

ANNUAL REPORT **2022**

Fiscal Year Ended March 31, 2022



JOHOKU SHINKIN BANK

Profile

The defining characteristics of a *shinkin* bank are that it is a regional financial institution with a limited geographic area of operations, and that it has a mandate to serve the small and medium-sized enterprises and the individual residents of its region. Where large urban banks and regional banks are corporate in structure and issue stock for capitalization, a *shinkin* bank exists to serve its members as a cooperative financial organization. Given this public-service character, it is a matter of course that a *shinkin* bank puts the interests of its members and the businesses of the region ahead of the untrammelled pursuit of profits. For this reason, Johoku Shinkin Bank's management philosophy is based on the following statement: "Our mission is to contribute to the happiness of local residents, the prosperity of local companies, and the prosperity of local society." The bank wants to be like a "family doctor" who knows the local characteristics and needs, and is available at any time for consultation.

Johoku Shinkin Bank was established in 1921 as the Oji Shinkumi Bank. In 1951, with the enactment of the Shinkin Bank Law, the Oji Shinkumi Bank was re-established as Oji Shinkin Bank. On January 13, 2004, four *shinkin* banks operating in the northern parts of Tokyo and the adjacent southern part of Saitama, including Oji Shinkin Bank, Nikko Shinkin Bank, Taiyo Shinkin Bank, and Arakawa Shinkin Bank, joined together in a merger to form Johoku Shinkin Bank. Total assets at the Johoku Shinkin Bank as of the end of March 2022 were ¥3,117.3 billion (US\$ 25,470 million), making it one of the largest *shinkin* banks in Japan. The number of employees and officers at the end of the fiscal year was 1,902. The bank had 90 branches (including 8 sub-branches) as of March 31, 2022.

Non-Consolidated Financial Highlights

The Johoku Shinkin Bank
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the Fiscal Year:			
Total Income	¥ 37,753	¥ 36,741	\$ 308,470
Total Expenses	29,538	31,074	241,349
Income Before Income Taxes	8,215	5,666	67,121
Net Income	6,140	4,084	50,172
At Year-End:			
Deposits	¥2,668,092	¥2,643,369	\$21,799,922
Loans and Bills Discounted	1,301,955	1,282,126	10,637,758
Securities	940,834	905,726	7,687,187
Total Assets	3,117,342	2,953,933	25,470,563
Total Net Assets	122,162	130,316	998,145

Note: Figures stated in U.S. dollars are translated solely for convenience at ¥122.39 to U.S.\$1, the rate prevailing on March 31, 2022.

Letter from the President



Business Environment and Business Performance

In fiscal 2021, COVID-19 again showed no signs of abating, and significant restrictions continued for economic activities due to highly infectious variants of the virus. In addition, toward the end of the fiscal year, Russia invaded Ukraine, which prompted countries around the world to impose economic sanctions on Russia, resulting in soaring prices of crude oil and imported raw materials, which has accelerated a cost-push rise in prices. The yen has also been depreciating rapidly on concerns over a widening interest gap between Japan and the U.S., and the outlook for the regional economy is even more uncertain.

In this environment, Johoku Shinkin Bank has worked to provide high quality and highly convenient products and services to the community and to strengthen its management base in order to contribute to a positive outlook for the future.

In fiscal 2021, Johoku Shinkin Bank recorded a balance of deposits of ¥2,668.0 billion and a balance of loans and bills discounted of ¥1,301.9 billion, which were both an increase year on year. On the profit and loss front, due to factors including the rise in interest that accompanied the increase in the balance of loans and bills discounted and an increase in interest and dividends received as a result of efficient management of surplus funds, the Bank posted a net profit from banking operations of ¥9.6 billion and ordinary income of ¥8.0 billion. In addition, the dividend ratio on common shares was 2%.

The Johoku Shinkin Bank wishes to express its deep gratitude to all of you who provided so much assistance throughout the fiscal year.

Initiatives in the Fiscal Year Ended March 31, 2022

For the final fiscal year of the Sixth Medium-Term Management Plan, the Bank also took on the challenges of new initiatives.

Under the previous medium-term management plan (the Sixth Medium-Term Management Plan for the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022, *To Become a Regional Platformer*), we set forth a basic policy of "rebuilding relationships with communities and customers" and reappraised the adequacy of our relationships with the local community. While the Bank made concerted efforts in the area

of public relations, our branches continued to work closely with each and every customer, building relationships that encourage customers to consult with us first whenever they encounter difficulties.

Based on these activities, while placing utmost priority on providing advice on cash flow needs and business continuity during the COVID-19 pandemic, the Bank also took on a wide range of new challenges during fiscal 2021, the final year of the previous medium-term management plan, in order to enhance its consulting functions.

A major initiative was the establishment in October 2021 of JS Partners Co., Ltd., a wholly owned subsidiary responsible for the Bank's consulting services, which launched full-scale operations in the spring of 2022. In collaboration with Johoku Shinkin Bank, JS Partners provides consulting services related to daily life and business and is also working to develop new services, such as regional trading company operations.

In another initiative related to creating and providing value, we launched the Free Asset Diagnosis Service to help individual customers who are considering passing their assets on to the next generation create succession plans. In terms of new services offered through collaboration with other companies, we worked on multiple fronts, supporting initiatives taken by our business partners to address SDGs, participating in the Ministry of the Environment program for subsidizing interest on ESG loans, and handling purchase order (PO) finance eligible for government subsidies.

In the area of social activities, the Bank worked on initiatives that included a regional promotion related to Eiichi Shibusawa, who is in the news as the face on the new ¥10,000 note. The Bank worked on the design of original characters and provided support for the development by local companies of promotional products related to this famous Japanese industrialist. The Bank's Johoku Athletes Club performed excellently at competitions in Japan and overseas and also strengthened communication with local residents and contributed to regional revitalization by participating in such events as Police Chief for a Day and sports classes.

Outlook and Issues

Through the Fifth and the Sixth Medium-Term Management Plans, the Bank has presented its long-term vision to "create a positive cycle of vitality originating in the creation and provision of total financial and non-financial value." In addition to promoting a shared awareness among officers and employees, the Bank has also focused on developing unique services and improving its framework for providing these services. While we are proud of what these initiatives have accomplished to date, there is still much that we can do in terms of our lineup of original services, our relationships with customers, and the solutions that we provide. We recognize the need to strengthen these areas as a pressing issue to be addressed.

Therefore, for our Seventh Medium-Term Management Plan, which begins with the fiscal year ending March 31, 2023, we have chosen BREAKTHROUGH as our slogan to keep us focused on the urgency of pursuing business innovation without resting on our laurels.

Thus, we ask each of our members, customers, and business partners for even more support in this time of rebuilding.

Kotaro Omae
President

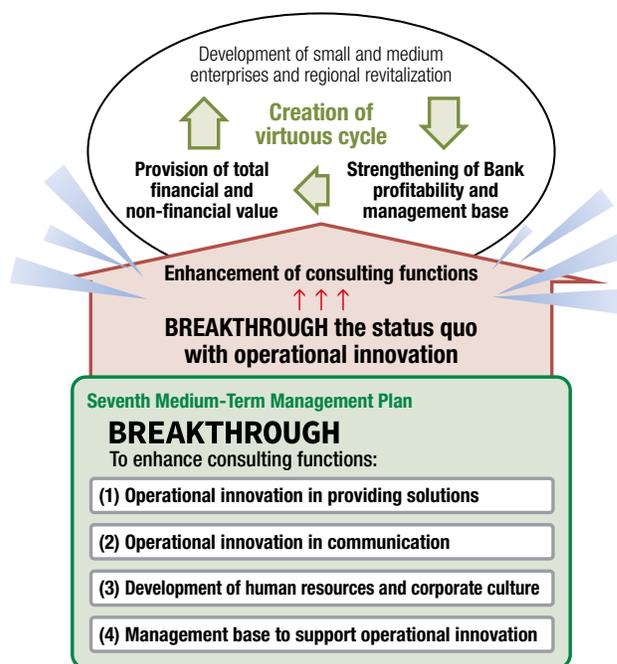
Seventh Medium-Term Management Plan

BREAKTHROUGH

Under the new medium-term management plan, with the slogan BREAKTHROUGH, the Bank will build many close relationships with members of the community to encourage them to consult with us about any matter. We will connect the stories we hear in the course of these friendly conversations to gain a deeper understanding of our customers' issues and needs. Based on these, we will develop an array of high quality, unique services and provide them in optimal combinations. In addition, we will bring the various perspectives we gain through our connections with the community to our work toward regional business revitalization.

To facilitate the execution of these activities at an even higher level, we hope to innovate on various fronts, including operational processes, workflow, and skill enhancement measures.

In terms of ongoing efforts to strengthen our management base, we will strive to improve profitability and capital adequacy, and maintain and reinforce our comprehensive risk management system, our anti money laundering (AML) and countering financing of terrorism (CFT) system, and our compliance system, all for the benefit of members. In addition, we will strengthen customer protection and security supervision systems, and make use of complaints and consultations to improve our operations, with the aim of building systems that incorporate the feedback of even more members and users into management.



Financial Review

Sources and Applications of Funds

Johoku Shinkin Bank's extensive network is primarily in northern Tokyo and southern Saitama Prefecture. The Bank possesses assets of more than ¥3.1 trillion, which it employs to the maximum extent possible to provide dependable financing and services to the region's small- and medium-sized businesses and citizens, who are its most important customers.

Cash and due from banks increased 15.2% year on year to ¥799,894 million, while call loans were not posted in the fiscal year under review as was the case in the previous

fiscal year. Monetary claims reversed the prior downward trend, increasing from ¥219 million in the previous fiscal year to ¥3,710 million, approximately 17 times higher. Securities increased by 3.9% to ¥940,834 million. Loans and bills discounted increased by 1.5% to ¥1,301,955 million, and foreign exchange assets turned downward, decreasing by 0.6% to ¥2,314 million, reversing the significant upturn in the previous fiscal year. Deferred tax assets, which were not posted in the previous fiscal year, amounted to ¥1,992 million in the fiscal year under review. Customers' liabilities for acceptances and guarantees continued on a downward trend this fiscal year following the previous fiscal year, decreasing by



Capital Adequacy Ratio (Calculated by domestic standards)

Years ended March 31, 2022, 2021, 2020, 2019 and 2018

	Millions of yen				
	2022	2021	2020	2019	2018
Total Capital	¥ 112,884	¥ 108,211	¥ 105,217	¥ 100,101	¥ 97,753
Total Risk Weighted Assets	1,384,337	1,332,098	1,334,721	1,282,556	1,247,601
Capital Adequacy Ratio	8.15%	8.12%	7.88%	7.80%	7.83%

Note: The standard for judging the suitability of the capital adequacy ratio of shinkin banks and the Federation of Shinkin Banks in light of their asset holdings (Financial Services Agency Notification No. 21 of 2006), based on Article 89-1 of the Shinkin Bank Law applied mutatis mutandis to the provisions of Article 14-2 of the Banking Law, was revised on March 8, 2013, and the Notification was applied following its revision from March 31, 2014.

Compliance with the New BIS Regulations

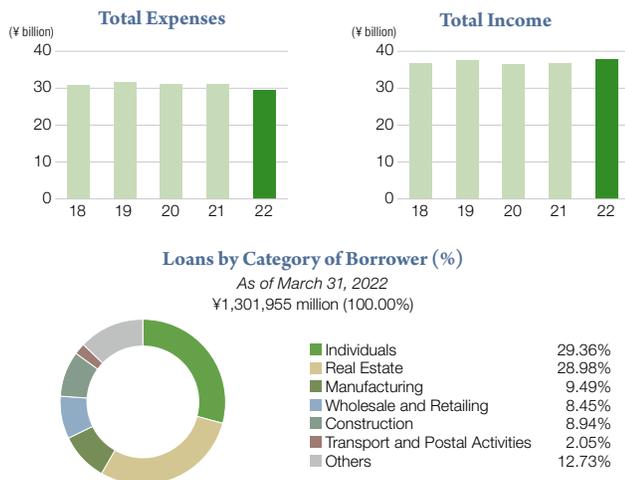
Calculation of the capital adequacy ratio complies with the new BIS regulations based on Basel II beginning with the fiscal year ended March 31, 2007 and Basel III beginning with the fiscal year ended March 31, 2014.

Under the BIS regulations, when calculating the capital adequacy ratio, the denominator includes total credit risk assets as before, but now the amount obtained by dividing operational risk equivalent assets by 8% is also added.

Operational risk is the risk of loss resulting from system fault, administrative error, or similar cause. There are three methods for calculating operational risk equivalent assets: (1) the basic indicator approach; (2) the standardized approach; and (3) the advanced measurement approach, but the Bank will use the basic indicator approach, where operational risk equivalent assets are equal to the average of 15% of annual gross profit for the most recent three years.

There are also three methods for calculating credit risk under the BIS regulations: (1) the standardized approach (2) the foundation internal rating-based approach (3) advanced internal ratings-based approach. From these the Bank selected the standardized approach.

Under Basel III, the numerator is now calculated as core capital composed of capital that is available to absorb losses on a going-concern basis with low liquidity assets such as intangible fixed assets deducted.



14.9% to ¥9,747 million. The reserve for possible loan losses decreased 1.4% to ¥4,395 million. As a result of the foregoing, total assets grew 5.5% to ¥3,117,342 million.

Deposits increased by 0.9% to ¥2,668,092 million. Borrowed money increased to ¥198,800 million, approximately four times higher than in the previous fiscal year. Other liabilities increased by 32.3% to ¥10,465 million. The reserve for employee bonuses increased by 5.2% to ¥686 million, while the reserve for employee retirement benefits decreased from the previous fiscal year by 5.4% to ¥2,169 million. The reserve for executive retirement allowances decreased by 3.4% to ¥358 million. The reserve for reimbursement of deposits decreased by 43.3% to ¥42 million. Deferred tax liabilities were not posted in the fiscal year under review. Acceptances and guarantees continued on a downward trend, decreasing, by 14.9%, to ¥9,747 million. After these and other changes, total liabilities grew 6.1% to ¥2,995,179 million.

Share capital decreased by 1.1% to ¥35,866 million. The capital surplus was unchanged at ¥5,000 million, and retained earnings increased 8.2% to ¥70,329 million. Total members' equity rose 4.7% to ¥111,194 million. Unrealized gain on other securities was ¥3,469 million, a substantial decrease of 79.2% reversing the ten-fold increase recorded in the previous fiscal year. Land revaluation excess increased 1.8% to ¥7,499 million, and total valuation, translation adjustments and others were ¥10,968 million, approximately half the amount posted in the previous fiscal year. Total net assets, therefore, decreased 6.3% to ¥122,162 million, and total liabilities and net assets grew 5.5% to ¥3,117,342 million.

Financial institutions are expected to comply with international regulatory standards for maintaining capital adequacy ratios above levels specified under the Basel II Accord, effective from March 2007, and the Basel III Accord, effective from March 2014. Accordingly, Japan has adopted these standards for credit unions (*shinkin* banks) since the time these respective accords went into effect.

As of March 31, 2022, the Bank's amount of capital totaled ¥112,884 million and the capital adequacy ratio was 8.15%, calculated on the basis of the Basel III Accord. These levels fully meet the standards set in Japan. Looking ahead, Johoku Shinkin Bank plans to increase the amount of capital by transferring some of its profit into internal reserves. The Bank will work to secure sufficient amounts of profit over the fiscal year through transactions by a greater number of customers and operational management based on one-year and medium- to long-term income and expenditure plans.

Operating Results

Interest income increased 2.7% to ¥32,730 million, which was primarily attributable to increase in interest on due from banks and income and dividends on securities. Fees and commissions continued the previous fiscal year's trend of decline, decreasing by 2.3% to ¥3,499 million. Other operating income reverted again to a decline, down 58.8% to ¥112 million. The principal reason for the decrease was the absence of gain in the fiscal year under review on sales of national government bonds, which had turned to an increase in the previous fiscal year. Other income increased by 39.3% to ¥1,412 million, which was primarily due to a doubling in the recovery of written-off claims despite the significant decrease in gains on the sales of stocks and other securities. These and other factors brought a 2.8% increase in total income, to ¥37,753 million.

Due principally to a decrease in interest on deposits, interest expenses decreased 40.9% to ¥333 million, and fees and commissions fell 4.9% to ¥2,165 million. Other operating expenses, continuing the downward trend of the previous fiscal year, decreased 65.4% to ¥330 million. The principal reason for this decrease was that foreign exchange transactions and losses on redemption of bonds decreased significantly. General and administrative expenses edged down 1.3% to ¥23,458 million, and other expenses were down 7.3% to ¥3,249 million, reversing the increase of 64.3% in the previous fiscal year. This decrease was principally attributable to the significant decline in transfer to reserve for possible loan losses despite an increase in write off of loans. As a result, at ¥29,538 million, total expenses were down 4.9% from a year earlier.

Income before income taxes fell from ¥5,666 million in the previous fiscal year, to ¥8,215 million. The amount of income taxes imposed on the financial results increased from ¥1,100 million in the previous fiscal year to ¥1,891 million, while deferred income taxes decreased to ¥182 million from ¥481 million in the previous fiscal year. As result, net income increased by 50.4%, from ¥4,084 million in the previous fiscal year to ¥6,140 million.

Retained earnings at the beginning of the fiscal year were 7.4% higher than a year earlier, totaling ¥41,794 million. Total appropriations increased 1.0% year-on-year to ¥1,069 million. They comprised transfers to legal reserves of ¥409 million, cash dividends on common shares of ¥625 million, and dividends on preferred shares of ¥35 million. As a result, the balance of retained earnings at the end of the fiscal year was ¥46,733 million after appropriations, up 11.8% from a year earlier.

Non-Performing Assets

Johoku Shinkin Bank is keenly aware of the public mission of a *shinkin* bank, and it takes great pride in fulfilling this role. The Bank is guided in its lending operations by the fundamental philosophy of "using the funds deposited by the region to provide the financing the region needs," as well as by the principle of providing many small-denomination loans. The Bank does not concentrate on any specific industry or industries but works to manage and reduce lending risks by maintaining a balance between the number of borrowers and the balance of loans.

The Bank maintains a precise knowledge of the total amount of its non-performing loans through strict self-assessments, and it conducts write-offs and maintains reserves in accordance with regulations. In addition, the Bank enhances transparency by disclosing the results of asset assessments conducted under the Financial Reconstruction Law and the status of their coverage, as well as the status of risk-monitored loans under the Shinkin Bank Law standard and the status of their coverage.

Turning to problem assets under the Financial Reconstruction Law standard, the Bank's non-performing loans at March 31, 2022 totaled ¥52.8 billion, and the non-performing loan ratio was 4.02%. Of this, bankrupt and quasi-bankrupt assets accounted for ¥7.6 billion, all of which is covered by collateral, guarantee, or the reserve for possible loan losses. Collateral, guarantees and the reserve for possible loan losses cover 77.3% of the Bank's doubtful assets of ¥36.5 billion and 47.3% of its ¥8.6 billion in substandard loans.

Johoku Shinkin Bank has taken all possible measures, through its efforts to revitalize businesses, to establish a system to reduce the occurrence of non-performing loans. Furthermore, not all non-performing assets that emerged will immediately become losses, as they are adequately covered by collateral or guarantee, or, in accordance with the level of credit risk, by the reserve for possible loan losses.

Problem Assets under the Financial Reconstruction Law Standard

Year ended March 31, 2022

	Millions of yen		
	Total amount (A)	Total Coverage amounts (B)	Coverage ratio (B/A)
Bankrupt and Quasi-Bankrupt Assets	¥ 7,677	¥ 7,677	100.00%
Doubtful Assets	36,514	28,260	77.3%
Substandard Loans	8,682	4,113	47.3%
Problem Assets under the Financial Reconstruction Law Standard	¥ 52,874	¥40,050	75.7%
Normal Assets	1,259,288		
Total	¥1,312,162		

Non-Consolidated Balance Sheets

The Johoku Shinkin Bank
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
ASSETS			
Cash and Due from Banks (Notes 2, 12 and 26)	¥ 799,894	¥ 694,479	\$ 6,535,617
Monetary Claims Purchased (Note 26)	3,710	219	30,317
Securities (Notes 3, 12, 26 and 27)	940,834	905,726	7,687,187
Loans and Bills Discounted (Notes 4, 26 and 28)	1,301,955	1,282,126	10,637,758
Foreign Exchange (Note 5)	2,314	2,327	18,907
Tangible Fixed Assets (Note 6)	41,253	41,950	337,064
Intangible Fixed Assets (Note 6)	1,184	1,291	9,676
Other Assets (Note 7)	18,851	18,811	154,029
Deferred Tax Assets (Note 29)	1,992	—	16,278
Customers' Liabilities for Acceptances and Guarantees (Note 13)	9,747	11,457	79,640
Reserve for Possible Loan Losses (Note 8)	(4,395)	(4,458)	(35,915)
Total Assets	¥3,117,342	¥2,953,933	\$25,470,563
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 9, 12 and 26)	¥2,668,092	¥2,643,369	\$21,799,922
Borrowed Money (Notes 10, 12 and 26)	198,800	48,800	1,624,315
Payables Under Securities Lending Transactions	100,659	101,609	822,451
Foreign Exchange (Note 5)	142	85	1,163
Other Liabilities (Note 11)	10,465	7,911	85,507
Reserve for Employee Bonuses	686	652	5,608
Reserve for Employee Retirement Benefits	2,169	2,292	17,723
Reserve for Executive Retirement Allowances	358	371	2,933
Reserve for Reimbursement of Deposits	42	74	347
Reserve for Contingencies	4	8	33
Deferred Tax Liabilities (Note 29)	—	2,966	—
Deferred Tax Liabilities for Land Revaluation	4,010	4,017	32,770
Acceptances and Guarantees (Note 13)	9,747	11,457	79,640
Total Liabilities	2,995,179	2,823,617	24,472,417
Net Assets:			
Members' Equity:			
Share Capital (Note 14)	35,866	36,255	293,046
Capital Surplus (Note 14)	5,000	5,000	40,853
Retained Earnings (Note 15)	70,329	64,980	574,631
Disposal of Outstanding Equities	(1)	(1)	(9)
Total Members' Equity	111,194	106,235	908,522
Valuation, Translation Adjustments and Others:			
Unrealized Gains on Other Securities (Notes 26 and 27)	3,469	16,714	28,349
Land Revaluation Excess	7,499	7,366	61,273
Total Valuation, Translation Adjustments and Others	10,968	24,081	89,623
Total Net Assets (Note 24)	122,162	130,316	998,145
Total Liabilities and Net Assets	¥3,117,342	¥2,953,933	\$25,470,563

The accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Income and Retained Earnings

The Johoku Shinkin Bank
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income:			
Interest on:			
Interest on Loans and Bills Discounted (Note 16)	¥19,078	¥18,939	\$155,881
Interest on Due from Banks	947	877	7,741
Interest on Call Loans	1	1	8
Interest and Dividends on Securities	11,681	11,133	95,441
Other Interest Income	1,022	920	8,355
Fees and Commissions (Note 17)	3,499	3,582	28,589
Other Operating Income (Note 18)	112	272	916
Other Income (Note 19)	1,412	1,013	11,537
Total Income	37,753	36,741	308,470
Expenses:			
Interest on:			
Interest on Deposits	301	527	2,461
Provision for Reserve for Replenishing Benefits	4	8	37
Interest on Borrowings and Rediscounts	0	0	0
Interest on Payables under Securities Lending Transactions	10	9	82
Other Interest Expenses	18	19	147
Fees and Commissions (Note 17)	2,165	2,277	17,696
Other Operating Expenses (Note 20)	330	954	2,701
General and Administrative Expenses (Note 21)	23,458	23,774	191,673
Other Expenses (Note 22)	3,249	3,503	26,548
Total Expenses	29,538	31,074	241,349
Income Before Income Taxes (Note 23)	8,215	5,666	67,121
Income Taxes (Note 29):			
Current	1,891	1,100	15,453
Deferred	182	481	1,495
Total Income Taxes	2,074	1,582	16,948
Net Income (Note 24)	6,140	4,084	50,172
Unappropriated Earnings in Retained Earnings:			
Balance at Beginning of the Year	41,794	38,913	341,483
Transfer from Land Revaluation Excess	(132)	(144)	(1,080)
	47,802	42,852	390,575
Appropriations:			
Transfer to Legal Reserve	409	392	3,341
Dividends			
Common Shares (2.0% per year)	625	631	5,107
Preferred Shares (0.7% per year)	35	35	285
Total Appropriations	1,069	1,058	8,735
Balance at End of the Year (Note 31)	¥46,733	¥41,794	\$381,840

The accompanying notes are an integral part of these financial statements.

Notes to Non-Consolidated Financial Statements

The Johoku Shinkin Bank

1. Significant Accounting Policies

a. Basis of presentation

The accompanying financial statements of The Johoku Shinkin Bank (the Bank) are prepared in accordance with requirements of Shinkin Bank Law, Ordinance for Enforcement of Shinkin Bank Law and accounting principles generally accepted in Japan. The information for 2021 is for reference only and is not subject to audit.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued in Japan. All yen figures have been rounded down to millions of yen by dropping the final six digits. For convenience only, U.S. dollar amounts presented in the accompanying financial statements have been translated from yen at the rate of ¥122.39 to US\$1, the exchange rate prevailing in Tokyo on March 31, 2022.

b. Valuation of trading account securities

Trading account securities which are held for the short term in anticipation of market gains are recorded at fair value. Realized gains and losses on sales of such securities are computed using the moving-average method.

c. Valuation of securities

As for securities other than those in trading portfolio, debt securities that the Bank has the intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost using the moving-average method.

Investments in subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.

Securities excluding those classified as trading securities, held-to-maturity or investments in non-consolidated subsidiaries and affiliates are defined as other securities. Other securities that are valued at fair value are valued at fair value as at the last day of the fiscal year. Non-marketable debt securities in other securities are carried at amortized cost using the moving-average method. Non-marketable equity securities in other securities are carried at cost using the moving-average method.

Unrealized gains and losses on other securities are reported on a net-of-tax basis within changes in equity from non-owner sources, which is a component of net assets.

d. Valuation of derivatives for nontrading purposes

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value.

e. Depreciation and amortization method

Tangible fixed assets are stated at cost less accumulated depreciation. Tangible fixed assets excluding Leased Assets of the Bank are depreciated using the declining-balance method. However, buildings acquired on or after April 1, 1998 excluding facilities installed in buildings, and facilities installed in buildings and structures that are acquired on or after April 1, 2016 are depreciated using the straight-line method.

The estimated useful lives of major items are as follows:

Buildings	10 to 50 years
Others	2 to 20 years

The amortization of the Bank's intangible fixed assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method based on the Bank's estimate of useful life (five years).

Leased assets for finance lease transactions that transfer ownership in tangible fixed assets and intangible fixed assets are depreciated using the same method of depreciation applied to owned fixed assets. Moreover, leased assets for finance leases without transfer of ownership in tangible fixed assets and intangible fixed assets are mainly depreciated using the straight-line method over the lease term, assuming that there will be no residual value unless the residual value is guaranteed.

f. Foreign currency transactions

The financial statements of the Bank are maintained in or translated into Japanese yen. Foreign currency assets and liabilities are translated into yen at the prevailing rates on the Tokyo Foreign Exchange Market on the last business day of each fiscal year, and incorporated into the Bank's financial statements.

g. Reserve for possible loan losses

The reserve for possible loan losses of the Bank has been provided in accordance with the Bank's internal rules for establishing a reserve for possible loan losses.

Based on the results of the self-assessment, customers are classified into five categories: such as "Normal Borrowers," "Borrowers Requiring Caution," "Potentially Bankrupt Borrowers," "Effectively Bankrupt Borrowers" and "Bankrupt Borrowers," as defined by the report of the Japan Institute of Certified Public Accountants.

The reserve for possible loan losses was calculated based on the specific actual past loss ratio for Normal Borrowers and Borrowers Requiring Caution categories as a general reserve. Reserves for losses on loans of Potentially Bankrupt Borrowers are based on an overall evaluation of the estimated amount of recoveries from collateral or guarantees, and the borrowers' ability to meet their loan obligations. Reserves for losses on loans to Effectively Bankrupt

Borrowers and Bankrupt Borrowers are calculated by deducting the estimated value of collateral or guarantees from those claims which remain after the write-offs. For collateral or guaranteed claims of Effectively Bankrupt Borrowers and Bankrupt Borrowers, the amount exceeding the estimated value of collateral or guarantees was deducted, as deemed uncollectible, directly from those claims. The write-off amount was ¥13,260 million (US\$108,342 thousand) for the fiscal year ended March 31, 2022.

All claims are being assessed by the branches and the Management Department based on the Bank's internal rules for the self-assessment of asset quality. These assessments are verified by the Asset Auditing Group of the Inspection Department, a division independent from branches and the Management Department.

h. Reserve for employee bonuses

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to this fiscal year.

i. Reserve for employee retirement benefit

Under the terms of the Bank's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of reserve for employee retirement benefit is generally calculated based on length of service, basic salary at the time of retirement and reason for retirement.

In addition, the Bank has defined benefit pension plans which substantially cover all employees. Annual contributions, which consist of normal costs and amortization of prior service costs, are included in general and administrative expenses.

The reserve for employee retirement benefit is recorded based on actuarial computations of present values of the projected benefit obligation and pension assets, and employees' credited years of service at the balance sheet date. Prior service costs are amortized using the straight-line method over certain years (10 years) within the average remaining service period of active employees. Unrecognized net actuarial differences are amortized from the next fiscal year using the straight-line method over certain years (10 years) within the average remaining service period of active employees.

The Bank participates in a corporate pension plan (a general-type Employees' Pension Fund) set up by multiple businesses including *shinkin* banks, and as it is not possible to reasonably compute the amount of pension assets that corresponds to the Bank's contributions, the amount of contributions to the pension plan is treated as retirement benefit expenses.

The most recent data on the reserves of the corporate pension plan and the Bank's share in total contributions to the plan and supplementary explanations about them were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Latest calculation period-end	March 31, 2021	March 31, 2020	March 31, 2021
Pension plan assets	¥1,732,930	¥1,575,980	\$14,159,083
Related benefit obligation under the program	1,817,887	1,718,649	14,853,239
Difference, primarily resulting from unamortized past service cost (a)	(84,957)	(142,668)	(694,155)
Ratio of the Bank's contributions to the total contributions to the entire plan (b)	2.1207%	2.1227%	

(Supplementary explanations)

The principle factors in the balance in (a) above are ¥178,469 million (US\$1,458,200 thousand) in past service liabilities based on pension plan finance calculations and ¥93,511 million (US\$764,044 thousand) in reserve fund. The pension plan uses the equal payment fixed rate method for amortizing past service costs over a period of 19 years and 0 months, and the Bank charged ¥414 million (US\$3,389 thousand) in special premiums allocated to amortization in the financial statements for the fiscal year ended March 31, 2022.

As the amount of special premiums is computed by multiplying the amount of standard pay at the time of contributions by the predetermined premium rate, the percentage shown in (b) does not correspond to the actual ratio of contributions by the Bank.

j. Reserve for executive retirement allowances

The reserve for executive retirement allowances is calculated in accordance with the Bank's rules, and is equal to the amount that would be needed if all executives voluntarily retired at the end of the year.

k. Reserve for reimbursement of deposits

The reserve for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

l. Reserve for contingencies

The reserve for contingencies is provided for future payments to credit guarantee companies based on the amount reasonably calculated.

m. Income on fees and commissions businesses

Income on fees and commissions businesses is revenue received as compensation for services rendered and is broken down into commissions on exchange transactions, other fees received, and other fees and commissions. Of these, commissions on exchange transactions are those received from exchange operations and includes commissions based on domestic exchange operations, including remittances and collections, and commissions based on foreign exchange operations, such as export and import fees and foreign exchange remittance fees. As performance obligations related to exchange operations and other fees and commissions is generally satisfied at the same time the compensation is received, income is recognized in principle at a single point in time. With respect to fees related to commitment lines, though contract liabilities are recorded as unearned income and allocated on a pro rata basis over the period of use, there are no transactions where the performance of obligations exceeds one year.

n. Income taxes

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements 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 and deficit carried forward.

o. Consumption taxes

National and local consumption taxes (hereafter, consumption taxes, etc.) are accounted for using the tax exclusive method. However, non-deductible consumption taxes, etc. related to tangible fixed assets are included in "other assets" and amortized on a straight-line basis over five years.

p. Significant Accounting Estimates

Items for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates, and which may have a material impact on the financial statements for the following fiscal year, are as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reserve for possible loan losses	¥4,395	¥4,458	\$35,915

The method for calculating the reserve for possible loan losses is described in g., above. The main assumption is the "outlook for the future performance of borrowers in determining the classification of borrowers." The outlook is established by individually evaluating each borrower's financial position, profitability, and the impact of the outbreak of COVID-19 on each borrower's business. If the assumptions used in the initial estimates change due to changes in the business performance of individual borrowers or outbreaks of COVID-19, there may be a material impact on the reserve for possible loan losses in the financial statements for the following fiscal year.

q. Land revaluation excess

Pursuant to the Enforcement Ordinance for the Act concerning Land Revaluation (the "Act"), effective March 31, 1998, the Bank recorded its own land at fair value on March 31, 1998. In accordance with the Act, net unrealized gains are reported in net assets separately as land revaluation excess, and the related deferred tax liabilities are reported in liabilities as deferred tax liabilities for land revaluation.

The excess of book value over current value was ¥5,517 million (US\$45,078 thousand) as of March 31, 2022 and ¥4,855 million as of March 31, 2021.

r. Monetary claims and other notes as of March 31, 2022

Total monetary claims against directors and auditors as a result of transactions with directors and auditors: ¥69 million (US\$566 thousand)

Total capitalization of subsidiaries: ¥190 million (US\$1,552 thousand)

Total monetary claims against subsidiaries: ¥780 million (US\$6,377 thousand)

Total monetary liabilities to subsidiaries: ¥348 million (US\$2,846 thousand)

s. Changes in Accounting Policies

Change in accounting treatment of consumption taxes, etc.

The Bank applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereafter "the Standard for Revenue Recognition") etc. from the beginning of the current fiscal year ended March 31, 2022, and changed the accounting treatment of consumption taxes, etc. from the tax inclusive method to the tax exclusive method. The effects of this change in accounting treatment on the financial statements are immaterial.

In accordance with the transitional treatment specified in paragraph 89 of the Standard for Revenue Recognition, the Bank did not deduct an amount corresponding to consumption taxes, etc. from the acquisition cost of fixed assets, etc. for which consumption tax was included as a result of using the tax inclusive method before the beginning of the current fiscal year.

Application of Accounting Standard for Fair Value Measurement

The Bank has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the current fiscal year ended March 31, 2022. In accordance with the transitional treatments specified in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Bank has applied the new accounting policy specified in the Accounting Standard for Fair Value Measurement prospectively. As a result, there is no impact on the financial statements.

2. Cash and Due from Banks

Cash and due from banks as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash	¥ 29,243	¥ 29,834	\$ 238,935
Due from Banks	770,650	664,644	6,296,682
Total	¥799,894	¥694,479	\$6,535,617

3. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
National Government Bonds	¥172,225	¥172,226	\$1,407,188
Local Government Bonds	147,167	134,176	1,202,444
Corporate Bonds	230,071	248,694	1,879,826
Stocks	24,804	20,504	202,671
Other Securities	366,564	330,124	2,995,056
Total	¥940,834	¥905,726	\$7,687,187

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bills Discounted	¥ 13,585	¥ 12,769	\$ 111,004
Loans on Bills	60,151	52,119	491,476
Loans on Deeds	1,220,994	1,209,280	9,976,263
Overdrafts	7,222	7,957	59,014
Total	¥1,301,955	¥1,282,126	\$10,637,758

(Changes in Presentation)

Due to the enforcement of the partial revision of the Shinkin Bank Law (Cabinet Office Ordinance No. 3, January 24, 2020), effective from March 31, 2022, the classification of risk-monitored loans and others as defined by the Shinkin Bank Law is aligned with the classification of claims subject to disclosure in accordance with the Act on Emergency Measures for Revitalization of Financial Functions.

Loans as defined by the Shinkin Bank Law and the Act on Emergency Measures for Revitalization of Financial Functions are presented below. Loans include corporate bonds in "securities" (limited to those issued in private placement of securities prescribed in Paragraph 3 of Article 2 in the Financial Instruments and Exchange Act, for which the redemption of the principal and payment of the interest are either partially or wholly guaranteed); loans and bills discounted; foreign exchange; as well as interest receivables, suspense payments, and customers' liabilities for acceptances and guarantees in "other assets" presented in the non-consolidated balance sheet; and securities loaned under a loan for use or lease contract recorded in the notes.

March 31, 2022	Millions of yen	Thousands of U.S. dollars
Bankrupt and Quasi-Bankrupt Assets	¥ 7,677	\$ 62,727
Doubtful Assets	36,514	298,346
Loans Past Due Three Months or More	76	627
Restructured Loans	8,605	70,313
Total	¥52,874	\$432,015

Bankrupt and quasi-bankrupt assets are loans to debtors who have fallen into bankruptcy for certain specified reasons, including initiation of bankruptcy or reorganization proceedings, or submission of an application to initiate rehabilitation proceedings and equivalent assets.

Doubtful assets are those loans for which the loan principal is highly unlikely to be recovered and interest cannot be received according to the contract because of the financial difficulties and struggling business performance of debtors who are not yet bankrupt, excluding those loans classified as bankrupt and quasi-bankrupt assets.

Loans past due three months or more are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding those loans classified as bankrupt and quasi-bankrupt assets and doubtful assets.

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing arrangements favorable to the borrower in connection with the borrower's business restructuring or to otherwise provide support, excluding those loans classified as bankrupt and quasi-bankrupt assets, doubtful assets or loans past due three months or more.

The above loans are presented at the amounts prior to deduction of allowances for loan losses.

Bills discounted are treated as financial transactions in accordance with Treatment as per Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24). The Bank has rights to sell or (re) pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange positions bought without restrictions. Their total face value at March 31, 2022 and 2021 was ¥13,585 million (US\$111,004 thousand) and ¥12,769 million, respectively.

5. Foreign Exchange

Foreign exchange assets and liabilities as of March 31, 2022 and 2021, consisted of the following:

a. Assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due from Foreign Banks	¥2,314	¥2,327	\$18,907
Total	¥2,314	¥2,327	\$18,907

b. Liabilities

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Foreign Bills of Exchange Sold	¥113	¥69	\$ 927
Foreign Bills of Exchange Payable	28	15	235
Total	¥142	¥85	\$1,163

6. Fixed Assets

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Tangible Fixed Assets:			
Building	¥ 6,343	¥ 6,270	\$ 51,832
Land	32,411	32,595	264,817
Lease Assets	300	365	2,453
Construction in Progress	879	1,140	7,185
Other Tangible Fixed Assets	1,318	1,578	10,774
Total	¥41,253	¥41,950	\$337,064
Accumulated Depreciation	¥28,087	¥28,613	\$229,491
Intangible Fixed Assets:			
Software	¥ 482	¥ 579	\$ 3,940
Lease Assets	12	25	99
Other Intangible Fixed Assets	689	686	5,636
Total	¥ 1,184	¥ 1,291	\$ 9,676

7. Other Assets

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Domestic Exchange Settlement Account, Debit	¥ 738	¥ 678	\$ 6,030
Investment in the Shinkin Central Bank	12,465	12,465	101,850
Prepaid Expenses	73	67	601
Accrued Income	3,835	3,652	31,337
Derivative Financial Instruments	2	0	20
Others	1,736	1,946	14,188
Total	¥18,851	¥18,811	\$154,029

8. Reserve for Possible Loan Losses

Reserve for possible loan losses includes specific reserve for possible loan losses of ¥2,236 million (US\$18,271 thousand) and ¥2,427 million at March 31, 2022 and 2021, respectively.

9. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current Deposits	¥ 100,803	¥ 104,117	\$ 823,624
Ordinary Deposits	1,391,258	1,312,324	11,367,415
Savings Deposits	32,062	31,039	261,971
Deposits at Notice	1,103	1,409	9,013
Time Deposits	1,049,682	1,090,391	8,576,537
Installment Savings	71,894	82,128	587,422
Other Deposits	21,288	21,958	173,936
Total	¥2,668,092	¥2,643,369	\$21,799,922

10. 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
Borrowings from Other Banks	¥198,800	¥48,800	\$1,624,315
Total	¥198,800	¥48,800	\$1,624,315

11. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Domestic Exchange Settlement Account, Credit	¥ 927	¥ 834	\$ 7,576
Accrued Expenses	847	944	6,927
Reserve for Replenishing Benefits	17	20	144
Income Taxes Payable	1,070	414	8,747
Unearned Income	370	291	3,024
Unsettled Refunds	452	465	3,695
Deposits from Employees	1,202	1,175	9,821
Derivative Financial Instruments	4,187	2,376	34,212
Lease Obligations	329	401	2,692
Asset Retirement Obligations	230	247	1,884
Others	829	738	6,779
Total	¥10,465	¥7,911	\$85,507

12. Assets Pledged as Collateral

Assets pledged as collateral at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets Pledged as Collateral			
Securities	¥212,531	¥55,499	\$1,736,507
Liabilities Corresponding to Assets Pledged as Collateral			
Deposits	6,245	5,877	51,031
Borrowed Money	198,800	48,800	1,624,315

Due from banks of ¥37,200 million (US\$303,946 thousand) as of March 31, 2022 and ¥37,200 million as of March 31, 2021, respectively, are secured as collateral for exchange settlement transactions or futures, etc. or as a substitute for margin money in futures transactions, etc.

13. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and Guarantees." As a contra account, "Customers' Liabilities for Acceptances and Guarantees" is shown under assets, representing the Bank's right of indemnity from the applicants.

14. Share Capital and Capital Surplus

The Bank issued ¥500 par value common shares with a minimum investment of ¥10,000 per member. The amount of common shares was ¥30,866 million (US\$252,193 thousand) as of March 31, 2022 and ¥31,255 million as of March 31, 2021.

Preferred shares which the Bank issued are included in share capital, and the value of preferred shares was ¥2,500 million (US\$20,426 thousand) as of March 31, 2022 and ¥2,500 million as of March 31, 2021.

Capital surplus is the portion which was not issued as share capital of the issued value of preferred shares. Capital surplus includes legal capital surplus of ¥5,000 million (US\$40,853 thousand) and ¥5,000 million at March 31, 2022 and 2021, respectively.

(Additional information)

Other shares includes ¥2,500 million (US\$20,426 thousand) transferred from preferred shares in response to the cancellation of preferred shares in accordance with the provisions of Article 15, paragraph 1, item 1 of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Law No. 44 of May 12, 1993).

15. Retained Earnings

The Shinkin Bank Law requires that an amount equal to at least 10 percent of each year's unappropriated profit shall be appropriated as a legal reserve until such reserve equals 100 percent of the Bank's stated capital.

This reserve is not available for dividends or capitalization. It may be used to only reduce a deficit, by resolution of the members.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Legal Reserve	¥12,592	¥12,183	\$102,884
Voluntary Reserve	11,003	11,003	89,907
Unappropriated Profits	46,733	41,794	381,840
Total	¥70,329	¥64,980	\$574,631

Voluntary reserves include a reserve for strengthening management foundation, a reserve for facility improvements, and a reserve for cancellation of preferred shares. The amount of reserve for strengthening management foundation was ¥1,000 million (US\$8,170 thousand) and ¥1,000 million at March 31, 2022 and 2021, respectively. The amount of reserve for facility improvements was ¥1,500 million (US\$12,255 thousand) and ¥1,500 million at March 31, 2022 and 2021, respectively. The amount of reserve for cancellation of preferred shares was ¥5,003 million (US\$40,883 thousand) and ¥5,003 million at March 31, 2022 and 2021, respectively.

16. Interest on Loans and Bills Discounted

Interest on loans and bills discounted includes the amount of interest subsidies for interest-free and unsecured loans offered by financial institutions in accordance with the governmental Emergency Economic Measures to Cope with COVID-19.

17. Fees and Commissions

Fees and commissions for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Commission on Exchange Transactions	¥1,420	¥1,693	\$11,602
Other Fees and Commissions	2,079	1,889	16,986
Income on Fees and Commissions Businesses	¥3,499	¥3,582	\$28,589
Commission on Exchange Transactions	¥ 438	¥ 571	\$ 3,585
Other Fees and Commissions	1,727	1,706	14,111
Expenses on Fees and Commissions Businesses	¥2,165	¥2,277	\$17,696

Basic information for understanding income is presented in the notes to the non-consolidated balance sheet, together with significant accounting policies.

18. Other Operating Income

Other operating income for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on Trading Account Securities Transactions	¥ 0	¥ —	\$ 1
Gains on Sales of Bonds	—	150	—
Other	111	122	914
Total	¥112	¥272	\$916

19. Other Income

Other income for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Recoveries of Written-off Claims	¥ 928	¥ 507	\$ 7,589
Gains on Sales of Stocks and Other Securities	18	213	149
Gain on Disposal of Fixed Assets (Note 23)	371	214	3,031
Other	93	78	767
Total	¥1,412	¥1,013	\$11,537

20. Other Operating Expenses

Other operating expenses for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Losses on Foreign Exchange Transactions	¥201	¥455	\$1,650
Losses on Sales of Bonds	30	—	252
Losses on Redemption of Bonds	88	490	719
Other	9	8	78
Total	¥330	¥954	\$2,701

21. General and Administrative Expenses

General and administrative expenses for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Personnel Expenses	¥15,505	¥15,624	\$126,688
Nonpersonnel Expenses	7,171	7,615	58,593
Taxes	782	533	6,391
Total	¥23,458	¥23,774	\$191,673

22. Other Expenses

Other expenses for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Transfer to Reserve for Possible Loan Losses	¥ 315	¥ 946	\$ 2,581
Written-off of Loans	2,555	1,843	20,875
Losses on Sales of Stocks and Other Securities	92	146	755
Amortization of Other Assets	1	0	10
Losses on Disposal of Fixed Assets (Note 23)	176	304	1,445
Other	107	261	878
Total	¥3,249	¥3,503	\$26,548

23. Income Before Income Taxes

The multiple-step income statements for the fiscal years ended March 31, 2022 and 2021 in disclosure in Japan based on the Shinkin Bank Act standards were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Ordinary Income	¥37,382	¥36,526	\$305,439
Ordinary Expenses	29,361	30,644	239,903
Ordinary Profit	8,020	5,881	65,535
Extraordinary Income	371	214	3,031
Extraordinary Losses	176	429	1,445
Income Before Income Taxes	¥ 8,215	¥ 5,666	\$ 67,121

Extraordinary income includes gain on disposal of fixed assets of ¥371 million (US\$3,031 thousand) and ¥214 million for the fiscal years ended March 31, 2022 and 2021, respectively. Extraordinary losses includes losses on disposal of fixed assets and other extraordinary losses. The amount of losses on disposal of fixed assets was ¥176 million (US\$1,445 thousand) and ¥304 million for the fiscal years ended March 31, 2022 and 2021, respectively. The amount of other extraordinary losses was ¥125 million for the fiscal year ended March 31, 2021.

24. Per Share Data

Net assets per share and net income per share for the year ended March 31, 2022 and 2021 were as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net Assets per Share	¥1,897.43	¥2,004.23	\$15.503
Net Income per Share	98.33	64.50	0.803

25. Matters Concerning Financial Instruments

1) Policy for dealing with financial instruments

The Bank is involved in finance business including deposits, loans and also marketplace investments.

Therefore, the Bank performs comprehensive risk management of financial assets and liabilities to ensure that fluctuation in interest rates does not have a disadvantageous impact.

2) Nature and risk of financial instruments

The main financial assets of the Bank are loans to customers within its business district.

The Bank also holds securities, mainly bonds, investment trusts as well as stocks for held-to-maturity purposes or investment purposes.

These financial instruments involve issuers' credit risk, interest rate fluctuation risk, and market risk.

Foreign currency-denominated securities are also exposed to the risk of exchange rate fluctuations, but the Bank avoids this risk using such methods as currency swap transactions at the time of acquisition of the securities.

Meanwhile, financial liabilities are mainly deposits received from customers, which are exposed to liquidity risk.

3) Risk management systems for financial instruments

a) Credit risk management

In accordance with the management rules for credit risk, the Bank has established and operates structures for credit management that include credit screening for individual loans, the establishment of credit ceilings, management of credit information, assignment of guarantees and collateral, and measures against nonperforming loans.

Credit management is carried out by each of the Bank's branches as well as the Bank's Inspection Department. Senior management also regularly holds meetings of the Risk Management Committee and the Board of Directors for deliberation and reporting.

Credit risk related to securities issuers is managed by the International & Treasury Division, which regularly monitors credit information and market prices.

b) Market risk management

i. Interest rate risk management

The Bank uses the asset liability management (ALM) method to manage interest rate fluctuation risk.

The details of the risk management methods and procedures are clearly stipulated in the regulations and guidelines concerning ALM, and, based on the risk management policies determined by the ALM Committee, the Board of Directors monitors and confirms the implementation status and discusses future responses.

The interest rates and terms of financial assets and liabilities are identified in the Risk Management Division on a routine basis, and are monitored through interest rate sensitivity analysis and reported to the Risk Management Committee monthly.

ii. Exchange rate risk management

The Bank manages exchange rate fluctuation risk for individual financial assets and liabilities and applies deferral hedge accounting using currency swaps and other methods.

iii. Market price fluctuation risk management

Holdings of market investment instruments including securities are managed in accordance with the fundraising and investment rules under the supervision of the Board of Directors.

The International & Treasury Division purchases market investment instruments and attempts to mitigate market price fluctuation risk through continuous monitoring and the setting of investment limits.

iv. Derivative transactions

The basic principles of the fundraising and investment rules stipulate that the Bank primarily performs derivative transactions for the hedging of its own ALM positions, and such transactions are performed prudently.

v. Quantitative information regarding market risk

The Bank measures the market risk amount of securities, deposits and other financial assets and liabilities monthly using the value at risk (VaR) analysis and ensures that the acquired risk amount is within the range of its risk limits.

The Bank's VaR is calculated according to the variance-covariance method (holding period conditions: 1 year; confidence interval: 99%; observation period: 1 year). As of March 31 2022, the Bank's equity risk was ¥21,022 million (US\$171,767 thousand), the interest rate risk was ¥9,468 million (US\$77,364 thousand), the credit risk was ¥3,870 million (US\$31,627 thousand), and the exchange rate risk was ¥285 million (US\$2,335 thousand), for a total risk amounting to ¥34,647 million (US\$283,094 thousand).

The Bank executes backtesting which compares the VaR calculated by the model and the actual profit/loss every month. As a result of backtesting, which was executed 12 times during fiscal 2021 with no months in which actual loss exceeded VaR, the Bank believes that the measurement model used determines market risk with adequate accuracy.

However, the VaR measures the market risk amount with a certain probability that is calculated statistically based on historical market movements, and therefore, VaR may be unable to determine risk in the case of unexpectedly drastic change in the market environment.

c) Management of liquidity risk related to fundraising

The Bank manages liquidity risk through ALM based on such activities as managing its cash position in a timely manner, diversifying fundraising methods, and adjusting the balance between short- and long-term fundraising in line with the market environment.

4) Supplementary explanations of matters relating to the fair values of financial instruments

In addition to values based on market price, the fair values of financial instruments shown in these statements include values based on reasonable estimates when no market prices are available. Since value estimates are based on certain assumptions, the values may vary if the assumptions change.

26. Fair Value of Financial Instruments

With respect to amounts recorded on the Bank's non-consolidated balance sheet at March 31, 2022, the fair values and net unrealized gains (losses) of financial instruments were as follows. Stocks, etc. and investments in partnerships without market prices are not included in the following table. Notes are omitted for foreign exchange (assets/liabilities) and payables under securities lending transactions as the fair value approximates the book value since they are settled within a short period of time.

In addition, immaterial items have also been omitted.

March 31, 2022	Millions of yen		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Due from Banks	¥ 770,650	¥ 768,357	¥(2,293)
Monetary Claims Purchased	3,710	3,711	—
Less: Reserve for Possible Loan Losses (*1)	(0)	—	—
Net Monetary Claims Purchased	3,709	3,711	1
Securities:			
Securities Classified as Trading	—	—	—
Bonds Classified as Held-to-Maturity	1,981	2,011	29
Other Securities	938,479	938,479	—
Total Securities	940,461	940,490	29
Loans and Bills Discounted	1,301,955	1,306,439	4,484
Less: Reserve for Possible Loan Losses (*2)	(4,257)	—	—
Net Loans and Bills Discounted	1,297,697	1,306,439	8,741
Total Assets	¥3,012,519	¥3,018,999	¥ 6,479
Deposits	¥2,668,092	¥2,668,336	¥ 243
Borrowed Money	198,800	198,800	—
Total Liabilities	¥2,866,892	¥2,867,136	¥ 243
Derivative Transactions (*3)			
Hedge Accounting Not Applied	¥ (4,184)	¥ (4,184)	¥ —
Hedge Accounting Applied	—	—	—
Total Derivatives	¥ (4,184)	¥ (4,184)	¥ —

March 31, 2022	Thousands of U.S. dollars		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Due from Banks	\$ 6,296,682	\$ 6,277,943	\$(18,738)
Monetary Claims Purchased	30,317	30,324	—
Less: Reserve for Possible Loan Losses (*1)	(4)	—	—
Net Monetary Claims Purchased	30,312	30,324	12
Securities:			
Securities Classified as Trading	—	—	—
Bonds Classified as Held-to-Maturity	16,191	16,433	241
Other Securities	7,667,943	7,667,943	—
Total Securities	7,684,135	7,684,377	241
Loans and Bills Discounted	10,637,758	10,674,395	36,637
Less: Reserve for Possible Loan Losses (*2)	(34,788)	—	—
Net Loans and Bills Discounted	10,602,970	10,674,395	71,425
Total Assets	\$24,614,100	\$24,667,041	\$ 52,940
Deposits	\$21,799,922	\$21,801,912	\$ 1,990
Borrowed Money	1,624,315	1,624,315	—
Total Liabilities	\$23,424,238	\$23,426,228	\$ 1,990
Derivative Transactions (*3)			
Hedge Accounting Not Applied	\$ (34,192)	\$ (34,192)	\$ —
Hedge Accounting Applied	—	—	—
Total Derivatives	\$ (34,192)	\$ (34,192)	\$ —

(*1) Reserve for possible loan losses corresponding to monetary claims purchased is deducted here.

(*2) Reserve for possible loan losses corresponding to loans and bills discounted is deducted here.

(*3) Derivative transactions stated in other assets and liabilities are shown here collectively. Net receivables or payables derived from derivatives are presented on a net basis.

1) Calculation method for fair values of financial instruments

Financial Assets

a) Due from banks

For due from banks without maturity, the carrying amount is presented as fair value because it approximates fair value. The fair value of due from banks with maturity classified by its remaining maturity is estimated by discounting at the applicable discount rate for new similar transactions. For due from banks with maturity that includes derivative transactions, the fair value is the price provided by the financial institution.

b) Monetary claims purchased

The fair value of monetary claims purchased for investment purposes is based on the price provided by the financial institution. The fair value of other monetary claims purchased is the amount obtained by deducting an amount corresponding to credit risk from the carrying amount.

c) Securities

The fair values of equities are based on their market prices quoted on the stock exchange, while the fair values of bonds are based on either market prices or prices obtained from financial institutions. The fair values of investment trust funds are based on their published reference prices.

Notes on securities classified by the purpose for which they are held are listed in 1) through 6) of note 27.

d) Loans and bills discounted

Among loans to Normal Borrowers and Borrowers Requiring Caution, the carrying amount of bills discounted, notes receivable, and overdrafts is presented as fair value because it approximates fair value, reflecting market interest rates in the short term. For loans on deed, fair values are

estimated by discounting the total amount of principal and interest at the profitable interest rate calculated based on the procurement cost and credit cost for each category of the type of loan, internal rating, and term of loan.

For loans to Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Potentially Bankrupt Borrowers, the reserve amount for possible loan losses is estimated based on the forecasted recoverable amounts of collateral and guarantees. So their fair values approximate their balance sheet amount minus the reserve amount, and that amount is the figure used in this statement as the fair value.

Financial Liabilities

a) Deposits

For on-demand deposits, the amount payable on demand as of the closing date (book value) is considered to be the fair value. Time deposits are classified by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for newly accepted deposits.

b) Borrowed money

Because borrowed money for a short term reflects market interest rates, the fair value approximates the book value, so the Bank uses the book value as the fair value.

Derivative transactions

Derivative transactions are currency-related transactions (forward exchange contracts), and the fair values are based on a value calculated using the discounted present value.

2) The non-consolidated balance sheet amounts of stocks and investments in partnerships with no market price are as follows. These are not included in information on the fair value of financial instruments.

March 31, 2022	Millions of yen		Thousands of U.S. dollars	
	Non-consolidated balance sheet amount			
Stocks of Subsidiaries (*1)	¥ 190	—	\$ 1,552	—
Unlisted Stocks (*1)	168	—	1,376	—
Investment in the Shinjin Central Bank (*1)	12,465	—	101,850	—
Investments in Partnerships (*2)	14	—	122	—
Total	¥12,838	—	\$104,902	—

(*1) Stocks of subsidiaries, unlisted stocks, and investment in the Shinjin Central Bank are not subject to fair value disclosure in accordance with Paragraph 5 of ASBJ Guidance No. 19 Implementation Guidance on Disclosures about Fair Value of Financial Instruments (March 31, 2020).

(*2) Investments in partnerships are not subject to fair value disclosure in accordance with Paragraph 27 of ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (July 4, 2019).

3) Redemption schedule for money claims and other securities with maturity dates after the non-consolidated balance sheet date

March 31, 2022	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Due from Banks (*1)	¥ 618,650	¥100,000	¥ —	¥ 52,000
Monetary Claims Purchased (*2)	2,000	1,539	—	—
Securities	155,155	313,989	298,287	74,421
Bonds Classified as Held-to-Maturity	—	—	158	1,823
Other Securities with Maturity Dates	155,155	313,989	298,129	72,597
Loans and Bills Discounted (*3)	264,184	407,865	266,953	350,223
Total	¥1,039,991	¥823,394	¥565,240	¥476,644

March 31, 2022	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Due from Banks (*1)	\$5,054,750	\$ 817,060	\$ —	\$ 424,871
Monetary Claims Purchased (*2)	16,341	12,574	—	—
Securities	1,267,717	2,565,484	2,437,186	608,066
Bonds Classified as Held-to-Maturity	—	—	1,290	14,900
Other Securities with Maturity Dates	1,267,717	2,565,484	2,435,895	593,166
Loans and Bills Discounted (*3)	2,158,549	3,332,508	2,181,172	2,861,533
Total	\$8,497,358	\$6,727,627	\$4,618,358	\$3,894,471

(*1) On-demand deposits are included in due from banks within 1 year.

(*2) Monetary claims purchased that have no definite term are not included.

(*3) Loans and bills discounted does not include indefinite-term delinquent loans or loans and bills for which no term has been set.

4) Repayment schedule for borrowed money and other interest-bearing debts after the non-consolidated balance sheet date

March 31, 2022	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Deposits (*)	¥2,497,115	¥170,549	¥10	¥416
Borrowed Money	198,800	—	—	—
Total	¥2,695,915	¥170,549	¥10	¥416

March 31, 2022	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Deposits (*)	\$20,402,938	\$1,393,494	\$83	\$3,405
Borrowed Money	1,624,315	—	—	—
Total	\$22,027,253	\$1,393,494	\$83	\$3,405

(*1) On-demand deposits are included in deposits due within 1 year.

27. Fair Value of Marketable Securities Securities

The fair value and unrealized holding gains (losses) of marketable securities as of March 31, 2022, were as follows.

In addition to securities in the non-consolidated balance sheets and trading account securities are included in the following amounts:

1) Securities classified as trading

	Millions of yen
March 31, 2022	Gains included in profit/loss
Securities Classified as Trading	¥—

	Thousands of U.S. dollars
March 31, 2022	Gains included in profit/loss
Securities Classified as Trading	\$—

2) Bonds classified as held-to-maturity

	Millions of yen		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31, 2022			
Bonds with Unrealized Gains:			
National Government Bonds	¥ —	¥ —	¥ —
Local Government Bonds	—	—	—
Corporate Bonds	1,823	1,853	29
Other Securities	—	—	—
Subtotal	1,823	1,853	29
Bonds with Unrealized Losses:			
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	158	158	—
Other Securities	—	—	—
Subtotal	158	158	—
Total	¥1,981	¥2,011	¥29

	Thousands of U.S. dollars		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31, 2022			
Bonds with Unrealized Gains:			
National Government Bonds	\$ —	\$ —	\$ —
Local Government Bonds	—	—	—
Corporate Bonds	14,900	15,142	241
Other Securities	—	—	—
Subtotal	14,900	15,142	241
Bonds with Unrealized Losses:			
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	1,290	1,290	—
Other Securities	—	—	—
Subtotal	1,290	1,290	—
Total	\$16,191	\$16,433	\$241

3) Other securities

	Millions of yen		
	Non-consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
March 31, 2022			
Other Securities with Unrealized Gains:			
Stocks	¥ 18,207	¥ 11,733	¥ 6,474
Bonds	332,431	329,490	2,941
National Government Bonds	80,674	80,010	663
Local Government Bonds	94,847	93,908	938
Corporate Bonds	156,910	155,571	1,338
Other Securities	173,546	161,306	12,239
Subtotal	524,185	502,530	21,654
Other Securities with Unrealized Losses:			
Stocks	6,238	7,101	(863)
Bonds	215,051	219,043	(3,991)
National Government Bonds	91,551	92,925	(1,373)
Local Government Bonds	52,319	53,048	(728)
Corporate Bonds	71,180	73,070	(1,890)
Other Securities	193,003	204,985	(11,981)
Subtotal	414,294	431,130	(16,836)
Total	¥938,479	¥933,661	¥ 4,818

(*) Net unrealized gains on other securities of ¥3,469 million (after deducting ¥1,348 million in deferred tax liabilities from the above ¥4,818 million in net unrealized gains) are included in "Unrealized Gains on Other Securities."

	Thousands of U.S. dollars		
	Non-consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
March 31, 2022			
Other Securities with Unrealized Gains:			
Stocks	\$ 148,767	\$ 95,866	\$ 52,901
Bonds	2,716,164	2,692,134	24,029
National Government Bonds	659,155	653,731	5,423
Local Government Bonds	774,960	767,290	7,669
Corporate Bonds	1,282,049	1,271,112	10,937
Other Securities	1,417,976	1,317,975	100,001
Subtotal	4,282,908	4,105,976	176,932
Other Securities with Unrealized Losses:			
Stocks	50,974	58,027	(7,052)
Bonds	1,757,102	1,789,718	(32,615)
National Government Bonds	748,032	759,254	(11,221)
Local Government Bonds	427,484	433,435	(5,951)
Corporate Bonds	581,585	597,027	(15,442)
Other Securities	1,576,957	1,674,852	(97,894)
Subtotal	3,385,035	3,522,598	(137,563)
Total	\$7,667,943	\$7,628,574	\$ 39,369

(*) Net unrealized gains on other securities of US\$28,349 thousand (after deducting US\$11,019 thousand in deferred tax liabilities from the above US\$39,369 thousand in net unrealized gains) are included in "Unrealized Gains on Other Securities."

4) Bonds sold during fiscal year ended March 31, 2022 that are classified as held-to-maturity

There are no applicable items.

5) Other securities sold during the fiscal year ended March 31, 2022

March 31, 2022	Millions of yen		
	Sales amount	Gains on sale	Losses on sale
Stocks	¥229	¥18	¥ 92
Bonds	—	—	—
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	—	—	—
Other Securities	126	—	30
Total	¥356	¥18	¥123

March 31, 2022	Thousands of U.S. dollars		
	Sales amount	Gains on sale	Losses on sale
Stocks	\$1,877	\$149	\$ 755
Bonds	—	—	—
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	—	—	—
Other Securities	1,032	—	252
Total	\$2,909	\$149	\$1,008

6) Impairment of Securities

There are no applicable items.

7) Money held in trust classified as trading

There are no applicable items.

8) Money held in trust classified as held-to-maturity

There are no applicable items.

9) Other money held in trust

There are no applicable items.

10) ¥100,087 million (US\$817,772 thousand) in securities lent under repurchase transactions are included in National Government Bonds.

28. Loan Commitments

Commitment line contracts on overdrafts and loans are legally binding agreements to lend to customers up to a prescribed amount when they apply to borrow, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥98,939 million (US\$808,393 thousand), and the amount of unused commitments whose remaining contract terms are within one year was ¥11,123 million (US\$90,889 thousand) as of March 31, 2022.

As many of these contracts terminate with no money lent, the amount of unused commitments itself does not necessarily affect the Bank's future cash flow. Many of the contracts contain clauses that allow the Bank to reject a loan application or to reduce the amount lent in the event of changes to financial circumstances, the need for protection of receivables, or other adequate reason. In addition, at the time a contract is signed, the Bank secures collateral such as real estate and marketable securities as necessary, and during the contract period, regularly monitors the business conditions of the customer in accordance with its internal standard procedures, reviews the contract as necessary, and takes credit protection measures.

29. Deferred Tax Assets and Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred Tax Assets:			
Reserve for Possible Loan Losses	¥ 3,263	¥ 3,503	\$26,662
Losses on Impairment of Fixed Assets	533	589	4,358
Accrued Interest	34	36	285
Reserve for Employee Bonuses	192	182	1,569
Reserve for Employee Retirement Benefits	607	641	4,960
Reserve for Executive Retirement Allowances	100	104	820
Accrued Business Tax	116	65	953
Others	248	262	2,033
Subtotal	5,096	5,386	41,644
Valuation Allowances	(1,752)	(1,852)	(14,322)
Total Deferred Tax Assets	¥ 3,344	¥ 3,534	\$27,322
Deferred Tax Liabilities:			
Unrealized Gains on Other Securities	¥ 1,348	¥ 6,496	\$11,019
Others	2	3	24
Total Deferred Tax Liabilities	¥ 1,351	¥ 6,500	\$11,043
Net Deferred Tax Assets (Liabilities)	¥ 1,992	¥(2,966)	\$16,278

30. Related Party Transactions

During the years ended March 31, 2022 and 2021, the Bank had operational transactions with its subsidiaries. A summary of the material transactions with its subsidiaries for the years ended March 31, 2022 and 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the Fiscal Year:			
Operating Revenue	¥102	¥103	\$ 836
Operating Expenses	541	570	4,427

31. Subsequent Events

The following appropriation of retained earnings applicable to the year ended March 31, 2022, was approved at the members' meeting held on June 23, 2022.

	Millions of yen	Thousands of U.S. dollars
Unappropriated Retained Earnings at End of the Year	¥46,733	\$381,840
Appropriations:		
Legal Reserve	615	5,024
Dividends		
Common Shares (2.0% per year)	617	5,043
Preferred Shares (0.7% per year)	35	285
Unappropriated Retained Earnings Carried Forward	¥45,466	\$371,485

Independent Auditor's Report

To the Board of Directors of The Johoku Shinkin Bank

Opinion

We have audited the accompanying non-consolidated financial statements of The Johoku Shinkin Bank, which comprise the non-consolidated balance sheet as at March 31, 2022, and the non-consolidated statements of income and retained earnings for the year then ended, and notes to non-consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, in accordance with the requirements of Shinkin Bank Law, Ordinance for Enforcement on Shinkin Bank Law and accounting principles generally accepted in Japan.

Convenience Translation

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

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 Financial Statements section of our report. We are independent of The Johoku Shinkin Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information. Supervisory Board Member are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's other information reporting process.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Supervisory Board Member for the Financial Statements

Management is responsible for the preparation of these non-consolidated financial statements in accordance with the Shinkin Bank Act and its enforcement regulations and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Supervisory Board Member are responsible for overseeing the the Shinkin Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, of which selection and application depend on the auditor's judgment, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain 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 Johoku Shinkin Bank'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 Johoku Shinkin Bank'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 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 Johoku Shinkin Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, as well as whether the presentation and disclosures of the financial statements conform to accounting principles generally accepted in Japan.

We communicate with Supervisory Board Member 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.

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 Johoku Shinkin Bank which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroshi Tsurumi
Designated Engagement Partner
Certified Public Accountant

Hiroshi Tsurumi 

Kenta Nishimura
Designated Engagement Partner
Certified Public Accountant

Kenta Nishimura 

Grant Thornton Taiyo LLC
Tokyo, Japan
October 21, 2022

Grant Thornton Taiyo LLC

Five-Year Summary (Non-Consolidated Basis)

The Johoku Shinkin Bank

Years ended March 31, 2022, 2021, 2020, 2019 and 2018

	Millions of yen					Thousands of U.S. dollars
	2022	2021	2020	2019	2018	2022
For the Years Ended March 31						
Total Income	¥ 37,753	¥ 36,741	¥ 36,519	¥ 37,500	¥ 36,802	\$ 308,470
Interest on Loans and Bills Discounted	19,078	18,939	18,529	18,928	19,032	155,881
Interest and Dividends on Securities	11,681	11,133	10,717	10,857	10,362	95,441
Total Expenses	29,538	31,074	31,159	31,726	30,725	241,349
Income Before Income Taxes	8,215	5,666	5,359	5,774	6,076	67,121
Net Income	6,140	4,084	3,912	4,079	4,061	50,172
As of March 31						
Total Assets	¥3,117,342	¥2,953,933	¥2,735,609	¥2,728,824	¥2,690,531	\$25,470,563
Securities	940,834	905,726	812,888	759,129	770,623	7,687,187
Loans and Bills Discounted	1,301,955	1,282,126	1,209,066	1,210,996	1,202,959	10,637,758
Total Liabilities	2,995,179	2,823,617	2,623,612	2,609,839	2,574,317	24,472,417
Deposits	2,668,092	2,643,369	2,483,910	2,464,535	2,437,670	21,799,922
Total Net Assets	122,162	130,316	111,997	118,985	116,213	998,145
Number of Branches	90	94	95	95	95	
Number of Employees	1,892	1,930	1,939	1,962	1,992	
Deposits						
Per Branch	¥ 29,645	¥ 28,120	¥ 26,146	¥ 25,942	¥ 25,659	\$ 242,221
Per Employee	1,410	1,369	1,281	1,256	1,223	11,522
Loans and Bills Discounted						
Per Branch	14,466	13,639	12,727	12,747	12,662	118,197
Per Employee	688	664	623	617	603	5,622

Note: Figures stated in U.S. dollars are translated solely for convenience at ¥122.39 to U.S.\$1, the rate prevailing on March 31, 2022.

Supplemental Consolidated Financial Information (Unaudited)

The Johoku Shinkin Bank and Consolidated Subsidiaries

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the Fiscal Year:			
Total Income	¥ 37,792	¥ 36,803	\$ 308,791
Total Expenses	29,567	31,101	241,584
Income Before Income Taxes and Others	8,225	5,701	67,206
Profits Attributable to Owners of Parent	6,135	4,097	50,128
At Year-End:			
Deposits	¥2,667,772	¥2,643,031	\$21,797,310
Loans and Bills Discounted	1,301,578	1,281,706	10,634,680
Securities	940,644	905,546	7,685,634
Total Assets	3,117,085	2,953,681	25,468,462
Total Net Assets	122,180	130,339	998,290
Per Share Data:			
Earnings Per Share (EPS)	¥ 98.24	¥ 64.72	\$ 0.802
Book-value Per Share (BPS)	1,897.72	2,004.61	15.505

Notes: 1. The supplemental consolidated financial information includes the accounts of the Bank and its three consolidated subsidiaries as of March 31, 2022.

2. Figures stated in U.S. dollars are translated solely for convenience at ¥122.39 to U.S.\$1, the rate prevailing on March 31, 2022.

Board of Directors and Auditors

As of June 23, 2022

President

Kotaro Omae

Senior Managing Director

Yuji Ishikawa

Managing Directors

Naoki Terada

Chiharu Yaginuma

Directors

Harunobu Edamura

Yoshinao Hamada

Akihiro Oyamada

Toshiaki Hosoya

Akihiko Taguchi

Masakazu Sasaki (external)

Statutory Auditor

Masashi Sakamaki

Auditor

Takahiko Tai (external)

Bank Data

As of March 31, 2022

Date of Establishment:

May 31, 1921

Common Shares (Paid-in Capital):

¥35,866 million

(Preferred Shares: ¥2,500 million)

Number of Members:

152,888

Number of Branches:

90

Number of Employees and Officers:

1,902

Head Office:

79-7, Arakawa 3-chome, Arakawa-ku,

Tokyo 116-0002, Japan

International & Treasury Division:

11-1, Toshima 1-chome, Kita-ku,

Tokyo 114-8521, Japan

Telephone: (03) 3913-4687

Facsimile: (03) 3913-1263

Swift BIC: OJIS JP JT



JOHOKU SHINKIN BANK

11-1, Toshima 1-chome, Kita-ku, Tokyo 114-8521, Japan