts of interest with general shareholders.

Name	Reasons for selection	Concurrent positions and other statuses
Hirokichi Ono	Mr. Hirokichi Ono has accumulated a broad range of insight and abundant experience as a manager of a major food company. He has been appointed as an Outside Director to provide appropriate guidance and advice for the overall business operation of the Company by utilizing his insight and experience as a corporate manager.	Outside Director, Tokyo Gas Co., Ltd.
Yoshimi Shu	Ms. Yoshimi Shu has accumulated abundant work experience as well as experience and achievements as a senior manager at a global financial institution. She also has insight and experience in various aspects towards the development corporate leaders. She has been appointed as an Outside Director to provide appropriate guidance and advice for the overall business operation of the Company from a professional perspective.	President & Representative Director, Core Value Management, Co., Ltd.
Satoru Kawamata	Mr. Satoru Kawamata has accumulated abundant insight and experience as a corporate manager. He has been appointed as an Outside Director who is an Audit and Supervisory Committee Member to utilize his insight and experience as corporate manager to provide appropriate guidance and advice in relation to the overall business management of the Company.	—
Toru Nagasawa	Mr. Toru Nagasawa has specialized knowledge and experience in corporate legal affairs as an attorney. He has been appointed as an Outside Director who is an Audit and Supervisory Committee Member to provide appropriate guidance and advice from a specialist's perspective, especially corporate legal affairs in relation to the overall business management of the Company.	Representative Attorney, Nagasawa Law Offices Outside Audit & Supervisory Board Member, Lancers, Inc.
Takashi Shimizu	Mr. Takashi Shimizu has academic experience as well as specialized knowledge and extensive experience in accounting. He has been appointed as an Outside Director who is an Audit and Supervisory Committee Member to provide appropriate guidance and advice from a specialist's perspective, especially accounting in relation to the overall business management of the Company.	Professor, Graduate School of Accountancy, Waseda University President, Japan Association of Graduate Schools for Professional Accountancy

Compensation for Directors

Policy for Determining Directors' Compensation

Under the Corporate Governance Policy set by the Board of Directors, the director's compensation amount is determined separately for "directors (excluding Audit and Supervisory Committee Members)" and "directors (who are Audit and Supervisory Committee Members)" as follows.

[Directors (excluding Audit and Supervisory Committee Members)]

- The compensation for directors (excluding Audit and Supervisory Committee Members) is determined appropriately in consideration to their transparency, fairness, objectivity and incentives toward improving results by enhancing the linkage of compensation with the Group's performance and shareholders' benefits.
- The amount for each director (excluding Audit and Supervisory Committee Members) is determined by the Board of Directors within the maximum amount of compensation per year resolved at the General Meeting of the Shareholders, while ensuring the objectivity and transparency after deliberation regarding their adequacy and validity in the Corporate Governance Committee.

The Company resolved the maximum amount of compensation for directors (excluding Audit and Supervisory Committee Members) at ¥200 million per year (the number of eligible directors: 7 persons) and for Audit and Supervisory Committee Members at ¥80 million per year (the number of eligible directors: 5 persons), at the Ordinary General Meeting of the Shareholders held on June 28, 2016.

Procedure for Determining Directors' Compensation

In order to ensure the objectivity and transparency of directors' compensation, the compensation for directors (excluding Audit and Supervisory Committee Members) is determined by the Board of Directors, and the compensation for directors (who are Audit and Supervisory Committee Members) is determined by the Audit and Supervisory Committee upon deliberation by the Corporate Governance Committee.

Regarding determining the details of compensation for each director, the Corporate Governance Committee shall deliberate including the confirmation of the integrity with the above policy and the related regulations. Therefore, the Board of Directors shall in general respect their proposals and judge them to be in line with policy.

[Directors (who are Audit and Supervisory Committee Members)]

- The compensation for directors (who are Audit and Supervisory Committee Members) is determined without the factor of incentive to ensure the transparency of their duties as auditor and supervisor.
- The amount for each director (the Audit and Supervisory Committee Member) is determined through discussion among all Audit Committee Members and within the maximum amount of compensation per year resolved at the General Meeting of the Shareholders.

The decision of the specific amount for each director is delegated to the President and Director (Representative Director) by resolution of the Board of Directors. This authority is the decision regarding specific amount of bonuses distributed to each director. The reason for the delegation is that he or she is in a position to judge the degree of contribution to the performance by each director from a company-wide perspective. Regarding this decision, the Corporate Governance Committee shall deliberate including the confirmation of the integrity with the above policy and the validity. Therefore, the Board of Directors shall in general respect his proposal and judge it to be in line with policy.

Matters discussed by the Corporate Governance Committee and the Board of Directors in determining directors' compensation (FY2021)

(Corporate Governance Committee)

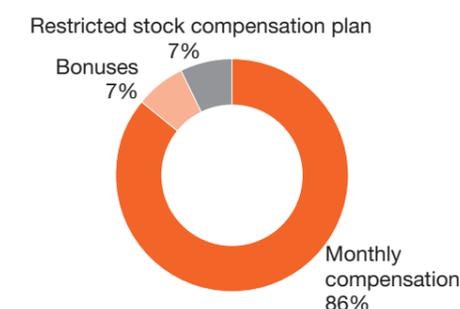
- April 26, 2021: Matter regarding total amount of directors' bonuses
- May 12, 2021: Matters regarding individual distribution of directors' bonuses and monthly compensation for directors (Board of Directors)
- May 12, 2021: Matter regarding directors' bonuses
- June 24, 2021: Matters regarding determining monthly compensation amount, and provision of monetary compensation claims and disposition of treasury shares for the restricted stock

Compensation System for Each Director

[Executive Directors]

(a) Composition of compensation

The compensation for executive directors among the directors (excluding Audit and Supervisory Committee Members) comprises a monthly compensation as a basic compensation, bonuses as a performance-linked compensation and a restricted stock compensation plan as a non-monetary compensation. The compensation comprises 86% of monthly compensation, 7% of bonus and 7% of restricted stock compensation plan (Case in which the standard amount of bonuses is paid).



(b) Details of each compensation

- Monthly compensation
The basic amount of monthly compensation is determined by the director's position.
- Bonuses
The basic amount of bonuses is determined in accordance with the director's position and the total amount of bonus payment is determined within a maximum amount which fluctuates each year in the range of 0% to 150% according to consolidated profit level (indicator based on ROE). The amount for each executive director is determined based on the basic amount for the director's position, which is adjusted according to the degree of contribution to business performance by each executive director. The indicator based on ROE has been adopted as a performance indicator in order to give stronger incentives to the directors to improve the Group's corporate value.

- Restricted stock compensation plan
Under this plan, the Company's Directors (excluding Audit and Supervisory Committee members; the "Eligible Directors") shall make payments in kind as contributed assets using all of the monetary compensation claims provided to them by the Company and receive the issuance or disposal of the Company's common shares and the Company and each of the Eligible Directors shall enter into a restricted stock allocation agreement. The compensation to be paid to the Eligible Directors for the granting of restricted stock is monetary compensation claims and the total amount of such claims is set at 20 million yen or less per year within the amount of compensation for the Company's Directors (excluding Audit and Supervisory Committee Members), and the total number of common shares newly issued by the Company is set at 200 thousand shares or less per year, as resolved at the Ordinary General Meeting of the Shareholders held on June 24, 2020. The allocation of payment to each Eligible Director is determined by the director's position.

[Outside Directors]

The compensation for outside directors (excluding Audit and Supervisory Committee Members) is comprised only of a monthly compensation, which is a basic compensation, and the amount is determined by the director's position.

[Directors (who are Audit and Supervisory Committee Members)]

The compensation for directors (who are Audit and Supervisory Committee Members) is comprised only of a monthly compensation, which is a basic compensation, and the amount is determined separately for full time and part time directors.

List of Directors

Director



President and Director
Tetsuya Akino

June 2016 Executive Officer and General Manager, Personnel Division, The Jojo Bank, Ltd.
October 2016 General Manager, Corporate Management Department, the Company
June 2017 General Manager, Corporate Planning Department, the Company
Executive Officer and General Manager, Corporate Planning Division, The Jojo Bank, Ltd.
June 2018 Director, in charge of Corporate Planning, the Company
Managing Director, The Jojo Bank, Ltd.
June 2020 Director and Managing Executive Officer, The Jojo Bank, Ltd.
April 2022 President, The Jojo Bank, Ltd. (current position)
June 2022 President, the Company (current position)



Executive Vice President and Director
Kazuyuki Shimizu

April 2012 Executive Officer, The Ashikaga Bank, Ltd.
April 2014 Executive Officer, Ashikaga Holdings Co., Ltd.
Executive Officer, The Ashikaga Bank, Ltd.
April 2015 Managing Executive Officer, The Ashikaga Bank, Ltd.
June 2016 Managing Director, The Ashikaga Bank, Ltd.
October 2016 Director, the Company
June 2018 Senior Managing Director, The Ashikaga Bank, Ltd.
June 2019 Executive Officer, the Company
June 2020 Executive Vice President, the Company (current position)
President, The Ashikaga Bank, Ltd. (current position)



Director
Kiyoshi Nozaki

June 2016 Executive Officer and General Manager, Corporate Planning Division, The Jojo Bank, Ltd.
October 2016 General Manager, Corporate Planning Department, the Company
June 2017 Executive Officer and General Manager, Business Promotion Division, The Jojo Bank, Ltd.
June 2018 Managing Executive Officer and General Manager, Business Promotion Division, The Jojo Bank, Ltd.
Director (part-time), The Ashikaga Bank, Ltd.
June 2020 Director, Managing Executive Officer, The Jojo Bank, Ltd. (current position)
June 2021 Director, the Company (current position)



Director
Yoshihiro Naito

April 2016 Executive Officer, The Ashikaga Bank, Ltd.
June 2019 Managing Director, The Ashikaga Bank, Ltd.
June 2020 Director in charge of Corporate Management, Risk Management and Information Security, the Company (current position)
Director, Managing Executive Officer, The Ashikaga Bank, Ltd. (current position)



Director
Toshihiko Ono

June 2016 Senior Deputy General Manager, Corporate Planning Division, The Jojo Bank, Ltd.
October 2016 General Manager, in charge of Corporate Planning Department, the Company
June 2018 General Manager, Corporate Planning Department, the Company
General Manager, Corporate Planning Division, The Jojo Bank, Ltd.
June 2020 Executive Officer and General Manager, Business Planning Division, The Jojo Bank, Ltd.
Director (part-time), The Ashikaga Bank, Ltd.
April 2022 Managing Executive Officer, The Jojo Bank, Ltd.
June 2022 Director, in charge of Corporate Planning, the Company (current position)
Director, Managing Executive Officer, The Jojo Bank, Ltd. (current position)



Director (Audit and Supervisory Committee Member)
Eiji Murashima

June 2010 Executive Officer and General Manager, Business Administration Division, The Jojo Bank, Ltd.
June 2011 Executive Officer and General Manager, Business Promotion Division, The Jojo Bank, Ltd.
June 2012 Managing Executive Officer and Vice Director-General of Business Headquarters, The Jojo Bank, Ltd.
June 2013 Managing Director, The Jojo Bank, Ltd.
October 2016 Director in charge of Corporate Management (Basel), the Company
June 2018 Senior Managing Director, The Jojo Bank, Ltd.
June 2020 Retired from the position as Senior Managing Director, The Jojo Bank, Ltd.
Director (Audit and Supervisory Committee Member), the Company (current position)
Auditor, Mebuki Securities Co., Ltd. (current position)
April 2021 Corporate Auditor, Mebuki Card Co., Ltd. (current position)



Director (Audit and Supervisory Committee Member)
Yoshinori Tasaki

October 2012 General Manager, in charge of Business Planning Division, The Ashikaga Bank, Ltd.
April 2013 General Manager, Karasuyama Branch, The Ashikaga Bank, Ltd.
April 2015 General Manager, Kumagaya Branch, The Ashikaga Bank, Ltd.
October 2016 General Manager, Moka Branch, The Ashikaga Bank, Ltd.
June 2019 General Manager, Audit Department, the Company
Executive Officer, General Manager, Auditing Department, The Ashikaga Bank, Ltd.
June 2020 Executive Officer, Chief Officer, Saitama Area Hub, The Ashikaga Bank, Ltd.
April 2021 Executive Officer, Chief Officer, Ryomo/Gunma Area Hub, The Ashikaga Bank, Ltd.
April 2022 Executive Officer, attached to Audit and Supervisory Committee, The Ashikaga Bank, Ltd.
June 2022 Director (Audit and Supervisory Committee Member), the Company (current position)
Corporate Auditor, Mebuki Lease Co., Ltd. (current position)
Corporate Auditor, Mebuki Credit Guarantee Co., Ltd. (current position)

(Outside Directors)

Hiromichi Ono
Yoshimi Shu
Satoru Kawamata
(Audit and Supervisory Committee Member)
Toru Nagasawa
(Audit and Supervisory Committee Member)
Takashi Shimizu
(Audit and Supervisory Committee Member)

(Executive Officers)

The company has introduced an executive officer system to enhance the decision-making and supervisory functions of the Board of Directors and to reinforce the business execution function.

Yuji Gorai (In charge of systems)
Koichi Yamakawa (In charge of administration)

Expertise and Experience of Directors and Executive Officers (Skills Matrix)

	Name	Outside Director	Independent Officer	Expertise and Experience					
				Corporate Management/Strategy	Business Management/Law	Finance/Accounting	Sales/Marketing	Consulting	Market Investment/Global
Directors who are not Audit and Supervisory Committee Members	Tetsuya Akino			●	●	●	●	●	
	Kazuyuki Shimizu			●	●	●	●	●	
	Kiyoshi Nozaki			●		●	●	●	●
	Yoshihiro Naito			●	●	●	●	●	
	Toshihiko Ono			●		●	●	●	●
	Hiromichi Ono	○	○	●		●			
	Yoshimi Shu	○	○	●	●		●	●	
Directors who are Audit and Supervisory Committee Members	Eiji Murashima			●	●		●	●	
	Yoshinori Tasaki			●			●	●	
	Satoru Kawamata	○	○	●	●				
	Toru Nagasawa	○	○	●	●	●		●	
Executive Officers	Takashi Shimizu	○	○			●		●	
	Yuji Gorai			●					●
	Koichi Yamakawa			●		●		●	●

Details of Expertise and Experience

Corporate Management/Strategy	Experience in corporate management, expertise in planning of corporate strategy and execution
Business Management/Law	Expertise in business management including personnel and labor management, risk management, etc. and law
Finance/Accounting	Expertise in finance and accounting
Sales/Marketing	Expertise in business planning, marketing and new business development
Consulting	Expertise in consulting business, SDGs/ESG, environmental field, regional revitalization and corporate restructuring/support
Market Investment/Global	Expertise in the field of market investment and global businesses
IT/DX	Expertise in IT and DX (digital transformation)

Messages from the Outside Directors



Outside Director
Hiromichi Ono

Apr. 1979 Joined Ajinomoto Co., Inc.
Mar. 2004 General Manager, Finance Department
Jun. 2007 Corporate Executive Officer
Jun. 2011 Member of the Board & Corporate Vice President, in charge of finance and procurement
Jun. 2017 Retired from Member of the Board & Corporate Vice President, Ajinomoto Co., Inc.
Jun. 2019 Outside Director, the Company (current position)
Jun. 2020 Outside Audit & Supervisory Board Member, Tokyo Gas Co., Ltd.
Jun. 2021 Outside Director (current position)

With continuing low interest rates, Japan's declining birthrate and aging population, and the COVID-19 pandemic, along with the impact of the situation in Ukraine and other developments, the business environment continues to be extremely challenging. In this environment, under its Second Medium-Term Group Business Plan, the Group generated successful results across a broad range, which is highly laudable. Specifically, its initiatives to increase business efficiency and productivity, starting with core system integration and branch consolidation, have achieved results that everyone can be satisfied with. Regarding the Group's Long-Term Vision 2030 as well, lively discussions utilizing role-playing were held at monthly meetings of the Board of Directors, with diverse opinions being passed back and forth, and, as a result, the board was able to create a vision with a long timespan and a view to the future that included the area of comprehensive financial services and new businesses.

The Company's outside directors are diverse in makeup; the members have a variety of backgrounds and include professionals in specialty fields and experienced business executives. I think the Company has been very deliberate in selecting

this group. Drawing on my own corporate experience in financial affairs and sustainability, I intend to contribute to the Group's efforts to create value while taking the perspective of shareholders and those on the receiving side of financial institution services.

At the same time, for outside directors to adequately fulfill their roles, the transparency and fairness of governance are indispensable. I firmly believe that these have been resolutely ensured from the start, and I have a strong sense that this is a good, positive tradition of the Company.

Regarding sustainability initiatives, which have been drawing attention in recent years, the Group is engaged with a sense of drive and speed, with the President leading the Sustainability Committee, for example, and the challenge going forward will be how to achieve specific numerical targets. For a regional financial institution to continue its operations and develop them further, new businesses that transcend conventional frameworks need to be established and expanded. Moreover, contributing to regional revitalization and value creation, including the realization of a sustainable society, through its businesses should no doubt constitute the Company's *raison d'être*.



Outside Director (Audit and Supervisory Committee Member)
Satoru Kawamata

Apr. 1968 Joined Hitachi, Ltd.
Jun. 1995 Deputy Head, Hitachi Works
Apr. 1999 Head, Power and Electricity Group, Hitachi Works
Jun. 1999 Director, Head, Power and Electricity Group, Hitachi Works
Jun. 2001 Representative Director and President, Hitachi Life, Ltd.
Jun. 2009 Advisor, Hitachi Life, Ltd.
Jun. 2011 Honorary Advisor, Hitachi Life, Ltd.
Mar. 2013 Retired from position as Honorary Advisor, Hitachi Life, Ltd.
Jun. 2018 Outside Director, The Joyo Bank, Ltd. (Audit and Supervisory Committee Member)
Jun. 2020 Outside Director (Audit and Supervisory Committee Member), the Company (current position)

The business environment is becoming increasingly challenging due to external factors, and, under such conditions, the Company should be applauded for the substantial achievements it generated by promoting its Second Medium-Term Group Business Plan, which included increasing revenues from services such as consulting alongside regular banking operations and reducing costs through consolidating branches and other measures. During this process, I advised the Company to prevent negative effects on customer convenience when working to increase business efficiency through branch consolidation, and I strongly feel that the Company has been able to continue initiatives aimed at achieving its goals while gaining the understanding of local customers.

In formulating and promoting the Long-Term Vision 2030 and the Third Medium-Term Group Business Plan as well, the members, who were appointed from diverse fields and possess specialized knowledge in areas like management studies and corporate law, engaged in lively discussions while receiving adequate support, which has always been the case, and amid such governance with transparency and fairness ensured, I think there is the opportunity for us to educate and enlighten one another. Going forward,

I am recommending that the Company draw near to the region's small and medium-sized enterprises and, even more so than before, focus on business that plays an investor-like role in supporting their growth. We are currently involved in discussions to this end. Through such operations, I firmly believe that the Company will be able to contribute to regional revitalization and the creation of new value while, at the same time, creating a positive cycle whereby new value is generated internally.

Policies related to sustainability have also been decided in specific terms, and now the Company is at the stage of steadily moving toward their realization. I will be watching to ensure that results are produced through initiatives that are embedded by all employees into their daily activities so that goals set for a sustainable society do not exist as empty slogans. To solve the issues communities face, from aging to population declines, coordination with other local companies is essential. I am proud to represent the community as a member, and drawing on my experience in related projects to address aging, I intend to continue providing recommendations on successfully contributing to the community through the creation of new value.



Outside Director
Yoshimi Shu

Aug. 2000 Joined JPMorgan Securities Japan Co., Ltd.
Jun. 2006 Head of Tokyo Control Room, Compliance Department
May 2012 Managing Director
Oct. 2012 Head of Japan Controls & Oversight Department
Jan. 2014 Resigned from JPMorgan Securities Japan Co., Ltd.
Feb. 2014 Joined Core Value Management, Co., Ltd.
Nov. 2016 Deputy President & Representative Director
Jun. 2019 Outside Director, the Company (current position)
Mar. 2022 President & Representative Director, Core Value Management, Co., Ltd. (current position)

These past three years, the Group has worked to achieve the goals of its Second Medium-Term Group Business Plan, and, seeking to reform the financial services it provides, it has promoted the establishment of system infrastructure, personnel systems, and other systems designed to support these reforms. There is a real feeling that the management team has engaged in the reforms with a strong, uncompromising will and sense of responsibility, and the results of their efforts can clearly be seen in the numbers, specifically, in the higher profitability of its core business. The Third Medium-Term Group Business Plan clarifies a vision for the Group's future, the Long-Term Vision 2030, and calculating back from this, it lays out what needs to be done now, which is to carry out major changes as a Group. The fact the Company is expressing such a strong will to assuredly change is worthy of praise. In reaching this point, there have been lively, highly transparent discussions, and I have the strong sense that support systems and an environment have been established that allow for diverse proposals to be made.

In Japan, there are some examples of regional financial institutions having success in management reforms, but drawing on my experience at a multinational financial institution, I intend to contribute to fostering a

corporate and organizational culture for realizing the vision by sharing observations and insights derived from relooking at the Company's initiatives from not only a domestic perspective but a global one as well.

Moreover, the importance of initiatives for sustainability and diversity and the strong need to accelerate initiatives are widely shared within the organization. Currently, while working for consistency with the long-term vision, multifaceted discussions are taking place on issues in need of resolution, their priority, the format of reporting at board meetings, and other related topics. For this reason, it can be said that systems are being established for the dual pursuit of business development and social contributions, including the SDGs.

I have had the opportunity to lecture at the Mebuki Women's Class on the importance of management philosophy and organizational culture for corporate value creation, and last year a woman was promoted to lead one of the Diversity Promotion Office, which is highly laudable. There are still many things that need to be done related to promoting diversity, but this example will serve as a source of hope for employees and others involved, and I firmly believe that promoting diversity and fostering a diverse organizational culture will make further progress going forward.



Outside Director (Audit and Supervisory Committee Member)
Toru Nagasawa

Apr. 1984 Registered as an attorney
Apr. 1995 Nagasawa Law Office (currently, Nagasawa Law Offices) opened, Representative Attorney (current position)
Oct. 2014 Outside Corporate Auditor, LANCERS, INC. (current position)
Jun. 2015 Outside Director, TOHO HOLDINGS CO., LTD.
Jun. 2016 Outside Director, Ashikaga Holdings Co., Ltd.
Oct. 2016 Outside Director (Audit and Supervisory Committee Member), the Company (current position)

Regarding the creation of the Long-Term Vision 2030, a series of open-minded conversations were held about the ideal for a regional financial institution in 2030, with information being shared from a fairly early stage. I rate highly not only the policies for achieving the goal of being "A Value Creation Group Working Together with Local Communities" but also the deep commitment shown to the process of establishing the goal itself, which I very much appreciate.

In promoting the plan to achieve this vision amid very challenging external conditions, there needs to be initiatives that look 20 and 30 years into the future; it shouldn't be a matter of simply assessing the relative achievement of numerical targets. While continuing to place importance on its traditional core business, I think the Company should create new fee-based businesses like consulting and have the perspective of evaluating how much they contribute to value creation for the region, including in its Third Medium-Term Group Business Plan. Discussions for this are currently underway.

Being able to hold such meaningful, all-encompassing discussions is a direct result of having appointed outside directors with a variety of backgrounds. I have the

strong sense that open, constructive discussions are taking place, with opinions being expressed from a variety of different perspectives for each issue. As a part of this process, I will draw on my experience as an attorney and as someone who has worked as an outside auditor and director at companies in various business areas to provide advice that contributes to the creation of new value.

Even before the term "sustainability" was in widespread use, regional financial institutions would not have been able to exist without sustainability initiatives. Engaging sincerely in business in order to contribute to local customers is directly connected to vitalizing the local economy and society, preserving the environment, and other positive outcomes. The Company, too, is further strengthening its sustainability initiatives, including diversity promotion and measures it has already been involved in for aging and digitalization. The Company has set numerical targets that include net zero CO₂ emissions by fiscal 2030, and there needs to be a policy of actively and publicly communicating this target going forward so that it serves as a guideline for local companies. I firmly believe that sustainability initiatives will make steady progress toward the creation of new value.



Outside Director (Audit and Supervisory Committee Member)
Takashi Shimizu

- Apr. 1995 Lecturer, School of Commerce, Waseda University
- Apr. 1997 Associate Professor
- Sep. 2000 Received Ph.D. in Commerce (Waseda University)
- Apr. 2002 Professor, School of Commerce, Waseda University
- Aug. 2002 Visiting Researcher, University of California, Berkeley (until August 2003)
- Apr. 2005 Professor, Graduate School of Accountancy, Waseda University (current position)
- Oct. 2016 Outside Director (Audit and Supervisory Committee Member), the Company (current position)
- May 2020 President, Japan Association of Graduate Schools for Professional Accountancy (current position)

Today, companies are exposed to not only economic risk but a variety of risks, including geopolitical risk, so creating a medium-term business plan is very difficult. The Company has set a long-term vision of “A Value Creation Group Working Together with Local Communities” based on its corporate philosophy. In order to achieve this long-term vision, discussions have taken place on a whole range of policies, and specific goals and basic strategies have been decided. In this process, strategies have been considered with a degree of flexibility based on multiple scenarios to allow the Company to adapt to change, and appropriate strategies have been decided.

Outside directors on the Company’s Board of Directors have a variety of backgrounds. The Board of Directors discusses questions of management from broad perspectives not limited to the conventional wisdom of the financial industry, and very constructive opinions are presented. In addition, in order for the outside directors to understand the current situation of the financial industry, various outside training programs are available, and the board also provides explanations ahead of time in order for us to verify actual operations at the Company. As an Audit and Supervisory Committee Member, I have expressed the desire to perform interviews

at branches of the Company’s banking subsidiaries as well, and once the COVID-19 pandemic subsides, and I plan to do so.

ESG management, or sustainability management, is a major challenge for companies today. Differing from corporate social responsibility (CSR), it presses companies to reconsider what they should do within their main businesses to generate value that is shared by all stakeholders and not just shareholders. That is to say, it asks companies how to raise value for stakeholders and themselves through their businesses and not necessarily through donations and charitable activities as is emphasized by CSR.

However, the goals of ESG management and sustainability management are almost all qualitative. How to convert qualitative goals into financial and quantitative results that raise corporate value while achieving them through business is an extremely difficult problem.

This is one of my areas of research: management that links qualitative goals and actions to financial results. Going forward, I will continue actively participating in discussions so that the knowledge I have accumulated through this research is utilized in actual operations, and I hope to contribute both to the Company’s management and the communities it serves.

Policy on the functions and roles of outside directors in corporate governance and their appointment

The Company’s outside directors are assigned the role of strengthening management decision-making functions and supervisory functions by drawing on their extensive experience and specialized knowledge based on their respective career backgrounds in order to incorporate outside perspectives and sufficient considerations for the interests of regular shareholders into the decision-making of management.

In appointing outside directors, based on the functions and roles of outside officers in corporate governance, the Company puts emphasis on independence, and there is the assumption that there are no doubts about their independence in light of the Company’s own Independence Standards for Outside Directors.

Risk Management System

The Group aims to enhance the risk management system by positioning it as an important management task from the perspective of the maintenance and improvement of sound corporate management.

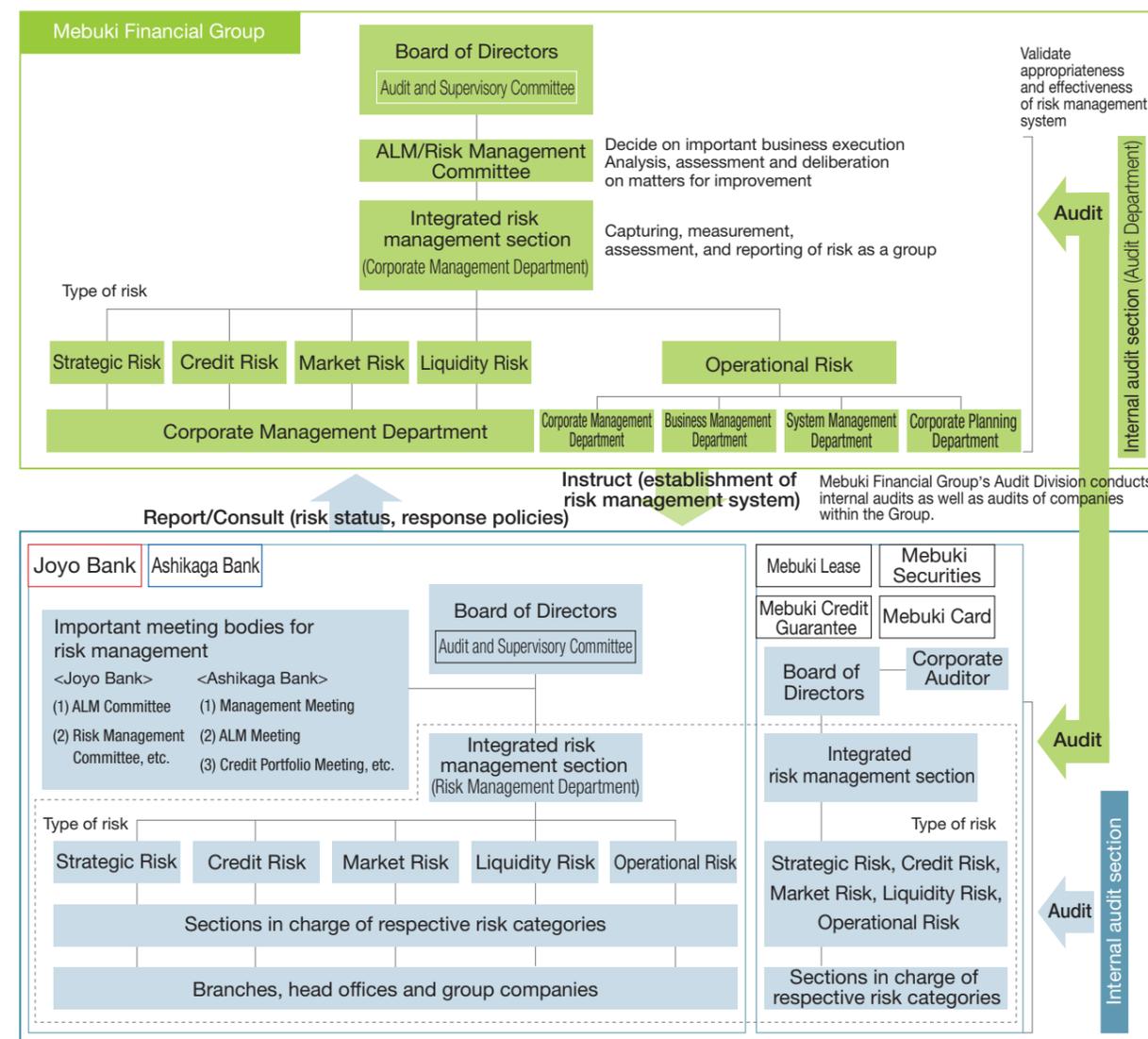
Risk management system

The Group undertakes its risk management based on the Basic Rules on Group Risk Management determined by the Board of Directors of the Company.

In order to perform the matters set forth in the Basic Rules on Group Risk Management, the Company has established the ALM/Risk Management Committee, which makes decisions on important business execution regarding the Group’s risk management and performs analysis, assessment and improvement of the matters relevant to the risk management of the overall Group. The said committee ensures corporate management emphasizing the risk and return relationship through consideration and discussion focused on closer

coordination between risk management and profit management while controlling risks appropriately, and facilitates prompt and efficient decision-making by management.

Furthermore, we have organized the integrated risk management section responsible for the supervision and integrated management of various risks, and at the same time, established the framework under which the audit section independent from business execution sections performs internal auditing and validates the appropriateness and effectiveness of the respective risk management status.



Integrated risk management

The Group undertakes “integrated risk management” which quantitatively measures various types of risk including credit risk and market risk, using statistical methods, such as VaR (value at risk), in order to individually manage increasingly diversified and complicated types of risk relevant to financial services, and at the same time, to comprehensively capture said risks. We aim at maintaining an appropriate level of our capital reserves by comparing and contrasting the total amount of risk with our financial soundness (our capital reserves).

Specifically, we allocate capital to each type of risk (credit risk, interest rate risk, price fluctuation risk and operational risk) in advance to the extent of our capital

reserves and monitor whether the amount of each risk quantified (risk capital used) stays within the extent of allocated capital. Upon the allocation of capital, we secure a risk buffer to cover losses larger than those expected in the statistical methods or risks unable to be captured by the statistical methods. We confirm the sufficiency of our capital reserves, including the capital to cover the aforementioned risks, by performing stress tests by which we capture the impact on our capital reserves under assumed scenarios such as a sudden economic downturn. Furthermore, we confirm the reasonableness and effectiveness of the statistical methods through back tests in which the risk amount calculated by VaR (value at risk) is compared with actual profit or loss.

Credit risk management

Credit risk refers to the risk of incurring losses as a result of customers becoming unable to pay the principal and interest of loans as promised primarily due to the deterioration of their financial conditions.

Recognizing credit risk as a material risk in our business operations, the Group aims to enhance the management system to prevent the emergence of new non-performing loans and to improve asset soundness.

• Credit risk management system

The Group has established the Group Guidelines for Credit Risk Management, which set forth, as our basic policy of credit risk management, the appropriate management of credit risk on individual loans and the management of the credit portfolio focusing on risk diversification.

The section in charge of credit risk management, which is organizationally and functionally independent from the business promotion sections, is responsible for the planning and operational management of the internal credit rating system, self-assessment systems, write-offs and provisions to the reserve for loan losses, as well as for the monitoring of loan assets as the specialized organization for the comprehensive supervision and management of the credit portfolio.

• Management of credit risk on individual loans

We separate the credit-screening sections of companies within the Group from the business promotion sections to ensure strict screening while also focusing on credit management during repayment to prevent the status of a claim from deteriorating.

• Internal credit ratings

We categorize our customers into 12-grade rating levels by adding qualitative assessment to the data on their financial condition and cash flow status. In addition to serving as the basis for self-assessment systems, internal credit ratings are used across the full range of credit risk management, including

the capturing of credit risk exposure, the setting of lending rates and the allocation of lending authority.

• Asset self-assessment systems

Companies within the Group strictly implement asset self-assessment systems based on common standards and provide appropriate reserves or write down problem loans based on such assessment. In addition, the reasonableness of such assessment is validated and audited by the sections in charge of validation and auditing, respectively, and is also subject to external audits by accounting auditors.

• Quantification of credit risk

The quantification of credit risk refers to the statistical forecasting of future losses (amount of credit risk) that can be expected due to bankruptcies or the deterioration of financial conditions of customers. The Group calculates the amount of credit risk for each customer based on “internal credit ratings” with collateral and other factors taken into account.

• Credit portfolio management

We capture loan assets in their entirety as a single portfolio and conduct credit risk management from a macro perspective. Based on the quantification of credit risk, we carry out periodic monitoring such as whether the credit risk is concentrated in specific sectors or corporate groups, and analysis and evaluation of credit situations by rating and region, or based on composition by industry.

Market risk management

Market risk refers to the risk of incurring losses due to changes in the value of financial assets and liabilities of the Group caused by fluctuation in interest rates, foreign exchange rates, and stock prices.

Our subsidiaries are engaged in investment activities based on their understanding of risk supported by sufficient advance research and analysis of market transactions.

For the appropriate control of market risk, we also perform and report to the ALM/Risk Management Committee of the Company held periodically the quantitative management and measurement under the ALM (asset and liability management) framework to take action according to the situation.

Liquidity risk management

Liquidity risk refers to the risk of incurring losses primarily due to difficulty in securing necessary funds caused by an unexpected outflow of funds or similar events, or a sharp rise in funding costs.

The Group has established the Group Liquidity Risk Management Rules to set up the framework under which action plans according to respective situations ranging from a normal state to urgent cases are defined to promptly respond thereto.

Operational risk management

Operational risk refers to the risk of incurring losses caused by inappropriateness in the Group’s business processes, activities of directors and employees or system operations, or by external events. The Group classifies and manages such risk according to the following six categories: administrative risk, system risk, compliance (legal) risk, personnel management risk, tangible asset risk, and reputational risk.

Furthermore, the Group designates the sections responsible for each of the aforementioned six categories, and also has the comprehensive risk management section manage overall operational risk.

• Administrative risk

Administrative risk refers to the risk of incurring losses due to directors, employees or external contractors neglecting precise administration, causing incidents, or committing acts of fraud.

In the Group, the sections responsible for administrative risk and the comprehensive risk management section responsible for operational risk gather information on and analyze the causes of administrative incidents occurring inside or outside the Group to establish or revise administrative rules or enhance the efficiency of administrative processes through the information system based on the results of such analysis. In addition, the Group has the internal audit section validate the effectiveness of the risk management system to establish the framework to detect or prevent administrative incidents.

• System risk

System risk is the risk of incurring losses primarily due to the failure of computer systems, erroneous computer operation, or inappropriate computer use.

The Group has taken necessary measures to ensure the safety and reliability of computer systems including failure

Specifically, under cash flow management in a normal situation, we manage indicators such as the trend of deposit/loan balances and funding limits in addition to primary indicators (funding gap and liquid asset balance) to avoid an increase of liquidity risk. Furthermore, we define and perform periodical drills for action plans upon a liquidity crisis to enhance the effectiveness in a crisis.

response exercises aiming to establish the framework for early recovery from system failure, in addition to sufficient advance testing upon the development or operation of systems, the continuous monitoring of operational status and duplexing facilities.

• Compliance (legal) risk, personnel management risk, tangible asset risk and reputational risk

We also identify and assess risk through methods in line with risk characteristics and take appropriate actions for: compliance (legal) risk, the risk of incurring losses mainly due to an illegal act committed by directors and employees; personnel management risk, the risk of incurring losses mainly due to an act in violation of laws, regulations or agreements relevant to employment, health or safety; tangible asset risk, the risk of incurring losses due to damage to tangible assets caused by disasters or defective management of buildings; and reputational risk, the risk of incurring losses due to the deterioration of credit worthiness mainly attributable to reputational damage caused by inappropriate actions taken by the Group or the circulation of unfounded rumors.

Crisis management and business continuity management

We have established the framework for the continuity or early recovery of important business operations including the repayment of deposits, fund transfer and remittance upon facing a crisis such as a natural disaster, system failure or pandemic, as well as limiting human and physical damage to the minimum extent possible.

Upon the occurrence of a crisis, we will establish

emergency response headquarters at the Company and directly-owned subsidiaries to respond to such emergencies in cooperation with each other. Furthermore, we continuously perform crisis management exercises and review the business continuity plan to enhance the effectiveness thereof upon facing a crisis.

Cyber Security

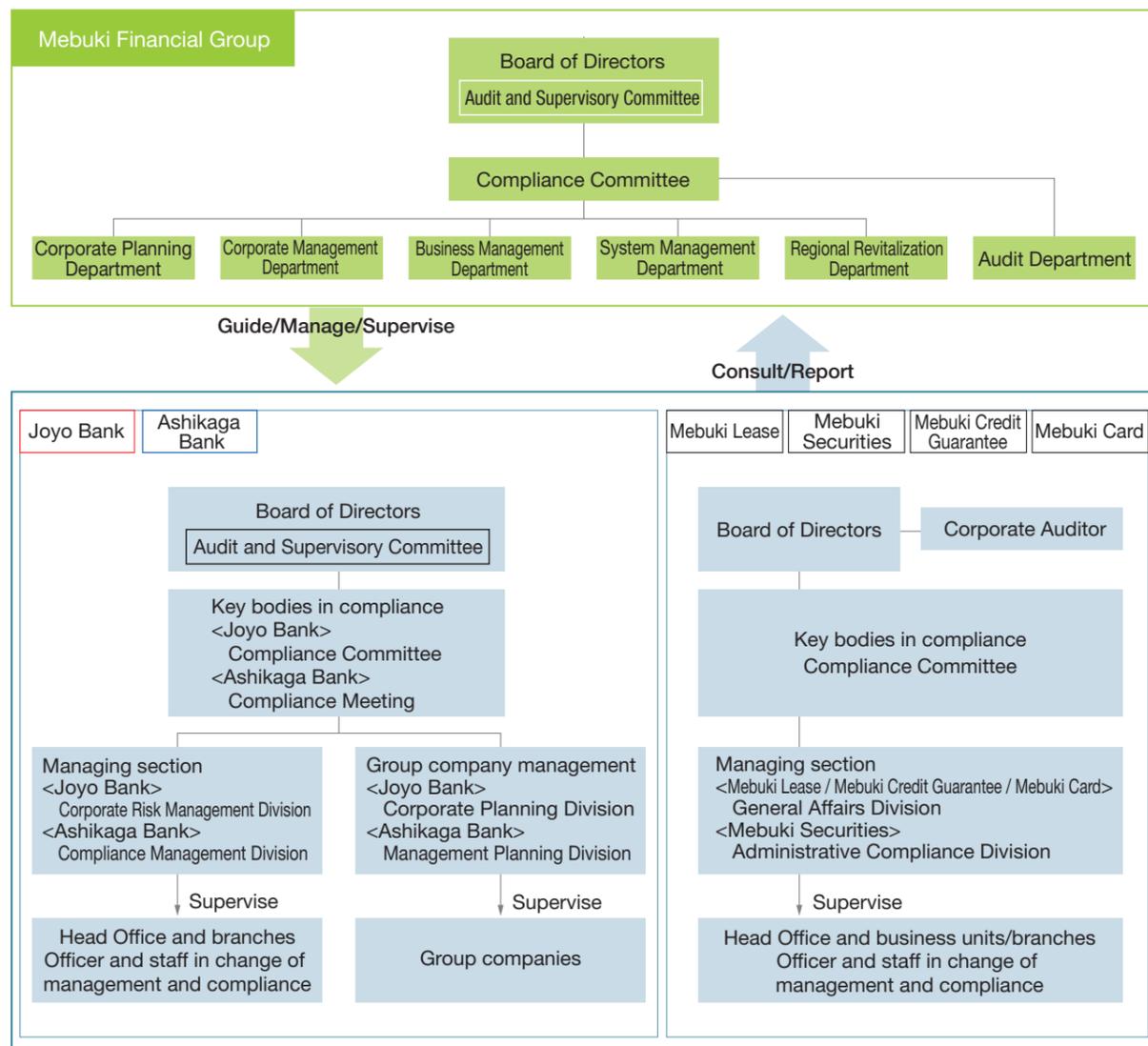
The Group has been strengthening cyber security measures to protect customers from damage caused by increasingly advanced and sophisticated cyber attacks.

Both subsidiary banks have a dedicated team established for taking cyber security measures. The team collects cyber-related information and regularly conducts security training. To strengthen security controls for services provided for customers on the

internet, the team has implemented some measures including a system that detects early unauthorized access and a periodic diagnosis of vulnerabilities in the services.

In addition, we share precautionary information for customers on our website, such as methods of illegal remittance, spoofed emails or false social media posts impersonating financial institutions, and other frauds.

Initiatives for Compliance



The Company has established a management system aimed at group-wide comprehensive management which enables the Group to perform business operations under the appropriate compliance framework. We aim to enhance the compliance framework by positioning compliance as one of the most material management tasks.

Organization and structure

We have established the Basic Rules on Group Compliance as the Group's highest standards for compliance, and thereunder, other relevant rules and regulations systematically.

The Compliance Committee established within the Company is responsible for decisions on compliance-related important business execution of the Company and the Group, and for analysis, assessment and deliberation on matters for improvement relevant to group-wide compliance.

Furthermore, we put compliance into practice through, among other factors, the establishment of the Legal and

Compliance Group of the Corporate Management Department as the managing and supervising section in charge of group-wide compliance, the designation of the officer responsible for the Corporate Management Department, and the assignment of compliance staff at each management organization within the Group. Important matters regarding compliance at directly-owned subsidiaries are consulted on and reported to the Corporate Management Department, which is responsible for the guidance, management and supervision thereof, pursuant to the Rules for Management of Companies within the Group.

Compliance program

The Group establishes a compliance program as the action plan to realize compliance. The companies within the Group establish a program based on the Basic Policy on Group Compliance Program developed annually by the Company.

The status of the compliance program performed by companies within the Group is reported to and validated by the Compliance Committee quarterly, and is also subject to the annual overall assessment which is reflected in the next year's program.

Whistle-blowing system

For compliance-oriented management to be achieved by early detection and correction of violations of laws and regulations, the Group has established a whistle-blowing system that is compliant with the revised Whistleblower Protection Act. An internal contact office has been established in the Compliance Management Division of Joyo Bank and Ashikaga Bank. In addition, a whistle-blowing contact independent of management

has been established in the full-time Audit and Supervisory Committee of the Company, Joyo Bank, and Ashikaga Bank, and an external contact in an attorney's office. These contacts are available for the directors and employees in the Group even after they resign or retire. For accessibility to these contacts by eligible users, we will gather opinions from them and strive to improve the operation of the system.

Measures for anti-money laundering, etc.

The Group acknowledges anti-money laundering and combating the financing of terrorism (hereinafter "AML/CFT") as an important responsibility and one of the important management tasks based on calls made by the international communities. Thus, we formulated the "Anti-Money Laundering and Combating Financing of Terrorism Policy" to take measures for AML/CFT.

To ensure the effective implementation of AML/CFT for the companies within the Group, we appoint the director in charge of Corporate Management Department as the Group head AML/CFT officer. In addition, each of the

companies within the Group appoints, among the directors, the head AML/CFT officer who is in charge of risk management of AML/CFT.

The companies within the Group formulate "AML/CFT Programs" as an annual plan to enhance the risk management of AML/CFT, based on the "Group's Basic Policy for Anti-Money Laundering" formulated by the Company for each fiscal year. We verify the effectiveness and status of implementation of the programs to enhance the management system.

Severing connections with antisocial forces

The Group has established the basic policy against antisocial forces to stand firmly against and sever any connections with antisocial forces which threaten the order and safety of civil society and hinder sound economic and social development.

Regarding severing connections with antisocial forces

Mebuki Financial Group, Inc. and its group companies will take the following initiatives to sever all connections with antisocial forces.

1. We will respond to antisocial forces as an organization with a strong recognition of our social responsibility.
2. We will maintain close relationships with the police, the Center for Removal of Criminal Organizations and external expert organizations including lawyers.
3. We will sever all connections with antisocial forces, including any transactions therewith.
4. We will decisively reject any and all unreasonable demands from antisocial forces and take legal action from both civil and criminal perspectives.
5. We will never provide any funding or benefits to antisocial forces.

Our customer protection management system (Measures for Customer Protection)

Our Group has established the Group Management Policy for Customer Protection to organize and ensure the appropriate management system for customer protection from the perspective of the protection and improvement of convenience for all existing and future customers of the Group, as well as for facilitating finance.

Joyo Bank and Ashikaga Bank have established a supervising section in charge of consultation, complaints and other communication from customers, and have also entered into a basic contract for the implementation of dispute resolution procedures with the Japanese Bankers Association, the designated dispute resolution organization under the Banking Act, and with the Trust Companies Association of Japan, the designated dispute resolution organization under the Trust Business Act and the Act on Engagement in Trust Business by Financial Institutions, to utilize the financial ADR system

for dispute resolution with customers through the involvement of third parties.

The Company has defined the Declaration on Personal Information Protection and various regulations with regard to handling of personal information, individual numbers and specific personal information received from customers ("Personal Information, etc.") and thereby takes proper measures for security control of Personal Information, etc. The Company, Joyo Bank and Ashikaga Bank have also set up customer inquiry windows for consultation and complaints regarding Personal Information, etc. in their custody. In addition, they are members of the All Banks Personal Data Protection Council, an authorized organization for the protection of personal information under the Act on the Protection of Personal Information. The Council also accepts complaints, and provides consultation on the handling of Personal Information, etc.

Internal Audit

The Company has established an audit department as the section in charge of internal audits under the Board of Directors, independent of the business execution and risk management departments.

The audit department supervises internal audit functions across the Group. In order to ensure the appropriateness of the Group's business operations and the health of assets, the audit department inspects the appropriateness and effectiveness of the internal audit system by conducting internal audits on the Group in accordance with the Internal Audit Rules and the Group's Audit Plans defined by the Board of Directors.

The audit results are reported to the Audit and Supervisory Committee and the Representative Director

monthly, and to the Board of Directors every three months. In order to conduct appropriate audits, the Group is making efforts to strengthen the cooperation among the Audit and Supervisory Committee (including corporate auditors of companies within the Group), the Internal Audit Section of the Company, and the accounting auditor through close exchanges of views.

The Group strives to further improve its audit methods by conducting risk-based audits in accordance with the international standards of internal audit (of IIA), improving the expertise of auditors by encouraging them to acquire an international qualification of internal audit, and undergoing quality assessment of audit by external institutions.

Mebuki Financial Group is committed to financial services-related businesses, including leases, securities, credit guarantees, and credit cards. The businesses are conducted primarily by The Joyo Bank, Ltd. and The Ashikaga Bank, Ltd., which are engaged in the banking business.

Making full use of a variety of expertise in our group, we provide comprehensive, quality financial services.

(as of March 31, 2022)

 MEBUKI Financial Group Mebuki Financial Group, Inc.	
Address	2-1-1, Nihonbashi Muromachi, Chuo-ku, Tokyo
Head Office address	(Mito Head Office) 5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture (Utsunomiya Head Office) 1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture
Paid in capital	117.4 billion yen
Establishment	April 1, 2008 (Change of tradename: October 1, 2016)
Stock exchange listing	Tokyo Stock Exchange
Number of employees	183
Credit ratings	A (R&I)



The Joyo Bank, Ltd.

Founded	July 30, 1935
Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture
Paid in capital	85.1 billion yen
Network	Domestic: 185 offices (153 branches, 32 sub-branches) Overseas: 4 Representative Offices (Shanghai, Singapore, New York, Hanoi)
Number of employees*	3,213
Credit ratings	A+ (R&I) A3 (Moody's)



The Ashikaga Bank, Ltd.

Founded	October 1, 1895
Head Office	1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture
Paid in capital	135 billion yen
Network	Domestic: 134 offices (107 branches, 27 sub-branches) Overseas: 2 Representative Offices (Hong Kong, Bangkok)
Number of employees*	2,619
Credit ratings	A+ (R&I)



Mebuki Lease Co., Ltd.

Founded	September 25, 1974
Head Office	4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture
Paid in capital	100 million yen
Network	11 offices (Head Office, 10 branches)
Number of employees	64



Mebuki Securities Co., Ltd.

Founded	November 30, 2007
Head Office	4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture
Paid in capital	3 billion yen
Network	7 offices (Head Office, 3 branches, 3 resident offices)
Number of employees	71



Mebuki Credit Guarantee Co., Ltd.

Founded	December 21, 1978
Head Office	1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture
Paid in capital	50 million yen
Network	2 offices (Head Office and Mito Office)
Number of employees	22



Mebuki Card Co., Ltd.

Founded	August 30, 1982
Head Office	4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture
Paid in capital	100 million yen
Network	2 offices (Head Office, 1 branch)
Number of employees	41

Other businesses 8 consolidated subsidiaries (Research, consulting, investment, real estate leasing, etc.)

*Number of employees excludes employees seconded.

(as of July 4, 2022)

(as of April 1, 2022)

Shanghai Representative Office, Joyo Bank

Address Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336 P. R. China

Phone +86-21-6209-0258




New York Representative Office, Joyo Bank

Address 712 Fifth Avenue, 8th Floor New York, NY 10019 U. S. A.

Phone +1-347-686-8420




Hanoi Representative Office, Joyo Bank

Address 5th Floor, Sun Red River, 23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi Vietnam

Phone +84-24-3218-1668




Representative Office Registered in Singapore, Joyo Bank

Address 10 Collyer Quay, #09-07A, Ocean Financial Centre, Singapore, 049315

Phone +65-6225-6543




Bangkok Representative Office, Ashikaga Bank

Address 689, Bhiraj Tower at EmQuartier, 27th Floor, Room No.2714, Sukhumvit Road, Klongton-nua, Wattana, Bangkok 10110 Thailand

Phone +66-2-261-2852

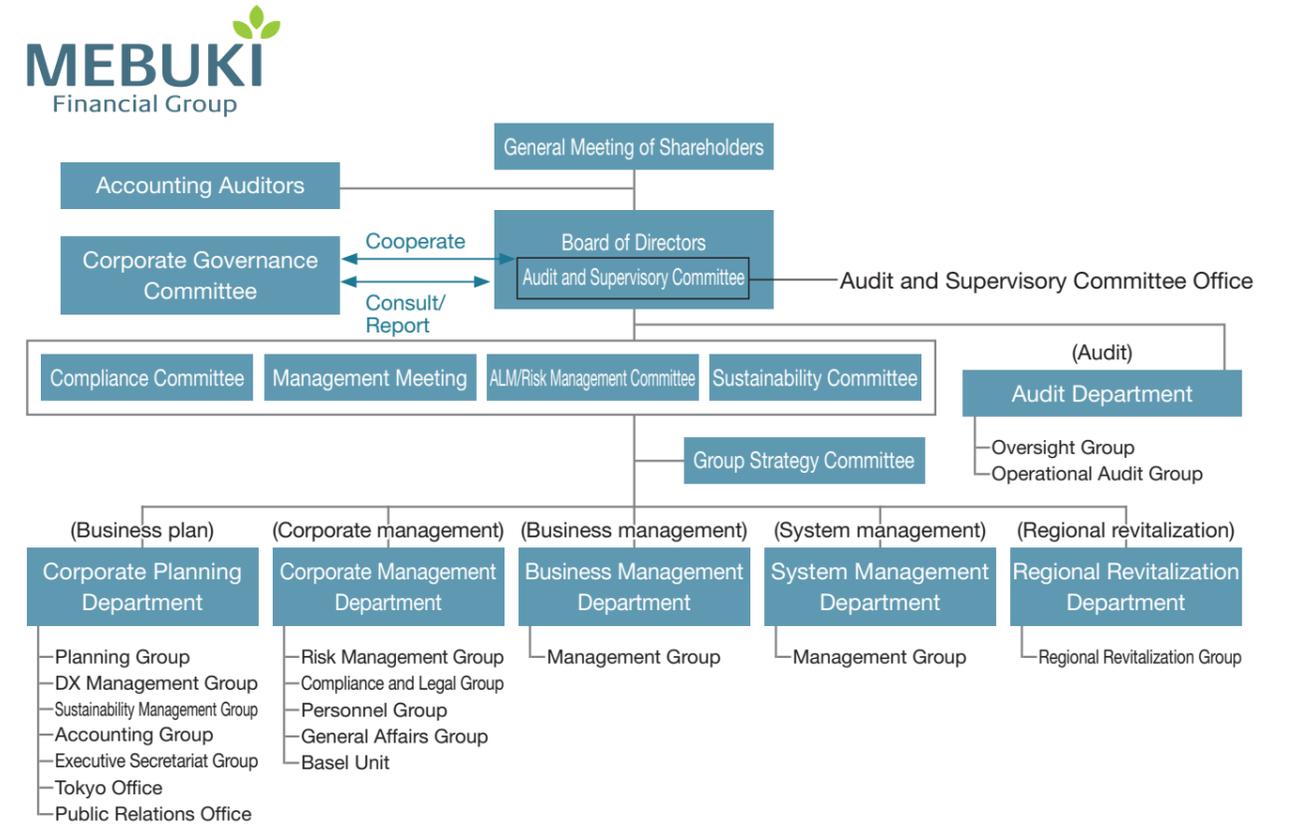



Hong Kong Representative Office, Ashikaga Bank

Address Suite 1601, 16th Floor, Tower2, The Gateway, Harbour City, Kowloon, Hong Kong

Phone +852-2251-9475





Stock Information (as of March 31, 2022)

Capital and number of issued shares

Common stock	117,495,550,000 yen
Number of issued stock	1,089,055,218 shares
of which, common stock	1,089,055,218 shares

Major shareholders

MEBUKI Financial Group

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued stock (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	164,043	15.19
Custody Bank of Japan, Ltd. (Trust Account)	60,240	5.57
Nomura Securities Co., Ltd.	46,574	4.31
Nippon Life Insurance Company	27,590	2.55
STATE STREET BANK AND TRUST COMPANY 505223	25,658	2.37
Sompo Japan Insurance Inc.	22,660	2.09
Sumitomo Life Insurance Company	21,659	2.00
The Dai-ichi Life Insurance Company, Limited	15,958	1.47
Meiji Yasuda Life Insurance Company	15,864	1.46
STATE STREET BANK WEST CLIENT-TREATY 505234	12,324	1.14
Total	412,574	38.20

Joyo Bank

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued stock (%)
Mebuki Financial Group, Inc.	722,910	100.00

Ashikaga Bank

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued stock (%)
Mebuki Financial Group, Inc.	1,340,520	100.00

Consolidated Balance Sheet

March 31, 2022 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS			
Cash and due from banks (Note 3).....	¥ 7,270,668	¥ 6,425,755	\$ 59,410,591
Call loans and bills bought	6,507	6,809	53,171
Monetary claims bought	10,611	11,649	86,710
Trading assets (Note 4)	4,589	12,425	37,502
Money held in trust (Note 5)	2,027	1,970	16,565
Securities (Notes 4, 10, 11, and 22)	4,682,301	4,333,243	38,260,352
Loans and bills discounted (Notes 7, 11, 22, and 26)	11,737,377	11,638,376	95,909,275
Foreign exchanges (Note 7)	17,220	9,594	140,716
Lease receivables and investments in lease (Note 21)	65,325	67,153	533,791
Other assets (Notes 11 and 23)	243,257	225,854	1,987,726
Tangible fixed assets (Note 8)	102,802	107,412	840,026
Intangible fixed assets (Note 9)	15,896	18,127	129,897
Asset for retirement benefits (Note 13)	32,462	31,189	265,261
Deferred tax assets (Note 20)	2,237	1,269	18,280
Customers' liabilities for acceptances and guarantees (Note 10)	26,044	26,340	212,817
Allowance for loan losses	(93,800)	(81,993)	(766,472)
Allowance for investment losses	(8)	(9)	(72)
TOTAL	¥24,125,520	¥22,835,169	\$197,136,137
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11 and 22)	¥16,825,736	¥16,223,652	\$137,487,631
Negotiable certificates of deposit (Note 22)	310,724	291,417	2,539,014
Call money and bills sold	1,044,954	952,917	8,538,606
Payables under repurchase agreements (Note 11)	148,165	130,255	1,210,697
Payables under securities lending transactions (Note 11)	826,826	620,749	6,756,219
Trading liabilities	343	1,024	2,803
Borrowed money (Notes 11, 12, and 22)	3,795,700	3,394,050	31,015,692
Foreign exchanges	4,390	905	35,873
Due to trust account	3,046	2,307	24,897
Other liabilities	154,855	142,277	1,265,368
Provision for bonuses for directors	281	255	2,297
Liability for retirement benefits (Note 13)	324	249	2,654
Provision for retirement benefits for directors	24	25	198
Provision for reimbursement of deposits	2,183	2,460	17,842
Provision for contingent losses	2,349	1,994	19,197
Provision for point card certificates	508	466	4,156
Provision for losses on interest repayments	8	11	70
Reserves under special laws	2	2	21
Deferred tax liabilities (Note 20)	11,339	35,403	92,657
Deferred tax liabilities for land revaluation (Note 8)	7,936	8,626	64,853
Negative goodwill	711	869	5,811
Acceptances and guarantees (Note 10)	26,044	26,340	212,817
Total liabilities	23,166,457	21,836,262	189,299,372
EQUITY (Notes 14 and 15):			
Common stock	117,495	117,495	960,088
Capital surplus	125,692	148,531	1,027,064
Stock acquisition rights	130	161	1,069
Retained earnings	602,694	570,981	4,924,778
Treasury stock	(2,357)	(5,785)	(19,262)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 6)	91,550	148,013	748,083
Deferred gains on derivatives under hedge accounting (Note 23)	6,734	388	55,032
Land revaluation surplus (Note 8)	11,944	13,497	97,602
Defined retirement benefit plans (Note 13)	5,177	5,622	42,310
Total accumulated other comprehensive income	115,407	167,522	943,027
Total equity	959,063	998,906	7,836,764
TOTAL	¥24,125,520	¥22,835,169	\$197,136,137

See notes to consolidated financial statements.

Consolidated Statement of Income

Year Ended March 31, 2022 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
INCOME:			
Interest income:			
Interest on loans and discounts	¥106,411	¥108,277	\$ 869,521
Interest and dividends on securities	44,994	45,864	367,663
Interest on call loans and bills bought	8	16	67
Interest on deposits with banks	6,634	1,558	54,216
Other interest income	412	426	3,372
Trust fees	45	38	371
Fees and commissions	54,498	52,833	445,321
Trading income	4,532	4,252	37,035
Other operating income	3,190	2,254	26,066
Other income (Note 17)	47,623	59,347	389,141
Total income	268,351	274,870	2,192,773
EXPENSES:			
Interest expenses:			
Interest on deposits	772	1,600	6,310
Interest on negotiable certificates of deposit	15	40	123
Interest on call money and bills sold	(192)	(36)	(1,572)
Interest on payables under repurchase agreements	(80)	166	(654)
Interest on payables under securities lending transactions	488	445	3,993
Interest on borrowing and rediscounts	173	1,414	1,417
Interest on bonds	—	18	—
Other interest expenses	2,235	2,325	18,264
Fees and commissions	14,235	14,179	116,318
Other operating expenses	8,517	7,322	69,597
General and administrative expenses (Note 18)	114,624	115,763	936,627
Provision of allowance for loan losses	18,619	19,116	152,147
Other expenses (Note 19)	48,189	60,314	393,766
Total expenses	207,597	222,670	1,696,336
INCOME BEFORE INCOME TAXES	60,754	52,199	496,438
INCOME TAXES (Note 20):			
Current	21,581	21,527	176,352
Deferred	(3,786)	(5,806)	(30,937)
Total income taxes	17,795	15,720	145,415
NET INCOME	42,958	36,478	351,023
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 42,958	¥ 36,478	\$ 351,023

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 16):		
Basic EPS	¥38.96	\$31.45
Diluted EPS	38.95	31.43
Cash dividends applicable to the year (Note 14)	11.00	11.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2022 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	¥ 42,958	¥ 36,478	\$ 351,023
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Unrealized gains (losses) on available-for-sale securities	(56,463)	78,192	(461,380)
Deferred gains on derivatives under hedge accounting	6,346	1,457	51,860
Defined retirement benefit plans	(444)	13,219	(3,633)
Total other comprehensive income (loss)	(50,561)	92,869	(413,153)
COMPREHENSIVE INCOME (LOSS)	¥ (7,603)	¥129,347	\$ (62,130)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (7,603)	¥129,347	\$ (62,130)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2022 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen										
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total Equity
						Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	
BALANCE, APRIL 1, 2020	¥117,495	¥148,549	¥248	¥547,270	¥(5,970)	¥ 69,821	¥(1,068)	¥13,485	¥ (7,597)	¥ 74,641	¥882,235
Cash dividends				(12,755)							(12,755)
Net income attributable to owners of the parent				36,478							36,478
Decrease due to change in scope of consideration				(0)							(0)
Purchase of treasury stock					(0)						(0)
Disposal of treasury stock		(18)			185						166
Reversal of land revaluation surplus				(11)							(11)
Net changes during the fiscal year		(18)	(86)	23,710	184	78,192	1,457	11	13,219	92,880	92,794
Total changes during the fiscal year		(18)	(86)	23,710	184	78,192	1,457	11	13,219	92,880	116,671
BALANCE, MARCH 31, 2021	¥117,495	¥148,531	¥161	¥570,981	¥(5,785)	¥148,013	¥ 388	¥13,497	¥ 5,622	¥167,522	¥998,906

	Millions of Yen										
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total Equity
						Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	
BALANCE, APRIL 1, 2021	¥117,495	¥148,531	¥161	¥570,981	¥ (5,785)	¥148,013	¥ 388	¥13,497	¥5,622	¥167,522	¥998,906
Cumulative effects of changes in accounting policies				(366)							(366)
Restated balance	117,495	148,531	161	570,614	(5,785)	148,013	388	13,497	5,622	167,522	998,539
Cash dividends				(12,431)							(12,431)
Net income attributable to owners of the parent				42,958							42,958
Purchase of treasury stock					(19,520)						(19,520)
Disposal of treasury stock		(10)			121						110
Retirement of treasury stock		(22,828)			22,828						
Reversal of land revaluation surplus				1,553							1,553
Net changes during the fiscal year		(22,838)	(31)	32,079	3,428	(56,463)	6,346	(1,553)	(444)	(52,114)	(39,476)
Total changes during the fiscal year		(22,838)	(31)	32,079	3,428	(56,463)	6,346	(1,553)	(444)	(52,114)	(39,476)
BALANCE, MARCH 31, 2022	¥117,495	¥125,692	¥130	¥602,694	¥ (2,357)	¥ 91,550	¥6,734	¥11,944	¥5,177	¥115,407	¥959,063

	Thousands of U.S. Dollar										
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total Equity
						Unrealized Gains (Losses) on Available-for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	
BALANCE, APRIL 1, 2021	\$960,088	\$1,213,688	\$1,323	\$4,665,642	\$ (47,279)	\$ 1,209,462	\$ 3,173	\$110,293	\$45,943	\$ 1,368,871	\$8,162,334
Cumulative effects of changes in accounting policies				(2,997)							(2,997)
Restated balance	960,088	1,213,688	1,323	4,662,645	47,279	1,209,462	3,173	110,293	45,943	1,368,871	8,159,336
Cash dividends				(101,581)							(101,581)
Net income attributable to owners of the parent				351,023							351,023
Purchase of treasury stock					(159,508)						(159,508)
Disposal of treasury stock		(88)			989						901
Retirement of treasury stock		(186,536)			186,536						
Reversal of land revaluation surplus				12,691							12,691
Net changes during the fiscal year		(186,624)	(254)	262,133	28,017	(461,380)	51,860	(12,691)	(3,633)	(425,844)	(426,098)
Total changes during the fiscal year		(186,624)	(254)	262,133	28,017	(461,380)	51,860	(12,691)	(3,633)	(425,844)	(322,572)
BALANCE, MARCH 31, 2022	\$960,088	\$1,027,064	\$1,069	\$4,924,778	\$ (19,262)	\$ 748,083	\$55,032	\$ 97,602	\$42,310	\$ 943,027	\$7,836,764

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2022 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	
	OPERATING ACTIVITIES:		
Income before income taxes	¥ 60,754	¥ 52,199	\$ 496,438
Adjustments for:			
Income taxes paid	(19,893)	(14,023)	(162,556)
Depreciation and amortization	9,531	9,544	77,885
Impairment loss	3,814	1,562	31,169
Amortization of negative goodwill	(158)	(158)	(1,291)
Increase in allowance for loan losses	11,807	12,334	96,485
Decrease in allowance for investment loss	(0)	(283)	(2)
Increase in provision for bonuses for directors	25	18	206
Increase in asset for retirement benefits	(1,082)	(1,697)	(8,847)
Decrease in liability for retirement benefits	(2,916)	(3,524)	(23,835)
Decrease in provision for retirement benefits for directors	(0)	(12)	(8)
Decrease in provision for reimbursement of deposits	(276)	(414)	(2,260)
Increase (decrease) in provision for contingent losses	354	(147)	2,899
Increase in provision for point card certificates	41	14	342
Decrease in provision for interest repayments	(2)	(1)	(21)
Gains on fund management	(158,462)	(156,143)	(1,294,838)
Financing expenses	3,412	5,975	27,881
Losses related to securities	10,122	6,588	82,712
Losses (gains) on money held in trust	(57)	0	(467)
Foreign exchange gains	(81,124)	(37,917)	(662,887)
Losses on disposal of fixed assets	423	346	3,462
Net decrease in trading assets	7,836	3,207	64,030
Net decrease in trading liabilities	(681)	(746)	(5,569)
Net increase in loans and bills discounted	(99,000)	(295,835)	(808,961)
Net increase in deposits	602,083	1,466,994	4,919,786
Net increase in negotiable certificates of deposit	19,306	8,286	157,760
Net increase in borrowed money (excluding subordinated borrowings)	401,650	2,171,248	3,281,992
Net decrease (increase) in due from banks (excluding cash equivalents)	(3,349)	16,010	(27,368)
Net decrease in call loans	1,340	12,144	10,954
Net increase in call money	109,947	843,231	898,407
Net increase in payables under securities lending transactions	206,076	405,201	1,683,907
Net decrease (increase) in foreign exchanges - assets	(7,626)	6,555	(62,318)
Net increase (decrease) in foreign exchanges - liabilities	3,484	(1,035)	28,475
Net decrease in lease receivables and investments in lease	1,827	556	14,936
Decrease in straight bonds - issuance and redemption	—	(5,000)	—
Net increase in due to trust account	739	734	6,044
Proceeds from fund management	159,240	158,380	1,301,201
Payments for finance	(3,551)	(7,785)	(29,019)
Other-net	(3,498)	4,984	(28,587)
Total adjustments	1,171,384	4,609,195	9,571,699
Net cash provided by operating activities	¥1,232,138	¥4,661,394	\$10,068,137

Notes to Consolidated Financial Statements

Year Ended March 31, 2022 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
INVESTING ACTIVITIES:			
Purchases of securities	¥(1,136,395)	¥(1,104,133)	\$ (9,285,795)
Proceeds from sales of securities	444,060	486,668	3,628,542
Proceeds from redemption of securities	340,041	514,238	2,778,574
Increase in money held in trust	—	(2,002)	—
Purchases of tangible fixed assets	(3,824)	(3,857)	(31,251)
Proceeds from sales of tangible fixed assets	672	429	5,497
Purchases of intangible fixed assets	(2,900)	(3,571)	(23,701)
Other-net	(162)	(161)	(1,326)
Net cash used in investing activities	(358,507)	(112,389)	(2,929,460)
FINANCING ACTIVITIES:			
Repayments of subordinated borrowings	—	(30,000)	—
Purchase of treasury stocks	(19,520)	(0)	(159,508)
Proceeds from sales of treasury stocks	105	152	860
Cash dividends paid	(12,431)	(12,755)	(101,581)
Net cash used in financing activities	(31,846)	(42,603)	(260,228)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(220)	22	(1,804)
NET INCREASE IN CASH AND CASH EQUIVALENTS	841,563	4,506,424	6,876,645
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,423,084	1,916,659	52,484,754
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 7,264,647	¥ 6,423,084	\$59,361,399

NONCASH INVESTING AND FINANCING ACTIVITIES:

Not applicable.

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Mebuki Financial Group, Inc. (the "Company") and its consolidated subsidiaries (together, 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, in accordance with the Enforcement Regulation for the Banking Act, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.38 to \$1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 14 significant subsidiaries.

Ashigin Money Design Ltd. was included in the scope of consolidation since The Ashikaga Bank, Ltd. established the wholly owned subsidiary on July 15, 2021.

The Company acquired all shares of Joyo Credit Co., Ltd. from The Joyo Bank, Ltd. and all shares of Ashigin Card Co., Ltd. from The Ashikaga Bank, Ltd. through a dividend in kind, and Joyo Credit and Ashigin Card merged and changed the surviving company's trade name to Mebuki Card Co., Ltd. on April 1, 2021.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All consolidated subsidiaries have a fiscal year ending on March 31, which is the same as the fiscal year of the Company.

The consolidated financial statements as of March 31, 2022, do not include the accounts of 11 subsidiaries because the total assets, total income, net income, retained earnings, and accumulated other comprehensive income of those entities would not have had a material effect on the consolidated financial statements.

Ibaraki Warehouse Ltd. is not treated as a subsidiary even though the Group owns more than 50% of its voting rights, because the Company's unconsolidated subsidiary in the investment business held its shares for the purpose of growing the investee's business, and not for the purpose of controlling the entity.

The consolidated financial statements as of March 31, 2022, do not apply to the equity method of accounting of 11 unconsolidated subsidiaries and four associated companies because the net income, retained earnings, and accumulated other comprehensive income of those entities would not have had a material effect on the consolidated financial statements.

All significant intercompany balances and transactions have been eliminated on consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Negative goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Negative goodwill incurred before March 31, 2010, is amortized using the straight-line method over 20 years.

b. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary, while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Trading Assets and Trading Liabilities — Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, market prices of securities, and other market-related indices or from arbitrage between markets) are valued at market or fair value and have been included in trading assets and trading liabilities on a trade-date basis. Gains or losses on such trading transactions are reflected as trading income or trading expenses in the consolidated statement of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the consolidated balance sheet date. Derivatives, including swaps, futures, and options, are valued assuming settlement on the consolidated balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

d. Securities — Securities are classified and accounted for, depending on management's intent, as follows:

- (1) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost using the straight-line method.
- (2) Investments in unconsolidated subsidiaries that are not accounted for by the equity method are stated at cost determined by the moving-average method.
- (3) Available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities without readily available market prices are stated at cost determined by the moving-average cost method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

e. Tangible Fixed Assets — Tangible fixed assets (except for leased assets) are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the consolidated banking subsidiaries is computed by the straight-line method.

The range of useful lives is from 3 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets.

Depreciation of tangible fixed assets owned by other subsidiaries is mainly computed by the declining-balance method in estimated useful lives.

Depreciation of leased assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the respective lease periods. The residual value of leased assets is determined using the guaranteed residual value indicated on the lease contracts where provided; otherwise, they have a nil residual value.

f. Intangible Fixed Assets — Amortization of intangible fixed assets is computed by the straight-line method. The cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of mainly five years.

g. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Allowance for Loan Losses — The consolidated banking subsidiaries have provided an allowance for loan losses, which is determined based on management's judgment and assessment of future losses based on the write-offs and provisions standards. These systems reflect past experience of credit losses; possible credit losses; business and economic conditions; the character, quality, and performance of the portfolio; value of collateral or guarantees; and other pertinent indicators.

The quality of all loans performed by the business offices is reviewed by the credit-related divisions in the headquarters and then independently examined by the Internal Audit division based on the self-assessment of asset quality standards.

The classification of borrowers (six categories: normal borrowers; borrowers requiring caution excluding borrowers requiring monitoring; borrowers requiring monitoring; possible bankruptcy; virtual bankruptcy; and legal bankruptcy) is determined in accordance with self-assessment standards prescribed by the Group to evaluate the credit losses on loans.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings, or similar legal proceedings ("legal bankruptcy"), or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("virtual bankruptcy"), an allowance is provided based on the amount of claims, after the write-offs as stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt, but are likely to become bankrupt in the future ("possible bankruptcy"), an allowance is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers whose loans are classified as "restructured loans" over a certain amount, for which future cash flows from the collection of principal and interest are reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims based on the discounted cash flow method.

For other claims, an allowance is provided, mainly based on expected loan losses for the next three years for claims requiring special caution ("requiring monitoring") in whole or in part among claims against borrowers requiring caution in future management, such as borrowers with unreasonable loan terms,

borrowers with questionable performance, borrowers with weak or unstable business conditions, or borrowers with unfavorable financial conditions ("requiring caution"), and expected loan losses for the next one year for claims against borrowers other than requiring monitoring and claims against borrowers with good business conditions and no particular financial problems ("normal"). Expected loan losses are computed using the average historical loan loss ratio of the past one year to three years. Where necessary, the expected loan losses are modified for possible future scenarios.

For collateralized or guaranteed claims of borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2022 and 2021, the deducted amounts were ¥23,953 million (\$195,727 thousand) and ¥29,627 million, respectively.

Other consolidated subsidiaries determine allowances for loan losses that are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers and other) at an estimate of the amounts deemed uncollectible based on the respective assessments.

i. Allowance for Investment Losses — Allowance for investment losses is provided at the amount deemed necessary to cover estimated possible losses on certain type of nonmarketable investments.

j. Provision for Bonuses for Directors — Provision for bonuses for directors (including executive officers) is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

k. Retirement Benefits for Employees — The Group accounts for the liability for retirement benefits based on the projected benefit obligations and the fair value of plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss from the next year of incurrence and the year of incurrence, respectively, by the straight-line method over a period (mainly 10 years) no longer than the expected average remaining service period of the employees.

l. Provision for Retirement Benefits for Directors — Provision for retirement benefits for directors, which is provided for payments of retirement benefits to directors, is recorded in the amount deemed accrued at the fiscal year end date based on the estimated amount of benefits.

m. Provision for Reimbursement of Deposits — Provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims and is calculated based on the historical reimbursement experience.

n. Provision for Contingent Losses — Provision for contingent losses is provided for possible loan losses guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

o. Provision for Point Card Certificates — Provision for point card certificates, which is provided for the future use of points granted to customers under credit card points program, is calculated by converting the outstanding points into a monetary amount and rationally estimating and recognizing the amount that will be redeemed in the future.

p. Provision for Losses on Interest Repayments — Certain consolidated subsidiaries provide a provision for losses on interest repayments in an amount deemed necessary based on estimated amounts to be repaid, taking into account historical records of interest repayments on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

q. Reserves under Special Laws — Reserves under special laws are provided for contingent liabilities incurred by an accident in relation to the sales and purchase or other transactions of securities, which are amounted to ¥2 million (\$21 thousand) and ¥2 million as of March 31, 2022 and 2021, respectively, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Item 175 of the related cabinet order.

r. Stock Options — Compensation expense for employee stock options is recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

s. Stock Issuance Costs — Stock issuance costs are charged to income as incurred.

t. Leases — As a lessor, finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in leases. Income and expenses are recognized when lease receivables are collected as for finance lease transactions that do not transfer ownership of the property.

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, in line with the stipulations of Item 81 of the Guidance on Accounting Standard for Lease Transactions (Accounting Standards Board of Japan(ASBJ) Guidance No. 16, March 25, 2011), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous consolidated balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and investments in lease."

u. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group files a tax return under the consolidated taxation system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned subsidiaries.

Pursuant to the transitional treatment of the Item 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), which is prescribed after the institution of the "Act on Partial Revision of the Income Tax Act" (Act No. 8 of 2020) which is the law revising the nonconsolidated tax system, the Group records the amounts of deferred tax assets and deferred tax liabilities on the related items in accordance with the provisions of the previous tax law, not applying 44 of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018).

v. Translation of Foreign Currencies — Assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing as of the consolidated balance sheet date.

w. Derivatives and Hedging Activities — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value, with gains or losses on derivative transactions recognized in the consolidated statement of income, or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

The consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," for interest rate derivatives to manage interest rate risk from various financial assets and liabilities, as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge deposits, loans, and similar instruments and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

The consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry," to currency swaps and funding swaps used for the purpose of currency exchange. Under the deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and foreign exchange swaps, as hedging instruments. Effectiveness of derivative transactions, such as currency swap transactions and foreign exchange swap transactions, is reviewed by comparing the total foreign currency position of the hedged items and the hedging instrument by currency.

One consolidated banking subsidiary applies individual deferral hedge accounting to offset the price fluctuation of the strategic shares that are classified under available-for-sale securities, using stock forward contracts as hedged items. The hedge effectiveness of derivative transactions is reviewed by comparing the changes in value of the hedged item and hedging instruments.

The consolidated banking subsidiaries apply individual deferral hedge accounting and exceptional accrual method for interest rate swap to some assets and liabilities.

x. Cash and Cash Equivalents — Cash and cash equivalents in the consolidated statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan, of the consolidated banking subsidiaries and exclude the time deposits of the Company and the other consolidated subsidiaries.

y. Consumption Taxes — Consumption tax is excluded from transactions reported by the Group. However, nondeductible consumption tax on tangible fixed assets is charged to income as incurred.

z. Per Share Information — Basic net earnings per share (EPS) of common stocks is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

Accounting Change

(Accounting Standard for Fair Value Measurement)

ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" (ASBJ, July 4, 2019; hereinafter "Accounting Standard for Fair Value Measurement") and related guidance have been applied from the beginning of the period ended March 31, 2022. In accordance with Item 8 of the Accounting Standard for Fair Value Measurement, the fair value adjustment method applied to determine the fair value of derivatives was modified to use as much as possible observable inputs estimated by reference to derivatives and other instruments traded in the market. This modification was made due to the application of the Accounting Standard for Fair Value Measurement. In accordance with the transitional measures set forth in Item 20 of the Accounting Standard for Fair Value Measurement, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the previous fiscal year was recognized as adjustments to retained earnings at the beginning of the period ended March 31, 2022.

As a result, "Retained earnings" decreased by ¥366 million (\$2,997 thousand), "Trading assets" decreased by ¥234 million (\$1,914 thousand), "Other assets" decreased by ¥476 million (\$3,897 thousand), "Trading liabilities" decreased by ¥25 million (\$208 thousand), "Other liabilities" decreased by ¥158 million (\$1,296 thousand), "Deferred tax assets" increased by ¥160 million (\$1,310 thousand), and "Total equity per share" decreased by ¥0.32 (\$0 thousand) at the beginning of the period ended March 31, 2022.

In accordance with transitional treatment stipulated in Item 19 of "Accounting Standards for Fair Value Measurement" and Item 44-2 of "Accounting Standard for Financial Instrument," (ASBJ Statement No.10, July 4, 2019), new accounting policies have been applied from the beginning of the period ended March 31, 2022. Due to the application, the measurement of the fair value of domestic stocks and investment trusts in available-for-sale securities are changed from the fair value method based on their average prices during the final month of fiscal year to the fair value method based on the market prices as of the consolidated balance sheet date.

Other than the above, breakdown by level of the fair value hierarchy of financial instruments has been disclosed. However, in accordance with the transitional treatment set forth in Item 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Statement No. 19, July 4, 2021), that notes of the previous consolidated fiscal year were not disclosed.

Significant Accounting Estimates

Accounting estimates recorded in the consolidated financial statements for the current fiscal year that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

Allowance for loan losses

(i) Amounts recorded in the consolidated financial statements as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Allowance for loan losses	¥93,800	¥81,993	\$766,472

(ii) Information of the consolidated financial statements with regard to the accounting estimates

(a) Calculating method

As calculation method is stated on "h. Allowance for loan losses" in NOTE "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," the classification of borrowers (six categories: normal borrowers, borrowers requiring caution excluding borrowers requiring monitoring, borrowers requiring monitoring, possible bankruptcy; virtual bankruptcy; and legal bankruptcy) are determined in accordance with self-assessment standards prescribed by the Group to prepare for credit losses on loans. In determining the classification of borrowers, the Group considers the projections for changes in the performance of the borrowers that are expected to be affected by COVID-19 spread and other factors. Allowance for loan losses is estimated in accordance with the credit risk by estimating the expected loss amount based on the actual historical rate of loan losses for each classification of the borrowers determined as above.

(b) Significant assumptions

The classification of borrowers is determined by comprehensively considering various information such as the borrower's past financial condition, the repayment history, the future forecasts, and other qualitative information of the borrowers.

Since the future forecast information includes the impact of COVID-19 and can be significantly affected by changes in the external environment, the Group evaluates the information based on certain assumptions.

(c) Impact on the consolidated financial statements for the following fiscal year:

The assumptions used in determining the classification of borrowers are uncertain, and changes in the situation of COVID-19 spread and the external environment that may affect the borrower's future performance could increase or decrease the amount of loss and have a material impact on the consolidated financial statements.

New Accounting Pronouncements

Accounting Standards for Fair Value Measurement

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

(i) Overview

Guidance for fair value measurement and disclosure of investment trusts, and fair value disclosure of investments in partnership the net amount of which is recorded in the consolidated balance sheets, have been introduced.

(ii) Scheduled date of application

The Group applies these accounting standards from the beginning of the fiscal year ending March 31, 2023.

(iii) Effects of application

The effect of applying these accounting standards is currently being examined.

"Practical Solution on the Accounting and Disclosure under the Group Tax Sharing Systems" (PITF No. 42, August 12, 2021)

(i) Overview

Accounting treatment and disclosure regarding corporation tax and local corporation tax as well as tax effect accounting under the group tax sharing system have been introduced.

(ii) Scheduled date of application

The Group applies these accounting standards from the beginning of the fiscal year ending March 31, 2023.

(iii) Effects of application

The effect of applying these accounting standards is currently being examined.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and due from banks" in the consolidated balance sheets as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and due from banks.....	¥7,270,668	¥6,425,755	\$59,410,591
Deposits with banks of the consolidated banking subsidiaries other than the Bank of Japan.....	(6,020)	(2,671)	(49,192)
Cash and cash equivalents	¥7,264,647	¥6,423,084	\$59,361,399

4. TRADING SECURITIES AND SECURITIES

The amounts shown in the following tables include "Securities," trading securities in "Trading assets," and trust beneficiary right in "Monetary claims bought," as described in the consolidated balance sheet.

Valuation differences recognized as income and expenses as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Trading securities.....	¥(14)	¥(8)	\$(120)

Securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Japanese national government bonds	¥ 811,822	¥ 656,315	\$ 6,633,620
Japanese local government bonds	1,066,241	1,027,789	8,712,551
Japanese corporate bonds.....	867,118	826,572	7,085,461
Japanese corporate stocks	258,262	269,909	2,110,336
Other securities	1,678,855	1,552,657	13,718,384
Total	¥4,682,301	¥4,333,243	\$38,260,352

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2022 and 2021, were as follows:

March 31, 2022	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	¥4,352,411	¥184,989	¥56,058	¥4,481,342
Equity securities.....	122,610	133,737	2,160	254,187
Debt securities:.....	2,607,580	2,917	24,229	2,586,268
Japanese national government bonds	768,689	683	15,366	754,006
Japanese local government bonds	1,067,204	1,286	2,849	1,065,641
Japanese corporate bonds.....	771,686	946	6,012	766,620
Others:	1,622,220	48,334	29,668	1,640,886
Foreign bonds	981,627	4,625	18,896	967,355
Others.....	640,593	43,709	10,771	673,530
Held-to-maturity:	158,914	191	695	158,410
Japanese national government bonds.....	57,816	—	366	57,450
Japanese local government bonds.....	599	0	0	599
Japanese corporate bonds	100,497	191	328	100,360

March 31, 2021	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	¥3,936,277	¥229,723	¥18,944	¥4,147,056
Equity securities.....	126,326	142,514	3,032	265,807
Debt securities:.....	2,354,930	7,906	5,424	2,357,413
Japanese national government bonds	599,043	1,670	3,239	597,473
Japanese local government bonds	1,024,117	3,444	373	1,027,189
Japanese corporate bonds.....	731,770	2,791	1,811	732,749
Others:	1,455,020	79,302	10,487	1,523,835
Foreign bonds	923,848	40,812	5,130	959,530
Others.....	531,172	38,489	5,357	564,304
Held-to-maturity:	153,263	963	150	154,076
Japanese national government bonds.....	58,841	3	9	58,835
Japanese local government bonds.....	599	0	—	600
Japanese corporate bonds	93,822	959	140	94,640

March 31, 2022	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:	\$35,564,732	\$1,511,599	\$458,069	\$36,618,262
Equity securities.....	1,001,882	1,092,808	17,657	2,077,034
Debt securities:.....	21,307,247	23,837	197,983	21,133,101
Japanese national government bonds	6,281,166	5,586	125,565	6,161,188
Japanese local government bonds	8,720,419	10,514	23,284	8,707,648
Japanese corporate bonds	6,305,661	7,737	49,134	6,264,265
Others:	13,255,603	394,954	242,429	13,408,128
Foreign bonds	8,021,142	37,793	154,410	7,904,526
Others.....	5,234,461	357,161	88,019	5,503,602
Held-to-maturity:	1,298,531	1,565	5,683	1,294,414
Japanese national government bonds.....	472,432	—	2,993	469,439
Japanese local government bonds.....	4,903	0	2	4,900
Japanese corporate bonds	821,196	1,565	2,687	820,074

Information for available-for-sale securities, which were sold during the years ended March 31, 2022 and 2021, is as follows:

March 31, 2022	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 18,138	¥6,354	¥ 1,266
Debt securities:	144,027	609	1,275
Japanese national government bonds....	143,623	607	1,275
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	404	2	—
Others:	237,810	1,384	9,332
Foreign bonds.....	103,710	418	2,705
Others.....	134,099	966	6,626
Total	¥399,976	¥8,348	¥11,873

March 31, 2021	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 24,696	¥13,763	¥ 464
Debt securities:	133,905	19	2,024
Japanese national government bonds....	115,242	12	2,012
Japanese local government bonds	16,685	3	12
Japanese corporate bonds.....	1,977	4	—
Others:	265,981	8,958	16,939
Foreign bonds.....	43,832	229	1,821
Others.....	222,148	8,728	15,117
Total	¥424,582	¥22,741	¥19,429

March 31, 2022	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$ 148,217	\$51,922	\$10,349
Debt securities:	1,176,891	4,981	10,420
Japanese national government bonds....	1,173,587	4,964	10,420
Japanese local government bonds	—	—	—
Japanese corporate bonds.....	3,304	17	—
Others:	1,943,211	11,312	76,256
Foreign bonds.....	847,449	3,416	22,105
Others.....	1,095,762	7,896	54,151
Total	\$3,268,319	\$68,215	\$97,025

Marketable available-for-sale securities, whose fair value significantly declined in comparison with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down and recognized as impairment losses.

The impairment losses on marketable available-for-sale securities for the years ended March 31, 2022 and 2021, were ¥286 million (\$2,340 thousand) and ¥6,253 million, respectively.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14, April 14, 2015), the criteria for determining whether the fair value is "significantly declined" defined that securities whose fair value has declined by 30% or more of the acquisition cost are deemed to be impaired.

As of March 31, 2022 and 2021, securities included equity investments in unconsolidated subsidiaries and associated companies of ¥0 million (\$0 thousand) and ¥9 million and capital subscriptions of ¥4,630 million (\$37,838 thousand) and ¥3,417 million, respectively.

5. MONEY HELD IN TRUST

Money held in trust for trading purposes as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Amounts recorded in the consolidated balance sheets	¥2,027	¥1,970	\$16,565
Valuation gain (loss) included in the consolidated statements of income....	57	(32)	473

6. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Unrealized gains on available-for-sale securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gains:	¥130,642	¥211,592	\$1,067,512
Available-for-sale securities	130,642	211,592	1,067,512
Deferred tax liabilities:	39,091	63,578	319,429
Unrealized gains on available-for-sale securities before adjustments by ownership share	91,550	148,013	748,083
Noncontrolling interests.....	—	—	—
Unrealized gains on available-for-sale securities	¥91,550	¥148,013	\$748,083

As of March 31, 2022 and 2021, the total unrealized gains include an unrealized gain of ¥1,711 million (\$13,981 thousand) and ¥814 million, respectively, on available-for-sale securities contained in certain fund.

7. LOANS AND BILLS DISCOUNTED

Claims based on Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions as of March 31, 2022 and 2021 are as follows:

The claims consist of those included in the accounts of bonds included in "Securities" (its principal's redemption and interest payments are guaranteed, in whole or in part, and the corporate bonds issue is limited to a private placement of the securities (Article 2, Item 3 of the Financial Instruments and Exchange Act); "Loans," "foreign exchanges assets," accrued interest, and suspense payment in "Other assets" and "Customers' liabilities for acceptances and guarantees" in the consolidated balance sheet, and securities in the notes (limited to those under a loan for use or lease agreement) that are in case of loan.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Bankrupt and substantially bankrupt claims.....	¥ 13,816	¥ 10,328	\$ 112,896
Doubtful claims.....	151,196	143,245	1,235,470
Claims past due for three months or more.....	83	110	681
Restructured claims	27,523	27,382	224,900
Total	¥192,619	¥181,068	\$1,573,945

The amounts above are stated before the deduction of the allowance for loan losses.

Bankrupt and substantially bankrupt claims" are claims against debtors in bankruptcy due to the commencement of bankruptcy procedures, the commencement of reorganization proceedings, the petition for the commencement of rehabilitation proceedings, and claims equivalent these.

"Doubtful claims" are claims that the debtor is not yet in a state of bankruptcy, but its financial position and business performance have deteriorated, and it is highly probable that principal's collection and interest on claims in accordance with the terms of the contract will not be received. These claims do not fall under the category of "Bankrupt and substantially bankrupt claims."

"Loans past due for three months or more" include accruing loans for which principal or interest is past due three months or more.

"Restructured loans" are loans to borrowers in financial difficulty to whom the Group has provided financial support through modification of the lending terms to be more favorable to the borrower, including reduction of interest rates, suspension of repayment of principal and interest, and debt forgiveness.

Change to Presentation of Financial Information

(Change in Presentation according to enforcement "Cabinet Office Ordinance for Partial Revision of the Ordinance for Enforcement of the Banking Act, etc.")

With the enforcement of the "Cabinet Office Ordinance for Partial Revision of the Ordinance for Enforcement of the Banking Act, etc." (Cabinet Office Ordinance No. 3 of January 24, 2020) on March 31, 2022, the classification of the risk-monitored loans has been shown in accordance with the classification of disclosure receivables based on the Act on Emergency Measures for the Revitalization of Financial Functions, etc.

Contracts of overdraft facilities and loan commitment limits are contracts under which the consolidated banking subsidiaries and certain consolidated subsidiaries lend to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2022 and 2021, the amounts of unused commitments were ¥2,894,178 million (\$23,649,111 thousand) and ¥2,969,415 million, respectively. As of March 31, 2022 and 2021, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,935,400 million (\$15,814,681 thousand) and ¥1,935,453 million, respectively.

As many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions, whereby the consolidated banking subsidiaries and certain consolidated subsidiaries can refuse customer applications for loans or decrease the contract limits for certain reason (e.g., changes in financial situation and deterioration in customers' creditworthiness). At the inception of the contracts, the consolidated banking subsidiaries and certain consolidated subsidiaries obtain real estate, securities, or other assets as collateral if considered to be necessary. Subsequently, the consolidated banking subsidiaries and certain consolidated subsidiaries perform periodic reviews of the customers' business results based on the internal rules and take necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

Discounting bills are treated as secured lending transactions. As of March 31, 2022 and 2021, consolidated banking subsidiaries have the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥27,118 million (\$221,589 thousand) and ¥25,158 million, respectively.

8. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Buildings	¥ 37,076	¥ 37,717	\$302,963
Land	52,666	55,442	430,356
Leased assets.....	31	43	254
Construction in progress.....	622	511	5,089
Other	12,405	13,697	101,365
Total	¥102,802	¥107,412	\$840,026

The accumulated depreciation of tangible fixed assets as of March 31, 2022 and 2021, amounted to ¥124,260 million (\$1,015,368 thousand) and ¥126,085 million, respectively.

Under certain conditions, such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. As of March 31, 2022 and 2021, such deferred profit amounted to ¥9,720 million (\$79,432 thousand) and ¥9,955 million, respectively.

Under the "Law of Land Revaluation," one banking subsidiary elected a onetime revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998. The resulting revaluation reserve for land represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the revaluation reserve for land account and related deferred tax liabilities. As of March 31, 2022 and 2021, the carrying amount of the land after the above onetime revaluation exceeded the market value by ¥21,060 million (\$172,090 thousand) and ¥23,355 million, respectively.

9. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Software.....	¥12,628	¥14,705	\$103,194
Other	3,267	3,422	26,703
Total	¥15,896	¥18,127	\$129,897

10. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in the consolidated balance sheet. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the consolidated banking subsidiaries' and certain consolidated subsidiaries' rights of indemnity from the applicants.

Guarantee obligations for private placement bonds included in "Securities" (provided in accordance with the Article 2-3 of the "Financial Instruments and Exchange Act") as of March 31, 2022 and 2021, were ¥184,934 million (\$1,511,147 thousand) and ¥181,095 million, respectively.

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and the related liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets pledged as collateral:			
Securities.....	¥2,818,331	¥2,521,026	\$23,029,344
Loans and bills discounted	2,632,593	2,474,394	21,511,630
Total	¥5,450,924	¥4,995,420	\$44,540,974
Related liabilities to above assets:			
Deposits	¥ 208,950	¥ 198,809	\$ 1,707,388
Payables under repurchase agreements	148,165	130,255	1,210,697
Payables under securities lending transactions.....	826,826	620,749	6,756,219
Borrowed money	3,789,901	3,387,158	30,968,307

Additionally, securities amounting to ¥5,380 million (\$43,966 thousand) and ¥5,436 million as of March 31, 2022 and 2021, respectively, were pledged as collateral for settlements of exchange or as substitute securities for margins on futures transactions.

Moreover, other assets included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deposits for central counterparty.....	¥107,721	¥94,710	\$880,220
Cash collateral paid for financial instruments.....	26,935	9,155	220,093
Cash collateral paid for transactions involving public funds.....	2,101	2,063	17,174
Guarantee deposits.....	1,427	1,759	11,664

12. BORROWED MONEY

Borrowed money as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Borrowed money of which the weighted-average annual interest rates were 0.01%, due from April 2022 to June 2035.....	¥3,795,700	¥3,394,050	\$31,015,692

Annual maturities of borrowed money as of March 31, 2022, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023.....	¥3,584,657	\$29,291,201
2024.....	86,779	709,098
2025.....	30,344	247,953
2026.....	93,751	766,068
2027.....	152	1,243

13. RETIREMENT AND PENSION PLANS

(1) Outline of the adopted retirement benefit plans

The Company's banking subsidiary, The Joyo Bank, Ltd. ("Joyo"), and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits.

In addition, extra benefits that are excluded from the projected benefit obligation in employees' retirement benefits accounting may be paid on a case-by-case basis. Joyo has established an employees' retirement benefit trust.

The Company's banking subsidiary, Ashikaga Bank, Ltd. ("Ashikaga"), and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans, as well as defined contribution plans to provide for the employees' retirement benefits. All of the retirement benefit plans are managed in an integrated manner through retirement benefit points that are determined based on years of service and capabilities of employees, as well as employee performance evaluation. The determined points are then allocated to each plan.

The defined benefit pension plans (funded plans) have introduced pension plans similar to cash balance plan-type pension plans. Under the plan, each participant will set up a virtual individual account where pension or lump-sum payments will be made based on the accumulated retirement benefit points allocated. A retirement benefit trust is established for this defined benefit pension plan.

Under the lump-sum retirement benefit plans (unfunded plans that have become funded plans due to the establishment of a retirement benefit trust), lump-sum payments are made based on the accumulated retirement benefit points allocated. In some cases, premium severance payments may be made to employees in conjunction with the employees' retirement and other.

Under the defined contribution plans, the contribution amount is decided based on the accumulated retirement benefit points allocated.

The Company's consolidated subsidiaries are members of the defined benefit pension funds under the multiemployer plans, and as the amount of plan assets corresponding to the contribution of each subsidiary may be reasonably calculated, such information is included in the notes to defined benefit plans.

Regarding the lump-sum retirement benefit plans adopted by certain consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated by the simplified method.

(2) Defined benefit plans

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year.....	¥121,046	¥120,372	\$ 989,101
Current service cost.....	3,427	3,649	28,003
Interest cost.....	510	432	4,169
Actuarial losses.....	1,012	2,775	8,275
Benefits paid.....	(6,112)	(6,301)	(49,950)
Prior service cost.....	315	—	2,576
Others.....	3,530	117	28,846
Balance at end of year.....	¥123,728	¥121,046	\$1,011,021

*Figures above exclude retirement and benefit plans calculated by the simplified method.

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year.....	¥153,167	¥130,723	\$1,251,577
Expected return on plan assets.....	2,967	2,527	24,251
Actuarial gains.....	1,167	20,158	9,538
Contributions from the employer.....	3,335	3,435	27,253
Benefits paid.....	(3,657)	(3,713)	(29,884)
Others.....	34	36	280
Balance at end of year.....	¥157,015	¥153,167	\$1,283,015

*Figures above exclude retirement and benefit plans calculated by the simplified method.

(c) The changes in liabilities for retirement benefits adopting the simplified method for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year.....	¥1,181	¥1,261	\$ 9,655
Retirement benefit expense.....	301	326	2,465
Benefits paid.....	(148)	(121)	(1,211)
Contribution to the defined benefit pension plan.....	(198)	(204)	(1,620)
Other.....	(3)	(80)	(31)
Balance at end of year.....	¥1,133	¥1,181	\$ 9,259

(d) Reconciliation between the liabilities recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation.....	¥ 127,315	¥ 124,735	\$ 1,040,330
Plan assets.....	(160,586)	(156,858)	(1,312,197)
Total.....	(33,271)	(32,122)	(271,867)
Unfunded defined benefit obligation.....	1,133	1,181	9,259
Net asset arising from defined benefit obligation.....	¥ (32,137)	¥ (30,940)	\$ (262,607)

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits.....	¥ 324	¥ 249	\$ 2,654
Asset for retirement benefits.....	(32,462)	(31,189)	(265,261)
Net asset arising from defined benefit obligation.....	¥(32,137)	¥(30,940)	\$ (262,607)

*Figures above include retirement and benefit plans calculated by the simplified method.

(e) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost.....	¥ 3,427	¥ 3,649	\$ 28,003
Interest cost.....	510	432	4,169
Expected return on plan assets.....	(2,967)	(2,527)	(24,251)
Recognized actuarial losses (gains).....	(487)	1,611	(3,980)
Amortization of prior service cost.....	23	—	193
Retirement benefit expense calculated by the simplified method.....	301	326	2,465
Others.....	3,476	(14)	28,410
Net periodic benefit costs.....	¥ 4,284	¥ 3,478	\$ 35,010

(f) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost.....	291	—	2,383
Actuarial losses (gains).....	350	(18,994)	2,860
Total.....	¥641	¥(18,994)	\$5,243

(g) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost.....	291	—	2,383
Unrecognized actuarial gains.....	(7,745)	(8,077)	(63,288)
Total.....	¥(7,453)	¥(8,077)	\$ (60,905)

(h) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Debt investments.....	40.7%	43.6%	
Equity investments.....	41.7%	41.5%	
General accounts.....	9.4%	9.5%	
Others.....	8.2%	5.4%	
Total.....	100.0%	100.0%	

* As of March 31, 2022 and 2021, total plan assets that were set up on corporate pension plans include a retirement benefit trust of 33.2% and 33.5%, respectively.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

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

	2022	2021
Discount rate.....	0.30% — 0.60%	0.20% — 0.50%
Expected rate of return on plan assets.....	2.50%	2.50%
Expected rate of increase in salary.....	4.36% — 9.00%	4.49% — 9.00%

(3) Defined contribution plans

The amounts of the required contribution to the defined contribution plans of certain consolidated subsidiaries were ¥689 million (\$5,637 thousand) and ¥702 million as of March 31, 2022 and 2021, respectively.

14. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee, and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(1) Capital Stock Changes during the Year

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2022, were as follows:

	Shares in Thousands			
	As of April 1, 2021	Changes During the Year		As of March 31, 2022
Increase		Decrease		
Issued stock:				
Common stock	1,179,055	—	90,000 ^{*1}	1,089,055
Total	1,179,055	—	90,000	1,089,055
Treasury stock:				
Common stock	19,143	80,609 ^{*2}	90,453 ^{*3}	9,299
Total	19,143	80,609	90,453	9,299

*1 The number of issued stock decreased due to retirement of treasury stock in accordance with Article 178 of the Companies Act.

*2 The number of shares of treasury stock increased by 80,601 thousand shares due to purchase of the Company's own shares, 2 thousand shares due to purchases of shares less than the trading unit, and 6 thousand shares due to acquisitions of restricted stocks without charge.

*3 The number of shares of treasury stock decreased by 1 thousand shares due to sales to shareholders in response to their demand to buy additional shares up to the trading unit, 338 thousand shares due to the disposal of the Company's own shares as restricted stocks, 113 thousand shares due to exercise of the stock acquisition rights, and 90,000 thousand shares due to retirement of treasury stock.

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2021, were as follows:

	Shares in Thousands			
	As of April 1, 2020	Changes During the Year		As of March 31, 2021
Increase		Decrease		
Issued stock:				
Common stock	1,179,055	—	—	1,179,055
Total	1,179,055	—	—	1,179,055
Treasury stock:				
Common stock	19,745	11 ^{*1}	612 ^{*2}	19,143
Total	19,745	11	612	19,143

*1 The number of shares of treasury stock increased by 2 thousand shares due to purchases of shares less than the trading unit and by 8 thousand shares due to acquisitions of restricted stocks without charge.

*2 The number of shares of treasury stock decreased by 1 thousand shares due to sales to shareholders in response to their demand to buy additional shares up to the trading unit, by 312 thousand shares due to the disposal of the Company's own shares as restricted stocks, and by 298 thousand shares due to exercise of the stock acquisition rights.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(2) Cash Dividends Per Share

Cash dividends per share for the years ended March 31, 2022 and 2021, were as follows:

Year ended March 31, 2022

Dividends paid in the fiscal year ended March 31, 2022

	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 12, 2021:				
Common stock	¥6,379 (\$52,129)	¥5.50 (\$0.04)	Mar. 31, 2021	Jun. 2, 2021
Cash dividends approved at the Board of Directors' meeting held on Nov. 12, 2021:				
Common stock	¥6,051 (\$49,453)	¥5.50 (\$0.04)	Sep. 30, 2021	Dec. 2, 2021

Dividends to be paid after March 31, 2022

	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 13, 2022:				
Common stock	¥5,938 (\$48,526)	¥5.50 (\$0.04)	Mar. 31, 2022	Jun. 2, 2022

Year ended March 31, 2021:

Dividends paid in the fiscal year ended March 31, 2021

	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 13, 2020:				
Common stock	¥6,376	¥5.50*	Mar. 31, 2020	Jun. 2, 2020
Cash dividends approved at the Board of Directors' meeting held on Nov. 9, 2020:				
Common stock	¥6,379	¥5.50	Sep. 30, 2020	Dec. 2, 2020

*Of the per share amount above, ¥1.00 is the amount of a commemorative dividend for the business integration.

Dividends to be paid after March 31, 2021

	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 13, 2021:				
Common stock	¥6,379	¥5.50	Mar. 31, 2021	Jun. 2, 2021

15. STOCK OPTIONS

The Company's stock option plans grant options to directors and others to purchase certain shares of the Company's common stock in the respective exercise periods.

The stock options outstanding as of March 31, 2022, were as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
Mebuki Financial Group, Inc. 1st Series of Stock Acquisition Rights*1	10 directors of Joyo*2	16,833	August 24, 2009*3	¥1	From October 1, 2016, to August 24, 2039
Mebuki Financial Group, Inc. 2nd Series of Stock Acquisition Rights*1	10 directors of Joyo*2	23,634	July 21, 2010*3	¥1	From October 1, 2016, to July 21, 2040
Mebuki Financial Group, Inc. 3rd Series of Stock Acquisition Rights*1	10 directors of Joyo*2	43,430	July 20, 2011*3	¥1	From October 1, 2016, to July 20, 2041
Mebuki Financial Group, Inc. 5th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	42,024	July 19, 2012*3	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 7th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	39,241	July 18, 2013*3	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 9th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	40,656	July 18, 2014*3	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 11th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	40,041	July 17, 2015*3	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 12th Series of Stock Acquisition Rights*1	13 executive officers of Joyo*2	22,830	July 17, 2015*3	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 13th Series of Stock Acquisition Rights	29 directors of the Company, Joyo and Ashikaga	142,176	December 6, 2016	¥1	From December 7, 2016, to December 6, 2046
Mebuki Financial Group, Inc. 14th Series of Stock Acquisition Rights	16 executive officers of Joyo	63,910	December 6, 2016	¥1	From December 7, 2016, to December 6, 2046
Mebuki Financial Group, Inc. 15th Series of Stock Acquisition Rights	29 directors of the Company, Joyo and Ashikaga	135,990	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
Mebuki Financial Group, Inc. 16th Series of Stock Acquisition Rights	16 executive officers of Joyo	62,024	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
Mebuki Financial Group, Inc. 17th Series of Stock Acquisition Rights	24 directors of the Company, Joyo and Ashikaga	127,508	August 14, 2018	¥1	From August 15, 2018, to August 14, 2048
Mebuki Financial Group, Inc. 18th Series of Stock Acquisition Rights	34 executive officers of Joyo and Ashikaga	147,282	August 14, 2018	¥1	From August 15, 2018, to August 14, 2048
Mebuki Financial Group, Inc. 19th Series of Stock Acquisition Rights	23 executive officers of Joyo and Ashikaga	201,104	August 20, 2019	¥1	From August 21, 2019, to August 20, 2049
Mebuki Financial Group, Inc. 20th Series of Stock Acquisition Rights	29 executive officers of Joyo and Ashikaga	193,295	August 20, 2019	¥1	From August 21, 2019, to August 20, 2049

*1 As a result of the share exchange conducted between the Company and Joyo on October 1, 2016, stock acquisition rights of the Company were allotted to the holders of stock acquisition rights of Joyo based on the share exchange ratio.

*2 The number is initially granted by Joyo.

*3 The date is initially granted by Joyo.

The stock option activity was as follows:

	Mebuki FG 1st	Mebuki FG 2nd	Mebuki FG 3rd	Mebuki FG 5th
Year ended March 31, 2022				
Non-vested (shares):				
April 1, 2021 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2021 — Outstanding	6,733	9,453	14,040	13,586
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2022 — Outstanding	6,733	9,453	14,040	13,586
Exercise price (Yen/US Dollars)	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Average stock price at exercise (Yen/US Dollars)	—	—	—	—
Fair value price at grant date (Yen/US Dollars)	¥417 \$3.41	¥297 \$2.43	¥300 \$2.45	¥310 \$2.53
Year ended March 31, 2022				
Non-vested (shares):				
April 1, 2021 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2021 — Outstanding	12,466	12,916	12,797	2,378
Vested	—	—	—	—
Exercised	—	—	3,302	2,378
Canceled	—	—	—	—
March 31, 2022 — Outstanding	12,466	12,916	9,495	—
Exercise price (Yen/US Dollars)	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Average stock price at exercise (Yen/US Dollars)	—	—	¥258 \$2.11	¥258 \$2.11
Fair value price at grant date (Yen/US Dollars)	¥518 \$4.23	¥500 \$4.09	¥680 \$5.56	¥708 \$5.79

	Mebuki FG 13th	Mebuki FG 14th	Mebuki FG 15th	Mebuki FG 16th
Year ended March 31, 2022				
Non-vested (shares):				
April 1, 2021 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2021 — Outstanding	33,005	11,550	38,297	19,198
Vested	—	—	—	—
Exercised	5,565	3,850	5,333	4,430
Canceled	—	—	—	—
March 31, 2022 — Outstanding	27,440	7,700	32,964	14,768
Exercise price (Yen/US Dollars)	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Average stock price at exercise (Yen/US Dollars)	¥258 \$2.11	¥258 \$2.11	¥258 \$2.11	¥258 \$2.11
Fair value price at grant date (Yen/US Dollars)	¥345 \$2.82	¥374 \$3.06	¥360 \$2.94	¥390 \$3.19

	Mebuki FG 17th	Mebuki FG 18th	Mebuki FG 19th	Mebuki FG 20th
Year ended March 31, 2022				
Non-vested (shares):				
April 1, 2021 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2021 — Outstanding	65,749	58,746	130,377	137,445
Vested	—	—	—	—
Exercised	7,523	17,376	28,152	35,343
Canceled	—	—	—	—
March 31, 2022 — Outstanding	58,226	41,370	102,225	102,102
Exercise price (Yen/US Dollars)	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Average stock price at exercise (Yen/US Dollars)	¥258 \$2.11	¥252 \$2.06	¥258 \$2.11	¥253 \$2.07
Fair value price at grant date (Yen/US Dollars)	¥319 \$2.61	¥348 \$2.84	¥179 \$1.46	¥206 \$1.68

The Method Used to Estimate the Number of Stock Options Expected to Vest

Since it is difficult to rationally estimate the number of unexercised options in the future, a method of only reflecting actual unexercised options is adopted.

16. PER SHARE OF COMMON STOCK

(1) EPS

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2022 and 2021, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares	EPS	
Year Ended March 31, 2022				
Basic EPS —				
Net income available to common shareholders.....	¥42,958	1,102,355	¥38.96	\$0.32
Effect of dilutive securities:				
Warrants.....	—	466	—	—
Diluted EPS —				
Net income for computation.....	¥42,958	1,102,822	¥38.95	\$0.32

Year Ended March 31, 2021

Basic EPS —				
Net income available to common shareholders.....	¥36,478	1,159,757	¥31.45	
Effect of dilutive securities:				
Warrants.....	—	642	—	—
Diluted EPS —				
Net income for computation.....	¥36,478	1,160,400	¥31.43	

(2) Total equity per share

Total equity per share as of March 31, 2022 and 2021, was as follows:

	Yen		U.S. Dollars
	2022	2021	2022
Total equity per share.....	¥888.10	¥861.05	\$7.26

Total equity per share as of March 31, 2022 and 2021, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total equity.....	¥959,063	¥998,906	\$7,836,764
Deductions from total equity.....	130	161	1,069
Total equity attributable to common shareholders.....	¥958,932	¥998,744	\$7,835,695

	Number of Shares in Thousands	
	2022	2021
Number of shares of common stock used in computing total equity per share at year-end.....	1,079,755	1,159,911

17. OTHER INCOME

Other income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gain on sales of stock and other securities.....	¥ 7,320	¥21,905	\$ 59,818
Recoveries of write-off of claims.....	3,863	2,435	31,570
Gain on disposal of fixed assets.....	261	144	2,134
Other.....	36,177	34,862	295,619
Total.....	¥47,623	¥59,347	\$389,141

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Salaries and allowances.....	¥ 51,227	¥ 51,971	\$418,592
Periodic benefit costs.....	4,870	4,062	39,798
Other.....	58,526	59,730	478,237
Total.....	¥114,624	¥115,763	\$936,627

19. OTHER EXPENSES

Other expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loss on sales of stocks and other securities.....	¥ 3,474	¥12,107	\$ 28,392
Write-off of loans.....	5,368	5,291	43,871
Impairment on fixed assets*.....	3,814	1,562	31,169
Loss on disposal of fixed assets.....	684	490	5,596
Other.....	34,846	40,862	284,738
Total.....	¥48,189	¥60,314	\$393,766

* Impairment losses on long-lived assets were recognized mainly on the properties of the Bank's branches in the Tochigi and Ibaraki prefectures, whose operations were discontinued because the Company believed the investment would not be recoverable. The components of impairment losses on fixed assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Buildings.....	¥ 371	¥689	\$ 3,036
Land.....	2,757	540	22,533
Equipment.....	313	147	2,558
Software.....	372	—	3,041
Water supply subscription rights.....	0	—	1
Telephone subscription rights.....	—	130	—
Leasehold improvements.....	—	34	—
Guarantee and lease deposits.....	—	19	—

20. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 30.62% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities, as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥ 33,750	¥ 31,416	\$ 275,787
Write-offs of securities	8,129	8,652	66,426
Liability for retirement benefits	4,895	4,967	40,004
Provision for employee bonuses	1,904	1,885	15,560
Tax loss carryforwards	1,441	1,621	11,776
Depreciation	872	833	7,128
Provision for reimbursement of deposits	664	748	5,426
Other	10,596	10,642	86,588
Subtotal deferred tax assets	62,254	60,767	508,696
Less valuation allowance	(12,426)	(13,328)	(101,541)
Total deferred tax assets	49,827	47,439	407,154
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(45,139)	(70,365)	(368,846)
Retirement benefit trust	(4,467)	(4,467)	(36,506)
Other	(9,322)	(6,739)	(76,178)
Total deferred tax liabilities	(58,929)	(81,573)	(481,531)
Net deferred tax liabilities	¥ (9,102)	¥(34,134)	\$ (74,377)

Since the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the legally effective tax rate, a reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2022 and 2021, is omitted.

21. LEASES

Future minimum payments under noncancelable operating leases as of March 31, 2022 and 2021, were as follows:

Lessee

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 82	¥108	\$ 678
Due after one year	54	91	445
Total	¥137	¥200	\$1,123

Lessor

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 8	¥2	\$ 66
Due after one year	12	2	99
Total	¥20	¥5	\$165

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Matters Relating to the Conditions of Financial Instruments

(1) Group Policies for Financial Instruments

The Group provides comprehensive financial services, such as lease and securities centering on banking. As the central business operation of the Group, the consolidated banking subsidiaries raise funds by deposits as its basic function as a bank; the consolidated banking subsidiaries also procure funds by call money transactions from short-term markets to maintain an adequate degree of liquidity. The consolidated banking subsidiaries manage those funds through lending to corporate customers and individuals, such as housing loans; investing in securities, mainly bonds; and investing in money markets.

The Group utilizes Asset Liability Management (ALM) to avoid unfavorable floating interest rate fluctuation of the financial assets and liabilities it holds. As a part of ALM, the Group has entered into derivative transactions.

(2) Nature and Extent of Risks Arising from Financial Instruments

The Group's financial assets are mainly loans made by the consolidated banking subsidiaries to domestic corporations and individuals in Japan, which are exposed not only to interest rate fluctuation risks but also to customers' credit risks. Securities and investment securities, such as bonds, stocks, and investment trusts, are possessed to trade, to hold to maturity dates to generate stable interest income, and to promote business relationships with the issuers. These securities are exposed to the issuers' credit risks, interest rate fluctuation risks, and market price fluctuation risks.

The Group's main financial liabilities are deposits received by the consolidated banking subsidiaries, which are exposed to interest rate fluctuation risks and liquidity risks. Borrowed money and bonds are exposed to the risks that the Group may not be able to repay them on their maturity dates if, under certain circumstances, the Group is not able to access a capital market.

The consolidated banking subsidiaries utilize derivative transactions to hedge the customers' interest and currency risks and to control the interest rate fluctuation risks in ALM. Derivatives transactions are utilized to hedge interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, and market price fluctuation risks on the Group's financial assets and liabilities. Derivatives mainly include interest rate swaps, currency swaps, and bond futures and are exposed to the interest rate fluctuation risks, market price fluctuation risks, foreign currency exchange rate fluctuation risks, and credit risks.

Hedge accounting is applied to certain derivatives.

In hedge transactions against foreign currency fluctuation risks, mainly currency swaps and foreign exchange swaps, the effectiveness of hedging is determined by confirming that the amount of the hedging instruments is generally consistent with that of the hedged items. Regarding an exceptional accounting treatment in interest rate swaps, post testing is conducted to confirm that requirements for the treatment are satisfied.

Derivatives transactions to which hedge accounting is not applied are exposed to interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, price fluctuation risks, and credit risks.

(3) Risk Management for Financial Instruments

(a) Integrated Risk Management

The Group conducts integrated risk management to holistically control risks from various financial assets and liabilities and risks related to the banking business. More specifically, the periodically quantified risks of the Group are controlled so as to not exceed Tier 1 capital allocated by each risk category. The bank assesses unquantifiable risks using stress tests and other measures.

(b) Credit Risk Management

The Group has enacted "Group Guidelines for Credit Risk Management," which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risks.

Credit risk management divisions have been segregated from the divisions under business headquarters to achieve rigorous credit review and conduct monitoring of borrowers' financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the Group designs and operates controls over self-assessment of the quality of assets which is performed in multiple steps. The assessment of the quality of assets performed by the business offices is reviewed by the credit-related divisions in the headquarters, and then independently examined by the Internal Audit division.

As for credit risks of the issuers of securities and the counterparties of derivatives transactions, global markets and market operation divisions monitor credit information and market prices and give the issuers and counterparties credit ratings, as well as carrying out assessments of the issuers and counterparties as general borrowers.

(c) Market Risk Management

① Market Risk Management Measures

The Group manages market risks by ALM. Risk management policies and procedures are prescribed in relevant ALM rules and manuals, and these policies, decided in ALM/Risk Management Committee and so forth, are closely monitored and regularly discussed.

② Market Risk Quantitative Information

(i) Banking Account

a. Interest Rate Risk

The Group adopts the variance-covariance method as the measurement method (a holding period of six months, a confidence interval of 99%, and an observation period of one year) for calculating Value at Risk (VaR) related to interest rate risk of loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds, and derivatives, such as interest rate swaps. The Group uses the historical simulation method (a holding period of six months, a confidence interval of 99%, and an observation period of five years) for the calculation of VaR related to interest rate risk of foreign bonds, trust beneficiary right, market fund transaction, and derivatives like interest rate swaps and currency swaps.

As of March 31, 2022 and 2021, the Group's VaR related to interest rate risks, which is a simple sum of its consolidated banking subsidiaries' VaR, were ¥85,008 million (\$694,629 thousand) and ¥74,521 million, respectively.

b. Price Fluctuation Risk

The Group adopts the historical simulation method (a holding period of six months, a confidence interval of 99%, and an observation period of five years) for calculating VaR related to price fluctuation risk of listed equities and investment trust.

As of March 31, 2022 and 2021, the Group's VaR related to price fluctuation risk, which is a simple sum of its consolidated banking subsidiaries' VaR, were ¥142,684 million (\$1,165,917 thousand) and ¥149,801 million, respectively. Correlation between interest rate risk and price fluctuation risk has not been considered.

(ii) Trading Account

The Group adopts the historical simulation method (a holding period of 10 days, a confidence interval of 99%, and an observation period of five years) for calculating VaR related to trading securities; trading purpose foreign exchange transactions; and trading purpose derivatives, such as forward transactions and option transactions. As of March 31, 2022 and 2021, the Group's VaR related to trading account, which is simple sum of its consolidated banking subsidiaries' VaR, were ¥7 million (\$8 thousand) and ¥9 million, respectively.

(iii) Validity of VaR

The Group performs back testing to compare VaR calculated by its internal measurement model with the actual profit and loss to confirm whether the model captures market risks with sufficient accuracy. However, there could be cases in which VaR cannot capture risks under sudden and dramatic changes in market conditions beyond normal circumstances since VaR is statistically calculated based on historical market fluctuation.

(d) Liquidity Risk Management

Under "Group Liquidity Risk Management Rules," the Group conducts financing activities after fully analyzing its cash flows and strives to maintain the diversity and stability of funding sources, while paying continuous attention to the consolidated balance sheet structure, lines of credit provided to the Group, collateral management, and costs to maintain the liquidity.

(4) Supplementary Explanation on Fair Values of Financial Instruments

The fair values of financial instruments are based on their market prices and, in cases where market prices are not readily available, reasonably calculated prices. Such prices have been calculated using certain assumptions and may differ if calculated based on different assumptions.

Matters Relating to Fair Value of Financial Instruments and Others

The carrying amounts in the consolidated balance sheet and the fair values of financial instruments, and unrealized gains or losses on them were as below as of March 31, 2022 and 2021. The table below does not include equity securities and other securities without readily available market prices or investments in partnerships and other investments. Notes to cash and due from banks, call loans and bills bought, foreign exchanges (assets and liabilities), call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions are omitted because these are settled in the short term and their fair values approximate their carrying amounts. Immaterial line items are also omitted.

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
March 31, 2022			
(1) Securities:			
Held-to-maturity securities	158,914	158,410	(503)
Available-for-sale securities	4,481,342	4,481,342	—
(2) Loans and bills discounted	11,737,377		
Allowance for loan losses*1	(87,958)		
Net	11,649,418	11,707,670	58,252
Total assets	¥16,289,675	¥16,347,424	¥ 57,748
(1) Deposits	¥16,825,736	¥16,825,818	¥ (82)
(2) Negotiable certificates of deposit	310,724	310,724	—
(3) Borrowed money	3,795,700	3,795,696	3
Total liabilities	¥20,932,161	¥20,932,239	¥ (78)
Derivative instruments*2 :			
Hedge accounting is not applied	¥ 2,020	¥ 2,020	¥ —
Hedge accounting is applied*3	(18,762)	(18,762)	—
Total derivative instruments	¥ (16,741)	¥ (16,741)	¥ —

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Securities:			
Held-to-maturity securities	153,263	154,076	812
Available-for-sale securities	4,147,034	4,147,034	—
(2) Loans and bills discounted	11,638,376		
Allowance for loan losses*1	(76,632)		
Net	11,561,744	11,649,315	87,571
Total assets	¥15,862,041	¥15,950,426	¥ 88,384
(1) Deposits	¥16,223,652	¥16,223,944	¥ (291)
(2) Negotiable certificates of deposit	291,417	291,426	(8)
(3) Borrowed money	3,394,050	3,394,045	5
Total liabilities	¥19,909,120	¥19,909,416	¥ (295)
Derivative instruments*2 :			
Hedge accounting is not applied	¥ 2,318	¥ 2,318	¥ —
Hedge accounting is applied	(6,708)	(6,708)	—
Total derivative instruments	¥ (4,390)	¥ (4,390)	¥ —

March 31, 2022	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Securities:			
Held-to-maturity securities	\$ 1,298,531	\$ 1,294,414	\$ (4,117)
Available-for-sale securities	36,618,262	36,618,262	—
(2) Loans and bills discounted	95,909,275		
Allowance for loan losses*1	(718,736)		
Net	95,190,540	95,666,538	475,998
Total assets	\$133,107,333	\$133,579,214	\$471,881
(1) Deposits	\$137,487,631	\$137,488,303	\$ (672)
(2) Negotiable certificates of deposit	2,539,014	2,539,014	—
(3) Borrowed money	31,015,692	31,015,664	28
Total liabilities	\$171,042,337	\$171,042,980	\$ (644)
Derivative instruments*2 :			
Hedge accounting is not applied	\$ 16,513	\$ 16,513	\$ —
Hedge accounting is applied*1	(153,314)	(153,314)	—
Total derivative instruments	\$ (136,802)	\$ (136,802)	\$ —

*1 Allowances for loan losses relevant to loans and bills discounted have been deducted.

*2 Derivative instruments recorded as trading assets, trading liabilities, other assets, and other liabilities include derivative transactions. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

*3 Interest rate swaps, currency swaps, and other derivative contracts have been designated as hedging instruments to fix cash flows of financial assets, including loans and bills discounted and securities, and financial liabilities being hedged, offset changes in fair values, or reduce or eliminate foreign currency exchange rate fluctuation risks. Deferral hedge accounting and exceptional accrual method have been applied to these swaps. The "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Solution No. 40 (revised 2022), March 17, 2022) has been applied to these hedging relationships.

(a) The table below shows the carrying amounts of equity securities and other securities without readily available market prices and investments in partnerships and other investments in the consolidated balance sheet. These line items are not included in "Available-for-sale securities" stated in information on fair values of financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Equity securities without readily available market price*1*2	¥ 4,075	¥ 4,101	\$ 33,304
Investments in partnerships*3	37,968	27,988	310,254

*1 Based on Item 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 (revised 2020), March 31, 2020), equity securities without readily available market prices are out of the scope of the fair value disclosure.

*2 During the year ended March 31, 2022, impairment losses on equity securities without readily available market price of ¥17 million (\$140) were recognized.

*3 Based on Item 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019; hereinafter the "Fair Value Measurement Guidance"), investments in partnerships and other investments are out of the scope of the fair value disclosure.

(b) The scheduled redemption amounts of monetary claims and securities with contractual maturities after the consolidated balance sheet date

March 31, 2022	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Securities:						
Held-to-maturity securities	¥ 27,788	¥ 42,108	¥ 24,832	¥ 5,158	¥ 50,219	¥ 1,000
Japanese national government bonds	—	—	—	—	50,000	—
Japanese local government bonds	150	300	150	—	—	—
Japanese corporate bonds	27,638	41,808	24,682	5,158	219	1,000
Available-for-sale securities with contractual maturities	308,295	620,618	471,895	670,656	621,013	1,362,174
Japanese national government bonds	25,000	35,000	—	41,150	—	654,300
Japanese local government bonds	124,605	307,222	232,353	188,829	136,272	72,464
Japanese corporate bonds	114,339	103,425	59,399	23,087	44,260	420,639
Foreign currency bonds	42,767	126,839	129,035	348,916	178,659	149,867
Other	1,582	48,132	51,107	68,673	261,821	64,903
Loans and bills discounted*1	2,774,168	1,892,049	1,458,429	990,559	1,074,932	3,156,713
Total	¥3,110,252	¥2,554,776	¥1,955,158	¥1,666,374	¥1,746,165	¥4,519,887

March 31, 2021	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Securities:						
Held-to-maturity securities	¥ 23,411	¥ 42,837	¥ 22,425	¥ 4,546	¥ 50,209	¥ 1,000
Japanese national government bonds	—	—	—	—	50,000	—
Japanese local government bonds	—	300	300	—	—	—
Japanese corporate bonds	23,411	42,537	22,125	4,546	209	1,000
Available-for-sale securities with contractual maturities	232,387	562,166	539,141	600,128	682,068	1,044,538
Japanese national government bonds	55,000	25,000	35,000	—	41,150	422,800
Japanese local government bonds	72,644	272,091	257,164	225,084	156,571	34,496
Japanese corporate bonds	66,524	141,671	94,835	28,580	30,926	362,680
Foreign currency bonds	33,624	93,389	88,752	247,732	279,797	171,786
Other	4,593	30,014	63,388	98,731	173,623	52,773
Loans and bills discounted*2	2,716,174	1,831,213	1,522,769	990,737	1,064,918	3,091,878
Total	¥2,971,974	¥2,436,217	¥2,084,336	¥1,595,412	¥1,797,196	¥4,137,416

March 31, 2022	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Securities:						
Held-to-maturity securities	\$ 227,068	\$ 344,076	\$ 202,912	\$ 42,154	\$ 410,353	\$ 8,171
Japanese national government bonds	—	—	—	—	408,563	—
Japanese local government bonds	1,226	2,451	1,226	—	—	—
Japanese corporate bonds	225,842	341,624	201,687	42,154	1,790	8,171
Available-for-sale securities with contractual maturities	2,519,165	5,071,239	3,855,989	5,480,112	5,074,473	11,130,695
Japanese national government bonds	204,282	285,994	—	336,248	—	5,346,462
Japanese local government bonds	1,018,184	2,510,394	1,898,619	1,542,979	1,113,521	592,125
Japanese corporate bonds	934,297	845,114	485,372	188,650	361,660	3,437,159
Foreign currency bonds	349,468	1,036,438	1,054,383	2,851,090	1,459,875	1,224,607
Other	12,935	393,300	417,614	561,146	2,139,417	530,342
Loans and bills discounted*1	22,668,482	15,460,450	11,917,224	8,094,127	8,783,561	25,794,355
Total	\$25,414,714	\$20,875,765	\$15,976,124	\$13,616,393	\$14,268,387	\$36,933,222

*1 As of March 31, 2022, loans and bills discounted with no contractual maturities amounting to ¥226,801 million (\$1,853,254 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥163,722 million (\$1,337,823 thousand) are not included.

*2 As of March 31, 2021, loans and bills discounted with no contractual maturities amounting to ¥268,417 million and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥152,266 million are not included.

(c) The scheduled repayment amounts of borrowed money and other interest-bearing liabilities after the consolidated balance sheet date

March 31, 2022	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	¥15,818,465	¥879,596	¥ 96,758	¥6,050	¥24,863	¥—
Negotiable certificates of deposit	310,724	—	—	—	—	—
Borrowed money	3,584,657	117,123	93,903	3	5	6
Total	¥19,713,847	¥996,720	¥190,662	¥6,054	¥24,869	¥ 6

March 31, 2021	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	¥15,241,415	¥ 848,914	¥109,939	¥1,230	¥22,153	¥—
Negotiable certificates of deposit	291,117	300	—	—	—	—
Borrowed money	3,195,212	168,103	30,570	149	5	8
Total	¥18,727,745	¥1,017,318	¥140,510	¥1,380	¥22,158	¥ 8

March 31, 2022	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1	\$129,256,953	\$7,187,423	\$ 790,644	\$49,444	\$203,168	\$—
Negotiable certificates of deposit	2,539,014	—	—	—	—	—
Borrowed money	29,291,201	957,051	767,311	30	45	53
Total	\$161,087,167	\$8,144,474	\$1,557,955	\$49,474	\$203,214	\$53

*1 In deposits, the cash flow of demand deposits is included in "Due in one year or less."

Matters Relating to Breakdown by Level of the Fair Value Hierarchy of Financial Instruments

The fair values of financial instruments are classified into the following three levels according to the observability and significance of the inputs used for fair value measurement.

- Level 1 fair value: Fair value measured by quoted prices of the assets or liabilities being measured that are developed in active markets among the observable inputs for fair value measurement
- Level 2 fair value: Fair value measured by inputs for fair value measurement other than the Level 1 inputs among the observable inputs for fair value measurement
- Level 3 fair value: Fair value measured by unobservable inputs for fair value measurement

If multiple inputs that significantly impact the fair value measurement are used, the fair value is classified into the level with the lowest priority in the fair value measurement among the levels to which those inputs belong.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
Japanese national government bonds	¥ 754,006	¥ —	¥ —	¥ 754,006
Japanese local government bonds	—	1,065,641	—	1,065,641
Japanese corporate bonds	—	676,378	90,242	766,620
Equity securities	240,860	13,326	—	254,187
Foreign currency bonds	100,105	803,878	63,371	967,355
Derivative transactions:				
Interest rate-related	—	6,988	—	6,988
Currency-related	—	7,475	—	7,475
Equity-related	—	1,136	—	1,136
Bond-related	2	—	—	2
Other	—	—	63	63
Total assets	¥1,094,975	¥2,574,826	¥153,676	¥3,823,478
Derivative transactions:				
Interest rate-related	¥ —	¥ 1,710	¥ —	¥ 1,710
Currency-related	—	30,635	—	30,635
Other	—	—	63	63
Total liabilities	¥ —	¥ 32,345	¥ 63	¥ 32,408

March 31, 2022	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
Japanese national government bonds	\$6,161,188	\$ —	\$ —	\$ 6,161,188
Japanese local government bonds	—	8,707,648	—	8,707,648
Japanese corporate bonds	—	5,526,871	737,394	6,264,265
Equity securities	1,968,136	108,897	—	2,077,034
Foreign currency bonds	817,991	6,568,708	517,827	7,904,526
Derivative transactions:				
Interest rate-related	—	57,106	—	57,106
Currency-related	—	61,083	—	61,083
Equity-related	—	9,289	—	9,289
Bond-related	22	—	—	22
Other	—	—	515	515
Total assets	\$8,947,337	\$21,039,604	\$1,255,736	\$31,242,676
Derivative transactions:				
Interest rate-related	\$ —	\$ 13,974	\$ —	\$ 13,974
Currency-related	—	250,329	—	250,329
Other	—	—	515	515
Total liabilities	\$ —	\$ 264,302	\$ 515	\$ 264,818

The table above does not include the investment trusts and other securities to which the transitional measures have been applied, which are set forth in Item 26 of the Fair Value Measurement Guidance. The amount of the investment trusts and other securities in the consolidated balance sheet is ¥673,530 million (\$5,503,602 thousand).

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheet

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities				
Japanese national government bonds	¥57,450	¥ —	¥ —	¥ 57,450
Japanese local government bonds	—	599	—	599
Japanese corporate bonds	—	997	99,363	100,360
Loans and bills discounted	—	—	11,707,670	11,707,670
Total assets	¥57,450	¥ 1,597	¥11,807,034	¥11,866,081
Deposits				
Deposits	—	3,795,696	—	3,795,696
Negotiable certificates of deposit	¥ —	16,825,818	¥ —	16,825,818
Borrowed money	—	310,724	—	310,724
Total liabilities	¥ —	¥20,932,239	¥ —	¥20,932,239

March 31, 2022	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities				
Japanese national government bonds	\$469,439	\$ —	\$ —	\$ 469,439
Japanese local government bonds	—	4,900	—	4,900
Japanese corporate bonds	—	8,151	811,923	820,074
Loans and bills discounted	—	—	95,666,538	95,666,538
Total assets	\$469,439	\$ 13,051	\$96,478,461	\$ 96,960,952
Deposits				
Deposits	—	31,015,664	—	31,015,664
Negotiable certificates of deposit	\$ —	\$137,488,303	\$ —	\$ 137,488,303
Borrowed money	—	2,539,014	—	2,539,014
Total liabilities	\$ —	\$171,042,980	\$ —	\$171,042,980

(a) Explanation of valuation techniques and inputs used for fair value measurement

Assets

Securities

The fair values of securities for which unadjusted quoted prices in active markets are available are classified as Level 1, which mainly includes listed equities and Japanese national government bonds.

In case the markets are inactive even if the quoted prices are available, the fair values are classified as Level 2, which mainly includes Japanese local government bonds and Japanese corporate bonds.

In case the quoted prices are not available, the fair values are the prices valued by an information vendor, a broker or other sources of market information, or the prices determined by valuation techniques such as the discounted cash flow method. In valuing these prices, observable inputs are used to the maximum, which include market rates, government bond yields, credit spreads, default rates, and recovery rates. When the fair values are measured by significant unobservable inputs, they are classified as Level 3.

The fair values of private placement bonds are measured by reflecting default rates and other credit risk factors in the discounted present value determined by a discount rate adjusted for a market rate. As the discount rate and default rates are unobservable, the fair values are classified as Level 3.

The fair values of securitized products are based on valuations obtained from an information vendor, a broker or other sources of market information. These fair values are classified as Level 3 when significant unobservable inputs are used and as Level 2 when other inputs are used.

The fair values of investment trusts are measured at the disclosed net asset value and others. These fair values are not classified into any level by applying the transitional measures set forth in Item 26 of the Fair Value Measurement Guidance.

Loans and bills discounted

The fair values of loans and bills discounted are determined by discounting the principal and interest amount at the discount rate reflecting credit risk and other risks in market rates by categories according to the types, internal ratings and terms of the loans and bills discounted. The carrying amounts of loans and bills discounted with floating-interest rates approximate fair value when customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating-interest rates. The carrying amounts of loans and bills discounted with maturity less than one year approximate fair value because of their short maturities.

For loans to obligors classified as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," an allowance is provided based on the discounted cash flow method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value, net of the allowance as of the consolidated balance sheet date, is a reasonable estimate of the fair values of those loans.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions. These fair values are classified as Level 3.

Liabilities

Deposits and negotiable certificates of deposit

The fair values of demand deposits are the amounts paid immediately according to the demands on the consolidated balance sheet date. The fair values of time deposits are determined by discounting the contractual cash flows grouped by the remaining duration at the rates that would be applied for similar new contracts.

The carrying amounts of time deposits whose deposit terms are one year or less approximate fair value because of their short deposit terms. These fair values are classified as Level 2.

Borrowed money

The fair value of borrowed money is determined by discounting the principal and interest amount of the borrowed money grouped by the remaining duration at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with a floating-interest rate is considered to approximate fair value because the market rate is promptly reflected in the floating-interest rate and the credit risks of the Company and its consolidated subsidiaries have not changed significantly after lending. The carrying amount of borrowed money with maturity of one year or less approximates fair value because of its short maturity period. This fair value is classified as Level 2.

Derivatives

The fair values of derivatives for which unadjusted quoted prices in active markets are available are classified as Level 1, which mainly includes bond futures. However, since most derivatives are over-the-counter transactions and there are no quoted prices, the fair values of derivatives are measured using valuation techniques such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs used in those valuation techniques include interest rates, currency rates, stock prices and volatility. Price adjustments are also made based on the credit risk of counterparties and the credit risk of the consolidated banking subsidiaries themselves. When unobservable inputs are not used or the impact of unobservable inputs is not material, the fair values are classified as Level 2, which includes such transactions as plain vanilla interest rate swaps and forward exchange contracts. When significant unobservable inputs are used, the fair values are classified as Level 3.

(3) Explanation of the fair value measurement process

In the Group, the middle and back offices at the consolidated banking subsidiaries have established a fair value measurement policy and procedures. The Group verifies the reasonableness of the valuation techniques and inputs used for fair value measurement and the appropriateness of the fair value level classification for the measured fair values and level classification.

The Group uses valuation models that most appropriately reflect the nature, characteristics and risks of individual assets to measure their fair values. When using quoted prices obtained from third parties, the Group also verifies the reasonableness of the prices in an appropriate way, for example, examining valuation techniques and inputs used and comparing the prices with the fair values of similar financial instruments.

(4) Explanation of the impact on fair value when changing significant unobservable inputs

The significant unobservable inputs used to measure the fair values of private placement bonds are the discount rate and default rates. In general, a significant increase or decrease in these inputs causes a significant decrease or increase in these fair values.

(b) Information on Level 3 fair value of financial instruments recorded at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

March 31, 2022	Valuation Technique	Significant Unobservable Input	Input Range	Weighted-average Input
Securities:				
Available-for-sale securities				
Japanese corporate bonds	Discounted cash flow method	Discount rate	0.206% — 0.332%	0.230%
		Default rate	0.030% — 8.306%	0.238%

(2) Changes from the beginning balance to the ending balance, and unrealized gains or losses recognized in income or loss

March 31, 2022	Millions of Yen							Unrealized Gains/Losses on Financial Assets and Financial Liabilities Held as of the Consolidated Balance Sheet Date, which are Recorded in Income/Loss for the Year
	Beginning Balance	Income/Loss or Other Comprehensive Income for the Year		Net of Purchase, Sale, Issuance and Settlement	Transfer to Level 3 Fair Value	Transfer from Level 3 Fair Value	Ending Balance	
Securities:								
Available-for-sale securities								
Japanese corporate bonds	¥93,499	¥ (0)	¥(418)	¥(2,838)	¥—	¥—	¥90,242	¥ —
Equity securities	56,484	6,155	(219)	951	—	—	63,371	6,205
Derivative transactions:								
Other	(0)	0	—	—	—	—	(0)	—

March 31, 2022	Thousands of U.S. Dollars							Unrealized Gains/Losses on Financial Assets and Financial Liabilities Held as of the Consolidated Balance Sheet Date, which are Recorded in Income/Loss for the Year
	Beginning Balance	Income/Loss or Other Comprehensive Income for the Year		Net of Purchase, Sale, Issuance and Settlement	Transfer to Level 3 Fair Value	Transfer from Level 3 Fair Value	Ending Balance	
Securities:								
Available-for-sale securities								
Japanese corporate bonds	\$764,011	\$ (0)	\$(3,419)	\$(23,198)	\$—	\$—	\$737,394	\$ —
Equity securities	461,549	50,297	(1,795)	7,776	—	—	517,827	50,706
Derivative transactions:								
Other	(1)	0	—	—	—	—	(0)	—

*1 The amounts are included in "Interest and dividends on securities," "Other operating income," and "Other operating expenses" in the consolidated statement of income.

*2 The amounts are included in "Unrealized gains (losses) on available-for-sale securities" in the consolidated statement of comprehensive income.

23. DERIVATIVES

(1) Derivative Transactions to Which Hedge Accounting Is Not Applied as of March 31, 2022 and 2021

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value, and the related valuation gains (losses) at the fiscal year end date by transaction type and valuation method of fair value are described below. Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiaries had the following derivative contracts, which were quoted on listed exchanges, outstanding as of March 31, 2022 and 2021, as follows:

March 31, 2022	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions								
Bond futures:								
Sold	¥601	—	¥2	¥2	\$4,915	—	\$22	\$22
Bought	—	—	—	—	—	—	—	—
Total	—	—	¥2	¥2	—	—	\$22	\$22

March 31, 2021	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions				
Bond futures:				
Sold	¥905	—	¥(1)	¥(1)
Bought	—	—	—	—
Total	—	—	¥(1)	¥(1)

Note: 1 The above transactions are stated at fair value, and the related valuation gains (losses) are reported in the consolidated statement of income.

2 Fair values of above transactions are determined based on closing prices at the Osaka Exchange or other relevant exchanges.

Consolidated banking subsidiaries had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2022 and 2021, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
March 31, 2022								
Interest rate-related transactions								
Interest rate swaps:								
Receive fixed and pay floating.....	¥189,153	¥182,728	¥ 708	¥ 708	\$1,545,627	\$1,493,122	\$ 5,786	\$ 5,786
Receive floating and pay fixed.....	189,153	182,728	1,254	1,254	1,545,627	1,493,122	10,251	10,251
Receive floating and pay floating.....	1,323	—	(2)	(2)	10,812	—	(22)	(22)
Cap transactions:								
Sold.....	1,147	792	(3)	12	9,376	6,474	(26)	100
Bought.....	1,147	792	3	(3)	9,376	6,474	26	(30)
Swaption:								
Sold.....	26,220	26,220	(234)	(0)	214,251	214,251	(1,920)	(7)
Bought.....	26,220	26,220	234	234	214,251	214,251	1,920	1,920
Total.....	—	—	¥ 1,959	¥ 2,202	—	—	\$ 16,014	\$ 17,997
Currency-related transactions								
Currency swaps.....	¥161,773	¥149,929	¥ 140	¥ 140	\$1,321,899	\$1,225,116	\$ 1,152	\$ 1,152
Forward exchange contracts:								
Sold.....	73,994	4,292	(3,545)	(3,545)	604,630	35,078	(28,968)	(28,968)
Bought.....	60,856	4,095	3,576	3,576	497,271	33,465	29,221	29,221
Currency option contracts:								
Sold.....	63,470	41,954	(1,456)	(184)	518,635	342,824	(11,899)	(1,506)
Bought.....	63,470	41,954	1,334	654	518,635	342,824	10,901	5,349
Total.....	—	—	¥ 49	¥ 642	—	—	\$ 407	\$ 5,248
Other transactions								
Earthquake derivatives:								
Sold.....	¥ 6,000	—	¥ (63)	—	\$ 49,028	—	\$ (516)	—
Bought.....	6,000	—	63	—	49,028	—	515	—
Total.....	—	—	¥ (0)	—	—	—	\$ (0)	—

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
March 31, 2021				
Interest rate-related transactions				
Interest rate swaps:				
Receive fixed and pay floating.....	¥164,294	¥154,105	¥ 3,268	¥ 3,268
Receive floating and pay fixed.....	164,294	154,105	(1,289)	(1,289)
Cap transactions:				
Sold.....	656	587	(0)	7
Bought.....	656	587	0	(4)
Swaption:				
Sold.....	19,020	19,020	(96)	45
Bought.....	19,020	19,020	96	96
Total.....	—	—	¥ 1,979	¥ 2,123
Currency-related transactions				
Currency swaps.....	¥169,976	¥142,733	¥ 209	¥ 209
Forward exchange contracts:				
Sold.....	64,320	4,210	(2,222)	(2,222)
Bought.....	62,319	4,145	2,346	2,346
Currency option contracts:				
Sold.....	118,154	76,594	(2,937)	375
Bought.....	118,149	76,594	2,945	1,767
Total.....	—	—	¥ 340	¥ 2,476
Other transactions				
Earthquake derivatives:				
Sold.....	¥ 5,600	—	¥ (97)	—
Bought.....	5,600	—	97	—
Total.....	—	—	—	—

Note: *1 The above transactions are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
*2 Fair values of above transactions are determined based on a discounted cash flow model, an option-pricing model, or other models as appropriate.
*3 Acquisition costs are regarded as fair value as it is extremely difficult to determine the fair appraised value.

(2) Derivative Transactions to Which Hedge Accounting Is Applied as of March 31, 2022 and 2021

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the fiscal year end date by transaction type and hedge accounting method and valuation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiaries had the following derivative contracts, which were accounted for based on the principle method, outstanding as of March 31, 2022 and 2021, as follows:

	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2022							
Interest rate-related transactions*1*4							
Interest rate swaps:							
Receive floating and pay fixed.....	Securities	¥160,000	¥160,000	¥ 3,334	\$1,307,403	\$1,307,403	\$ 27,243
Receive floating and pay floating.....	—	30,000	—	(15)	245,138	—	(125)
Total.....		—	—	¥ 3,318	—	—	\$ 27,118
Currency-related transactions*2*5							
Currency swaps.....	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies	¥ 66,366	¥ 165	¥ (4,330)	\$ 542,300	\$ 1,348	\$ (35,385)
Forward exchange contracts.....	—	—	—	—	—	—	—
Foreign exchange swap.....	—	125,726	(18,887)	—	1,890,096	1,027,345	(154,337)
Total.....		—	—	¥(23,218)	—	—	\$(189,722)
Equity-related transactions*3*6							
Stock forward contracts	Available-for-sale securities						
Sold.....	—	¥ 3,036	—	¥ 1,136	\$ 24,809	—	\$ 9,289
Total.....		—	—	¥ 1,136	—	—	\$ 9,289

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2021				
Interest rate-related transactions*1*4				
Interest rate swaps:				
Receive floating and pay fixed.....	Securities	¥ 85,000	¥50,000	¥ 1,519
Total.....		—	—	¥ 1,519
Currency-related transactions*2*5				
Currency swaps.....	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies	¥ 85,055	¥ 270	¥(4,060)
Forward exchange contracts.....	—	—	—	—
Foreign exchange swap.....	—	130,733	70,121	(4,440)
Total.....		—	—	¥(8,500)
Equity-related transactions*3*6				
Stock forward contracts	Available-for-sale securities			
Sold.....	—	¥ 6,946	—	¥ 272
Total.....		—	—	¥ 272

Note: 1. Interest rate-related transactions are primarily accounted for using the deferral method in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).
2. Currency-related transactions are primarily accounted for using the deferral method in accordance with "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).
3. Equity-related transactions are accounted for using the deferral method.
4. Fair values of exchange-traded transactions are determined based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. Fair values of over-the-counter-traded transactions are determined based on a discounted cash flow model, an option-pricing model, or other models, as appropriate.
5. Fair value is determined based on a discounted cash flow model.
6. Fair value is determined based on prices provided by correspondent financial institutions.

Consolidated banking subsidiaries had the following derivative contracts, which were accounted for by the exceptional accrual method, outstanding as of March 31, 2022:

March 31, 2022	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions							
Interest rate swaps:							
	Receive fixed and pay floating.....Loans and borrowed money	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Receive floating and pay fixed.....	11,489	4,772	182	93,882	39,000	1,495
	Total	—	—	¥182	—	—	\$1,495

March 31, 2021	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions				
Interest rate swaps:				
	Receive fixed and pay floating.....Loans and borrowed money	¥ —	¥ —	¥ —
	Receive floating and pay fixed.....	10,309	9,687	(179)
	Total	—	—	¥(179)

Note: The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole so that the fair value is included in the fair value of borrowed money and loans and bills discounted ("Note 22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (5) Fair Values of Financial Instruments").

24. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gains (losses) on available-for-sale securities:			
(Losses) gains arising during the year	¥(82,725)	¥115,932	\$(675,970)
Reclassification adjustments to profit or loss.....	1,774	(3,731)	14,500
Amount before income tax effect.....	(80,950)	112,201	(661,470)
Income tax effect	24,487	(34,009)	200,090
Total	¥(56,463)	¥ 78,192	\$(461,380)
Deferred gains (losses) on derivatives under hedge:			
Gains arising during the year.....	¥ 9,106	¥ 2,118	\$ 74,410
Reclassification adjustments to profit or loss.....	14	(25)	121
Amount before income tax effect.....	9,121	2,093	74,531
Income tax effect	(2,774)	(636)	(22,671)
Total	¥ 6,346	¥ 1,457	\$ 51,860
Defined retirement benefit plans:			
(Losses) gains arising during the year	¥ (154)	¥ 17,382	\$ (1,264)
Reclassification adjustments to profit or loss	(487)	1,611	(3,980)
Amount before income tax effect.....	(641)	18,994	(5,243)
Income tax effect	197	(5,774)	1,610
Total	¥ (444)	¥ 13,219	\$ (3,633)
Total other comprehensive (loss) income	¥(50,561)	¥ 92,869	\$(413,153)

25. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Group engages in banking and other related activities, such as leasing, securities, and credit card services. Segment information is not disclosed due to the immateriality of operations other than banking.

Other segment-related information:

(1) Information by services

March 31, 2022	Millions of Yen (Thousands of U.S. Dollars)			
	Lending Operations	Investment Operations	Other	Total
Total income from external customers.....	¥106,411 (\$869,521)	¥53,342 (\$435,877)	¥108,335 (\$885,241)	¥268,090 (\$2,190,639)

March 31, 2021	Millions of Yen			
	Lending Operations	Investment Operations	Other	Total
Total income from external customers.....	¥108,277	¥68,606	¥97,841	¥274,726

(2) Information by geographic region

Since the ordinary income and total tangible fixed assets attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented.

(3) Information by major customers

Since there has been no specific customer to whom the Group sells more than 10% of total ordinary income on the consolidated statement of income, information on major customers has not been presented.

(4) Information on loss on impairment of fixed assets by reportable segment
Information on loss on impairment of fixed assets is not disclosed due to immateriality, except for the banking business.

(5) Information on amortization and unamortized balance of goodwill by reportable segment

Information on amortization and unamortized balance of goodwill is not disclosed due to immateriality, except for the banking business.

(6) Information on gain on negative goodwill by reportable segment

Information on gain on negative goodwill is not disclosed due to immateriality, except for the banking business.

26. RELATED-PARTY TRANSACTIONS

Related-party transactions of consolidated subsidiaries of the Company with its directors or major individual shareholders for the years ended March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022

There was none of material information to be stated.

Year ended March 31, 2021

Type	Name	Location	Capital (Millions of Yen /Thousands of U.S. Dollars)	Business	Ownerships	Relationship	Transactions (Millions of Yen)	Outstanding Balance (Millions of Yen)
A director or director's close relative	Kinichi Suzuki	—	—	—	—	—	Loan ¥99	Loans and bills discounted ¥99

Terms and conditions on transactions and transaction policy:

The interest rate on loans is reasonably determined considering the market rate.

27. SUBSEQUENT EVENTS

Establishment of subsidiary

Not applicable.

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan
Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mebuki Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Mebuki Financial Group, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Member of
Deloitte Touche Tohmatsu Limited

Determination of the allowance for loan losses

Mebuki Financial Group, Inc. has Joyo Bank, Ltd. and Ashikaga Bank, Ltd. as its banking subsidiaries. Joyo Bank, Ltd. and Ashikaga Bank, Ltd. perform lending operations focusing on the business feasibility evaluation of local companies, such as their potential growth and business sustainability mainly within their core markets, which are Ibaraki Prefecture, Tochigi Prefecture and adjacent areas. Lending operations have a potential risk that a credit loss may be incurred when all or part of a loan becomes uncollectible due to the borrower's bankruptcy and other adverse conditions. Joyo Bank, Ltd. and Ashikaga Bank, Ltd. record the allowance for loan losses to provide for such credit losses. As of March 31, 2022, the Group recorded the loans and bills discounted of ¥11,737.3 billion and the allowance for loan losses of ¥93.8 billion on the consolidated balance sheet. Accounting policies of Joyo Bank, Ltd. and Ashikaga Bank, Ltd. for the allowance for loan losses are disclosed in Note 2 h, Summary of Significant Accounting Policies—Allowance for Loan Losses, and the Note, Significant Accounting Estimate—Allowance for Loan Losses, included in the consolidated financial statements.

Key audit matter description

The allowance for loan losses is calculated in accordance with internal policies related to the self assessment of asset quality standards and the write offs and provisions standards. However, the calculation process includes various estimates, such as the determination of the borrower's credit category, which is classified based on the evaluation of the borrower's debt service capacity, the assessment of the value of collateral provided by the borrower, and adjustments for future loss projections for the loss rate calculated based on historical credit loss experiences. These estimates also include the assessment of the impact of the novel coronavirus (COVID-19) pandemic.

Among these estimates, the borrower's credit category, which is a significant factor in determining the allowance for loan losses, is highly dependent on the judgments about the expected future recovery of the borrower's business performance, especially in cases where the borrower is classified as a "borrower requiring caution excluding borrowers requiring monitoring" or "borrower requiring monitoring," based on an expectation that the borrower's business performance in the future will improve despite its current unfavorable business performance and financial position.

The judgments about the expected future recovery of the borrower's future business performance include forecasts of future demand for the borrower's business, etc. and evaluation of the feasibility of the borrower's measures to improve its business performance based on such forecasts. For this reason, the estimate is highly uncertain and highly dependent on the significant judgments by management. In particular, the degree of uncertainty and dependence on the judgments tends to become higher for borrowers who are significantly impacted by the COVID-19 pandemic.

Also, in cases where the amount of the total lending outstanding on these borrowers, less estimated recoveries from disposal of collaterals and execution of guarantees (hereinafter referred to as "unsecured amount") is quantitatively significant, the Group's allowance for loan losses may be significantly understated if Joyo Bank, Ltd. and Ashikaga Bank, Ltd. fail to correctly estimate the outlook for future improvement of the borrower's business performance and as a result incorrectly classify the borrower as a "borrower requiring caution excluding borrowers requiring monitoring" or "borrower requiring monitoring."

Therefore, we identified, as a key audit matter, the reasonableness of the determination of the borrowers' credit categories for those borrowers with a significant unsecured amount who are classified as "borrowers requiring caution excluding borrowers requiring monitoring" or "borrowers requiring monitoring" based on the expectation of the Group that their business performance will improve in the future despite their current unfavorable business performance and financial positions.

Joyo Bank, Ltd. and Ashikaga Bank, Ltd. design and operate controls over the self assessment of the quality of assets which is performed in multiple steps. The assessment of the quality of assets performed by the business offices is reviewed by the credit related divisions in the headquarters, and then independently examined by the Internal Audit division.

How the key audit matter was addressed in the audit

We performed the following procedures, among others, to address the key audit matter:

We inquired of the personnel who performed the relevant control activities over the self assessment of the quality of assets and inspected relevant documents to corroborate the responses to evaluate the design and operating effectiveness of the internal controls.

We selected, among the borrowers subject to the self assessment of the quality of assets performed by Joyo Bank, Ltd. and Ashikaga Bank, Ltd., the borrowers with a significant unsecured amount who are classified as "borrowers requiring caution excluding borrowers requiring monitoring" or "borrowers requiring monitoring" because the Group expects their business performance to improve in the future despite their current unfavorable business performance and financial positions and performed the following procedures, among others:

- To understand factors of these borrowers' unfavorable business performance, we made inquiries to the credit related divisions. Also, to corroborate the contents of factors of these borrowers' unfavorable business performance obtained through the responses, we inspected these borrowers' trial balances, financial statements and various other documents containing information about the borrowers' business conditions.
- To evaluate these borrowers' measures to improve their business performance and views of the Group on the impact of the COVID-19 pandemic on these borrowers, we made inquiries to the credit related divisions. Also, to corroborate the rationale for these borrowers' future business performance projections obtained through the responses, we inspected monitoring documents that describe the progress of the actual business performance to date, conducted financial analysis, and assessed whether the future business performance projections were reasonable and feasible in light of these borrowers' business environment and the nature of their business operations.

Other information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 an 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. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 and 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 it 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Deloitte Touche Tohmatsu LLC

September 9, 2022

Non-Consolidated Balance Sheet (Unaudited)

March 31, 2022 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
ASSETS			
Cash and due from banks	¥ 4,619,865	¥ 3,977,233	\$ 37,750,165
Call loans and bills bought	6,507	2,160	53,171
Monetary claims bought	4,994	5,601	40,812
Trading assets	2,405	10,113	19,653
Securities	3,267,322	3,024,670	26,698,176
Loans and bills discounted	6,767,416	6,856,163	55,298,388
Foreign exchanges	12,400	5,269	101,330
Other assets	109,050	83,674	891,080
Tangible fixed assets	67,502	71,875	551,579
Intangible fixed assets	7,287	7,735	59,552
Prepaid pension cost	4,775	6,961	39,022
Customers' liabilities for acceptances and guarantees	17,726	17,084	144,847
Allowance for loan losses	(44,835)	(37,734)	(366,366)
Allowance for investment losses	(8)	(9)	(72)
TOTAL	¥14,842,410	¥14,030,800	\$121,281,337
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥10,053,985	¥ 9,705,556	\$ 82,153,828
Negotiable certificates of deposit	170,107	143,702	1,389,996
Call money and bills sold	1,036,020	911,314	8,465,606
Payables under repurchase agreement	143,407	127,201	1,171,822
Payables under securities lending transactions	582,134	378,015	4,756,782
Trading liabilities	343	1,024	2,803
Borrowed money	2,120,602	2,007,229	17,328,014
Foreign exchanges	4,013	672	32,796
Due to trust account	1,525	1,432	12,461
Other liabilities	63,878	43,422	521,968
Provision for bonuses for directors	132	124	1,082
Provision for retirement benefits	5,644	6,999	46,127
Provision for reimbursement of deposits	1,404	1,621	11,474
Provision for point card certificates	173	120	1,420
Provision for contingent losses	1,421	1,094	11,613
Deferred tax liabilities	16,018	30,921	130,889
Deferred tax liabilities for land revaluation	7,256	7,946	59,298
Acceptances and guarantees	17,726	17,084	144,847
Total liabilities	¥14,225,796	¥13,385,486	\$116,242,825
EQUITY:			
Common stock	¥ 85,113	¥ 85,113	\$ 695,482
Capital surplus	58,574	58,574	478,624
Retained earnings	371,581	367,837	3,036,292
Valuation adjustments:	101,344	133,789	828,115
Unrealized gains on available-for-sale securities	86,506	120,713	706,870
Deferred losses on derivatives under hedge accounting	4,450	1,135	36,368
Land revaluation surplus	10,387	11,940	84,877
Total equity	616,613	645,314	5,038,513
TOTAL	¥14,842,410	¥14,030,800	\$121,281,337

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2022 The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥ 58,436	¥ 59,980	\$ 477,498
Interest and dividends on securities	30,287	29,756	247,484
Interest on call loans and bills bought	8	16	67
Interest on deposits with banks	3,349	662	27,372
Other interest income	365	374	2,988
Trust Fees	31	28	260
Fees and commissions	28,074	26,242	229,406
Trading income	566	365	4,631
Other operating income	2,072	1,056	16,938
Other income	10,515	21,973	85,922
Total income	133,708	140,457	1,092,567
EXPENSES:			
Interest expenses:			
Interest on deposits	623	1,138	5,097
Interest on negotiable certificates of deposit	6	10	52
Interest on call money and bills sold	(99)	(57)	(817)
Interest on payables under repurchase agreements	(127)	25	(1,043)
Interest on payables under securities lending transactions	51	31	422
Interest on borrowed money	154	662	1,261
Interest on bonds	—	18	—
Interest on interest swap	485	641	3,964
Other interest expenses	612	534	5,007
Fees and commissions	8,873	8,983	72,512
Other operating expenses	5,655	4,046	46,209
General and administrative expenses	63,694	63,218	520,463
Provision of allowance for loan losses	9,996	9,509	81,682
Other expenses	9,500	16,958	77,630
Total expenses	99,425	105,720	812,436
INCOME BEFORE INCOME TAXES	34,282	34,736	280,131
INCOME TAXES:			
Current	11,943	11,740	97,595
Deferred	(2,273)	(1,515)	(18,581)
Total income taxes	9,669	10,255	79,014
NET INCOME	¥ 24,612	¥ 24,511	\$ 201,117

Non-Consolidated Balance Sheet (Unaudited)

March 31, 2022 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
ASSETS			
Cash and due from banks	¥2,649,158	¥2,447,722	\$21,646,988
Call loans and bills bought.....	—	4,649	—
Monetary claims bought.....	5,616	6,048	45,898
Trading account securities.....	2,184	2,312	17,849
Money held in trust.....	2,027	1,970	16,565
Securities.....	1,408,803	1,301,546	11,511,717
Loans and bills discounted.....	5,128,137	4,943,603	41,903,393
Foreign exchanges.....	4,820	4,324	39,387
Other assets.....	84,366	81,652	689,383
Tangible fixed assets.....	28,146	28,485	229,990
Intangible fixed assets.....	8,098	9,922	66,178
Prepaid pension cost.....	27,736	25,358	226,640
Deferred tax assets.....	7,223	—	59,022
Customers' liabilities for acceptances and guarantees	8,318	9,256	67,970
Allowance for loan losses.....	(39,458)	(35,153)	(322,422)
TOTAL.....	¥9,325,179	¥8,831,699	\$76,198,557
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥6,803,383	¥6,551,940	\$55,592,285
Negotiable certificates of deposit	189,666	196,765	1,549,819
Call money and bills sold	8,933	41,603	73,000
Payables under repurchase agreement	4,757	3,053	38,876
Payables under securities lending transactions.....	244,691	242,733	1,999,437
Borrowed money	1,669,600	1,380,253	13,642,752
Foreign exchanges.....	376	232	3,078
Due to trust account	1,521	874	12,435
Other liabilities.....	33,993	30,725	277,774
Provision for bonuses for directors.....	139	122	1,140
Provision for reimbursement of deposits.....	779	838	6,368
Provision for contingent losses.....	928	899	7,584
Provision for point card certificates	262	260	2,147
Deferred tax liabilities.....	—	2,406	—
Acceptances and guarantees.....	8,318	9,256	67,970
Total liabilities	¥8,967,353	¥8,461,966	\$73,274,665
EQUITY:			
Common stock.....	¥ 135,000	¥ 135,000	\$ 1,103,121
Retained earnings.....	198,707	189,385	1,623,696
Valuation adjustments.....	24,117	45,347	197,074
Unrealized gains on available-for-sale securities.....	21,833	46,094	178,409
Deferred losses on derivatives under hedge accounting	2,284	(747)	18,665
Total equity.....	357,825	369,732	2,923,892
TOTAL.....	¥9,325,179	¥8,831,699	\$76,198,557

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2022 The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥46,921	¥47,171	\$383,412
Interest and dividends on securities.....	18,440	19,602	150,680
Interest on call loans and bills bought.....	0	(2)	0
Interest on deposits with banks	3,285	896	26,844
Other interest income	71	69	586
Trust Fees.....	13	10	112
Fees and commissions.....	21,731	21,235	177,571
Other operating income.....	1,189	1,517	9,717
Other income	2,595	8,757	21,208
Total income.....	94,248	99,258	770,128
EXPENSES:			
Interest expenses:			
Interest on deposits	148	462	1,217
Interest on negotiable certificates of deposit.....	9	32	80
Interest on call money and bills sold	(92)	18	(755)
Interest on payables under repurchase agreements	47	140	389
Interest on payables under securities lending transactions	437	414	3,571
Interest on borrowed money.....	3	218	28
Interest on interest swap.....	24	225	203
Other interest expenses	1,106	917	9,043
Fees and commissions payments	7,186	7,043	58,722
Other operating expenses	2,703	3,304	22,089
General and administrative expenses.....	48,110	49,159	393,121
Provision of allowance for loan losses	7,717	9,427	63,064
Other expenses	4,851	4,442	39,639
Total expenses.....	72,254	75,808	590,412
INCOME BEFORE INCOME TAXES	21,993	23,450	179,716
INCOME TAXES:			
Current	6,910	7,294	56,464
Deferred.....	(351)	(1,508)	(2,875)
Total income taxes	6,558	5,785	53,859
NET INCOME	¥15,435	¥17,664	\$126,127