

# Activities in Fiscal 2021

## Annual Report

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➤ Annual Report



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りゅうぎんの商品

- かりる
- ためる
- そなえる
- 運用する
- 便利につかう

法人・個人事業主のお客さま

# Bank of the Ryukyus Overview

## Company Profile

Establishment

May 1, 1948

Capital

56.967 billion yen

Registered Address

1-11-1 Kumoji, Naha, Okinawa Prefecture  
900-0015

Address for  
Temporary Relocation

2-1 Higashi-machi, Naha, Okinawa Prefecture  
900-0034

No. of Business  
Locations

74 in Okinawa Pref., 1 in Tokyo

Total Assets

3.0277 trillion yen

Loans

1.8222 trillion yen

Deposits

2.6095 trillion yen

No. of Employees

1,349

Credit Ratings

R&I: A+  
JCR: A+

## Affiliated Companies

 **琉球リース** RYUKYULEASING CO., LTD.

Address  
Establishment  
Capital  
Business Fields

1-7-1 Kumoji, Naha, Okinawa Prefecture  
May 10, 1972  
346 million yen (100% stock ownership by Bank of the Ryukyus)  
Leasing and installment-selling of information-related devices/equipment, office equipment, and other machinery and equipment

 **リゅうぎんディーシー** RYUGIN DC CO., LTD.

Address  
Establishment  
Capital  
Business Fields

1-7-1 Kumoji, Naha, Okinawa Prefecture  
April 25, 1984  
195 million yen (100% stock ownership by Bank of the Ryukyus)  
Credit card, loan, and credit guarantee operations

 **OCS** OKINAWA CREDIT SERVICE CO., LTD.

Address  
Establishment  
Capital  
Business Fields

2-3-10 Matsuyama, Naha, Okinawa Prefecture  
August 26, 2008  
279.12 million yen (100% stock ownership by Bank of the Ryukyus)  
Credit card, personal trust purchasing mediation, and contracted acquisition operations

 **リゅうぎん保証** Ryugin Hoshō Co., Ltd.

Address  
Establishment  
Capital  
Business Fields

Naha Port Bldg. 7th floor, 2-1 Higashi-machi, Naha, Okinawa Prefecture  
July 2, 1979  
20 million yen (100% stock ownership by Bank of the Ryukyus)  
Debt obligation guarantee operations and similar in relation to real estate financing and consumer credit

 **リゅうぎん総合研究所** Ryugin Research Institute, Ltd.

Address  
Establishment  
Capital  
Business Fields

Ryugin Hoken Kaikan 3rd floor, 1-1-9 Tsubogawa, Naha, Okinawa Prefecture  
June 28, 2006  
23 million yen (100% stock ownership by Bank of the Ryukyus)  
Industrial, economic and monetary surveys; research operations; and planning and operation of lecture events, training sessions, etc.

 **リゅうぎんビジネスサービス** Ryugin Business Service Co., Ltd.

Address  
Establishment  
Capital  
Business Fields

3-33-1 Yafuso, Urasoe, Okinawa Prefecture  
September 16, 1983  
10 million yen (100% stock ownership by Bank of the Ryukyus)  
Cash inspection and preparation/sorting, ATM maintenance and management, and delivery operations for documents and similar

# Bank of the Ryukyus History

|           |   |
|-----------|---|
| May 1948  | Precursor organization established via Military Government Ordinance No. 1  |
| Jan. 1972 | The Bank changed from special public corporation based on Military Government Ordinance to joint-stock corporation based on commercial law, and name changed to Bank of the Ryukyus, Limited                        |
| May 1972  | Business operating license acquired following Government of the Ryukyu Islands' establishment of the Banking Act, and the Bank changed from a proclamation-based bank to a commercial bank based on the Banking Act |
| Oct. 1983 | Becomes first corporation in Okinawa Prefecture to be listed on the stock market (Tokyo Stock Exchange 2nd Section and Fukuoka Stock Exchange; later listed on Tokyo Stock Exchange 1st Section in Sep. 1985)       |
| Sep. 1999 | Fiscal soundness plan established based on 22.7 billion yen capital increase through third-party allocation and 40.0 billion yen in public financing (unsecured convertible bonds)                                  |
| Jan. 2006 | Judankai joint banking system (for 8 regional banks) launched   |
| Oct. 2006 | Bank acquires 34 billion yen of stock from among 40 billion yen of public preferred stock and cancels it  |
| July 2010 | Completes repayment of public loans to conclude fiscal soundness plan   |
| Apr. 2015 | Okinawa Credit Service Co., Ltd. becomes a consolidated subsidiary of the Bank  |
| Jan. 2017 | Begins offering customer services for Bank of the Ryukyus Card affiliates   |
| July 2017 | Ryukyu Leasing Co., Ltd. becomes wholly owned subsidiary of the Bank  |
| May 2018  | Celebrates 70th anniversary of bank founding  |
| Sep. 2018 | Capital increase through 5.6 billion yen public offering  |
| Nov. 2019 | Bank of the Ryukyus Group SDG Declaration established   |
| Apr. 2020 | SINKA 2020 Mid-Term Management Plan launched  |
| Apr. 2020 | The Bank joins the TSUBASA Alliance   |
| Dec. 2020 | Headquarters temporarily relocated to Naha Port Bldg.   |
| Jan. 2021 | The Bank enters into the Okinawa Economic Revitalization Partnership with The Bank of Okinawa   |
| Apr. 2022 | Listed on new "Prime Market" section of Tokyo Stock Exchange  |

Bank of the Ryukyus was originally established on May 1, 1948 as a special banking organization via the Military Government Ordinance, and the US government provided 51 percent of the capital investment. The Bank was modeled after the US Federal Reserve System and Philippine National Bank, and following its initial founding was operated very much like a central bank.

In the spring of 1972, as part of preparations for Okinawa's return to Japanese sovereignty, the Bank was reorganized as a joint-stock corporation and shares in the organization held by the US government were distributed among Okinawa Prefecture citizens. As of this event, our organization began operating as a commercial bank in Japan, and in 1983 we became the first corporation from Okinawa Prefecture to be listed on the stock market.

As part of measures toward greater asset soundness for the Bank and a stronger corporate financial structure, in September 1999 we implemented a 22.7 billion yen capital increase through third-party allocation and also received 40.0 billion yen in public financing. By July 2010, we completed repayment of all public loans.

Okinawa Credit Service Co., Ltd., which handles credit-card business and personal trust purchasing mediation services, became a consolidated subsidiary of the Bank of the Ryukyus Group in April 2015, and Ryukyu Leasing Co., Ltd., which is engaged in comprehensive leasing operations, became a wholly owned subsidiary in July 2017. These and other such changes were implemented in order to strengthen the Group as a whole, thus ensuring provision of high value to our customers.

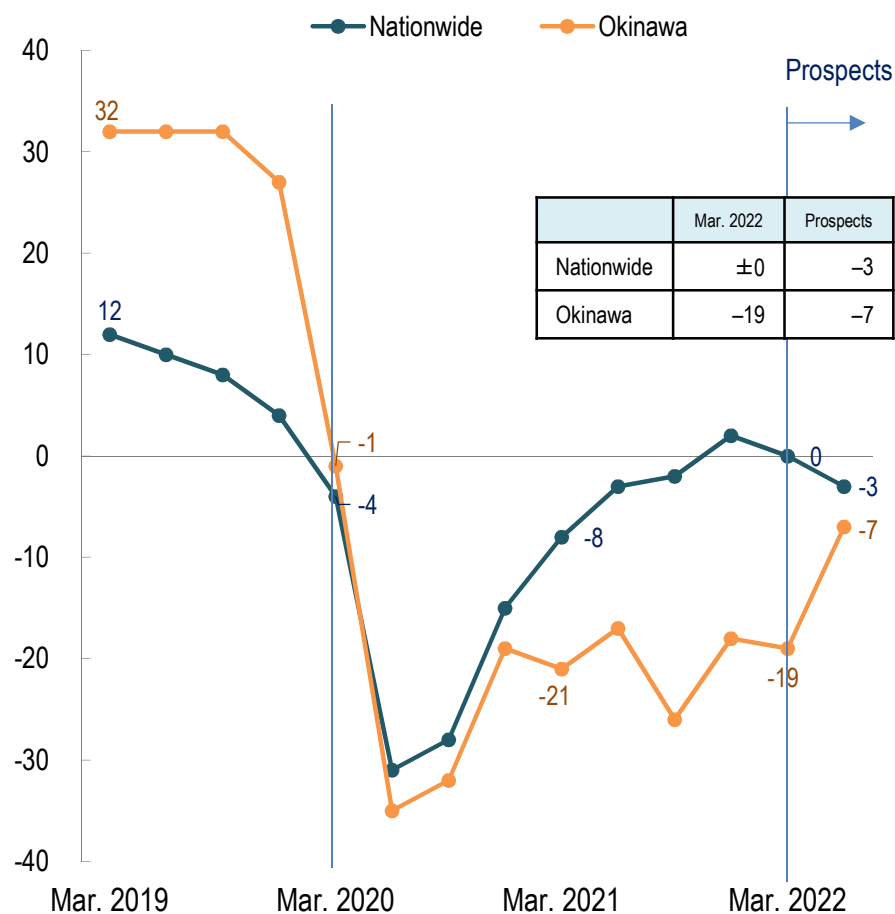
We launched our SINKA 2020 Mid-Term Management Plan in April 2020 with the goal of serving as a true leader in the banking industry that supports the local region and contributes toward its development and growth, without being swayed by challenges brought about by economic and business climate changes. To this end, we have actively provided financial support to customers affected by the COVID-19 crisis.

Additionally, in April 2020 we joined the TSUBASA Alliance, which is headed up by The Chiba Bank, Ltd., and in January 2021 we signed an agreement to join the Okinawa Economic Revitalization Partnership together with The Bank of Okinawa, Ltd. As regional banks face increasingly tough challenges in their operating environments, Bank of the Ryukyus intends to work in mutual cooperation with other banks in order to revitalize Okinawa's economy and achieve a stronger Group overall.

# Tankan Survey

Tourism, which is a key industry in Okinawa Prefecture, declined relative to nationwide levels.

## Business Sentiment DI (Good/Bad)



Source: Bank of Japan Naha Branch data (for graph creation)

## Economic Overview of Okinawa Prefecture

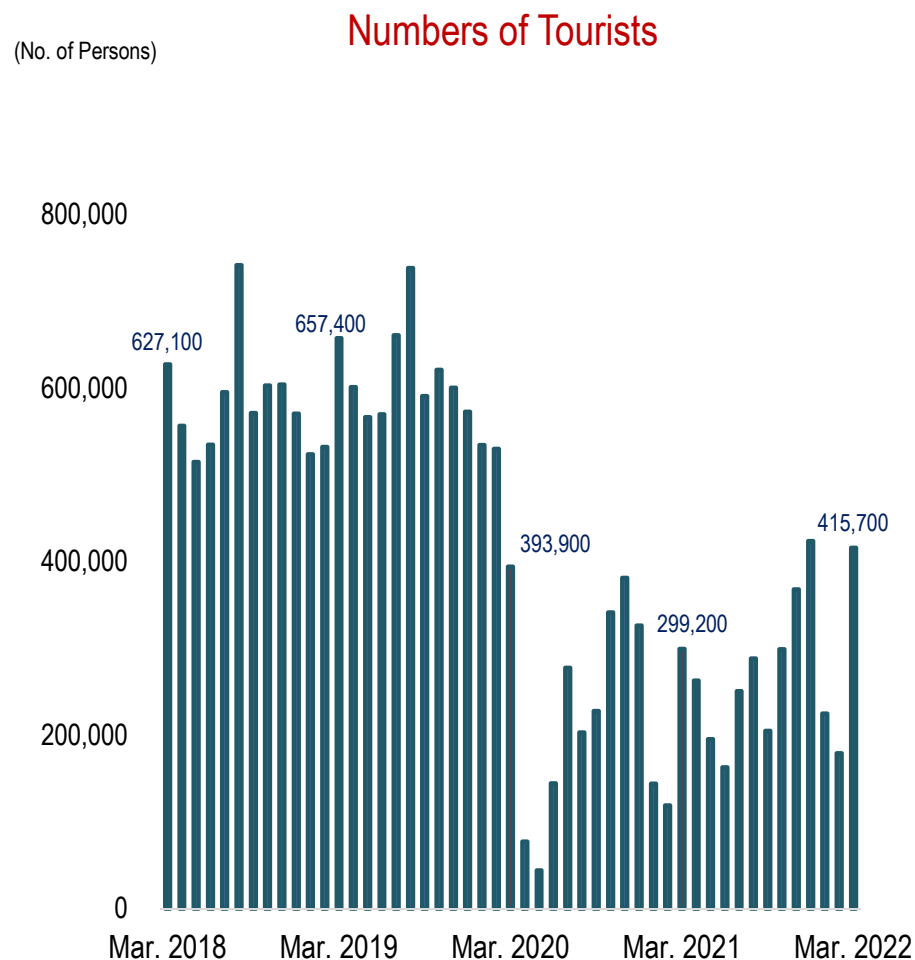
- The Tankan (Short-Term Economic Survey of Enterprises in Japan) showed business sentiment diffusion index (DI) bottoming out in June 2020, followed by a partial recovery that hasn't been able to rectify the continuing low-level trend.
- Future outlook dropped by 12 points to -7 on the "bad" side.

## Major Indicators

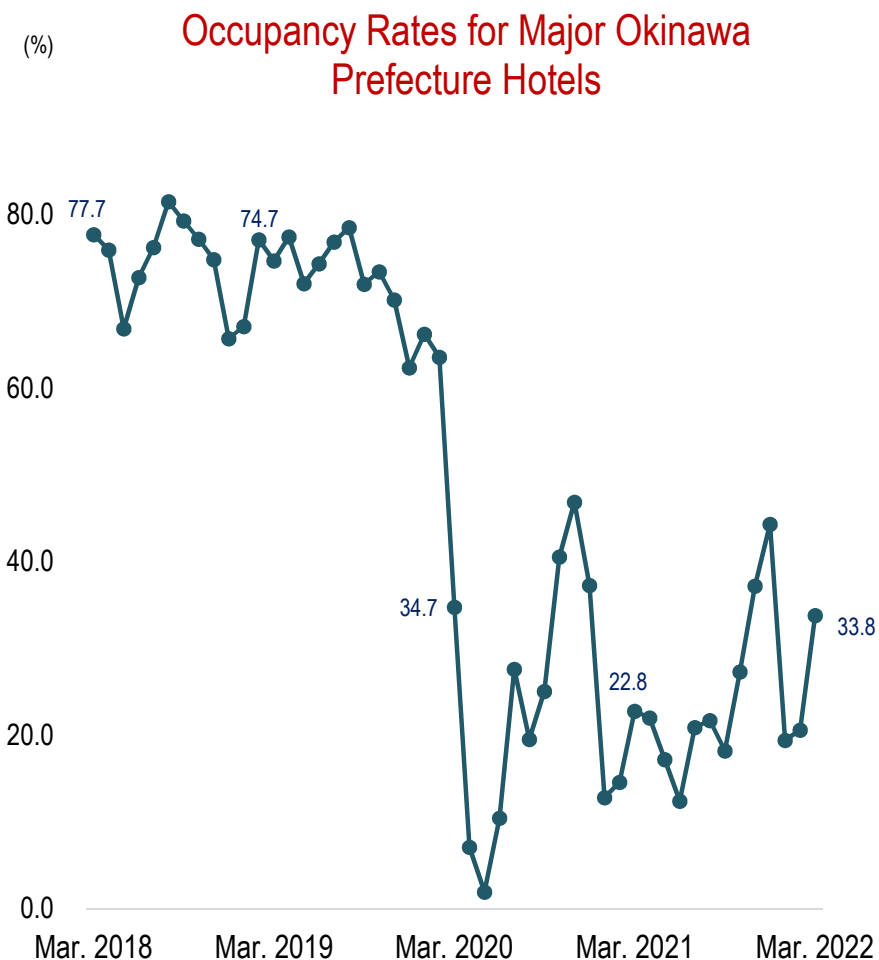
- Difficult conditions persisted due to national and prefectural state-of-emergency declarations and other restrictions on tourist-related travel and activities.
- Employment is expected to exhibit a worsening trend in response to slowed tourism-industry demand.
- Public investment remained strong overall, but shows a weakening trend due to significant drops in rental housing investment.

# Tourism

Priority measures to prevent COVID-19 spread, state-of-emergency declarations, and similar measures implemented for more than half of FY 2021 resulted in restrictions on inter-prefecture movement, prolonging difficult conditions in the tourism industry.



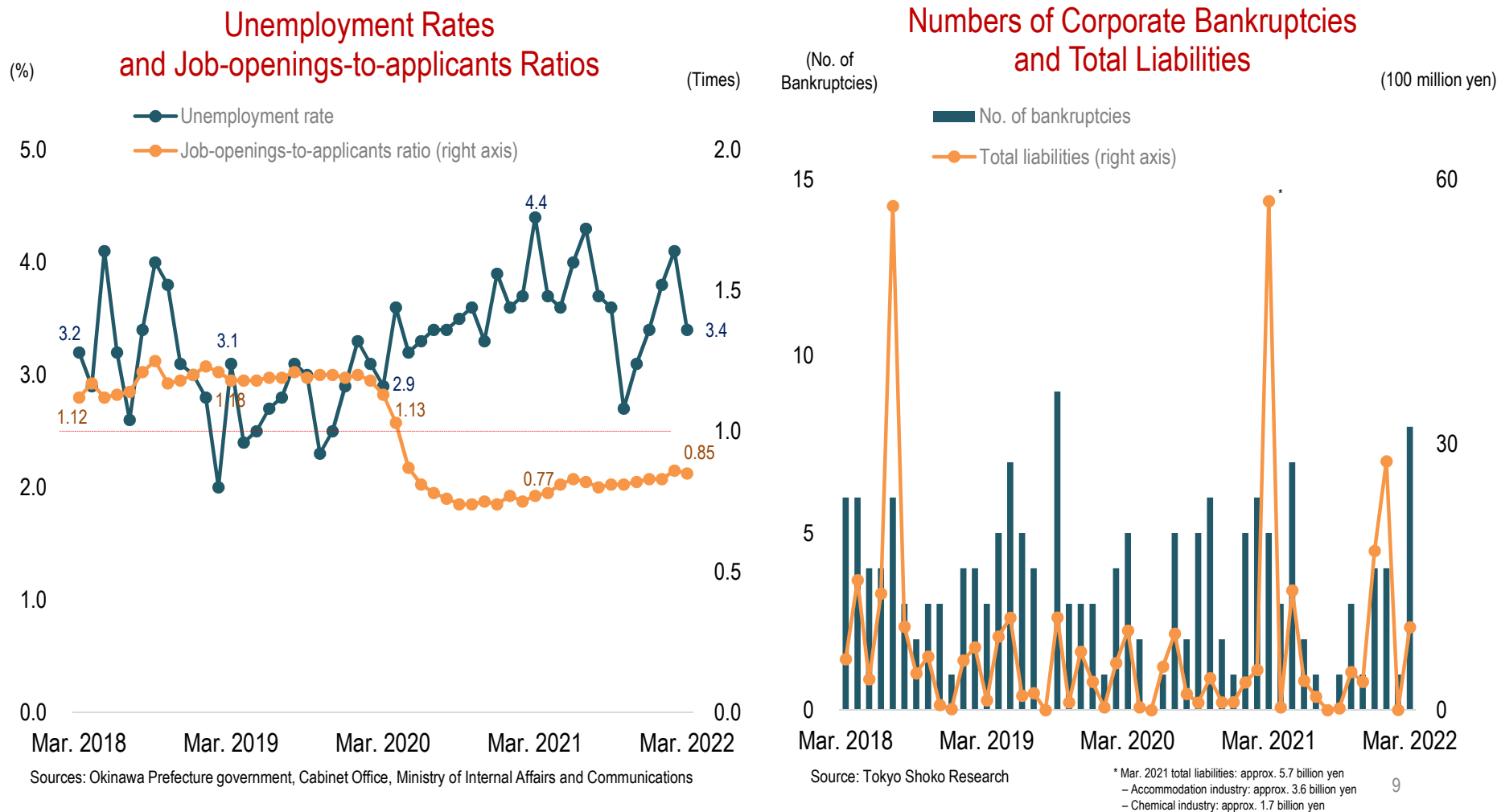
Source: Okinawa Prefecture government data (for graph creation)



Source: Ryugin Research Institute data (for graph creation)

# Unemployment Rates, Job-openings-to-applicants Ratios, and Corporate Bankruptcies

Continually declining demand in tourism, a key Okinawa Prefecture industry, and other such negative developments have led to increased unemployment rates and decreased job-openings-to-applicants ratios. However, corporate bankruptcies have leveled out thanks to government emergency fiscal measures, assistance measures by financial institutions, and other such countermeasures.

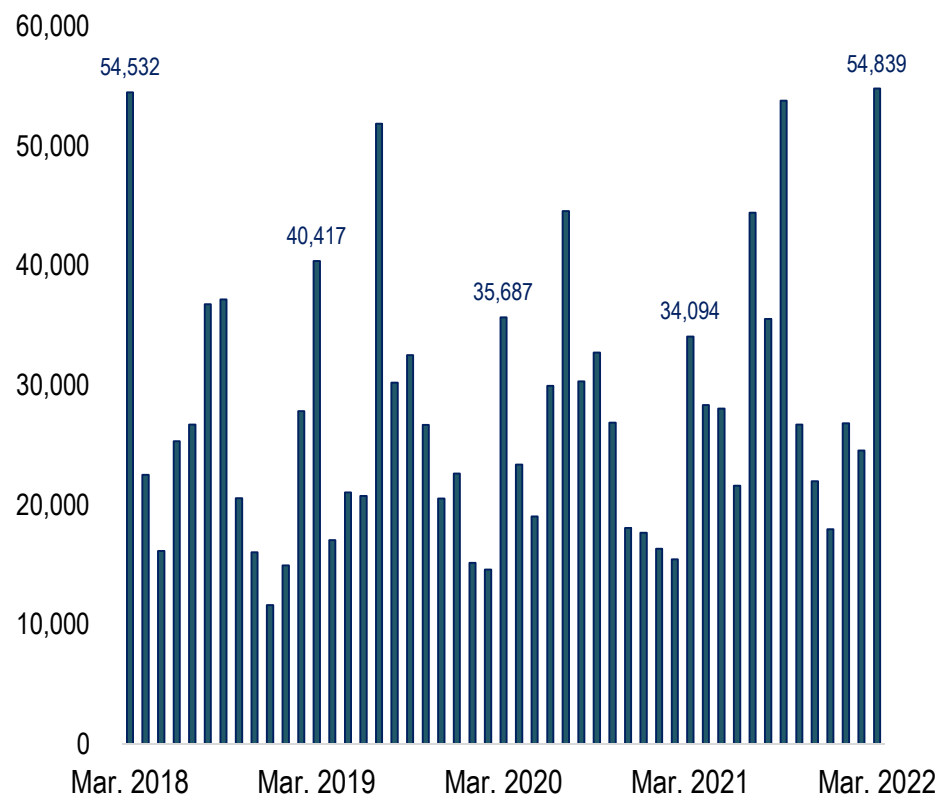


# Public Construction Contract Amounts and Numbers of New Housing Construction Projects Started

New public construction contract amounts remained strong despite the spread of COVID-19. Numbers of new housing construction projects were weak overall, primarily due to a decline in new rental housing construction continuing from FY 2020.

Public Construction Contract Amounts

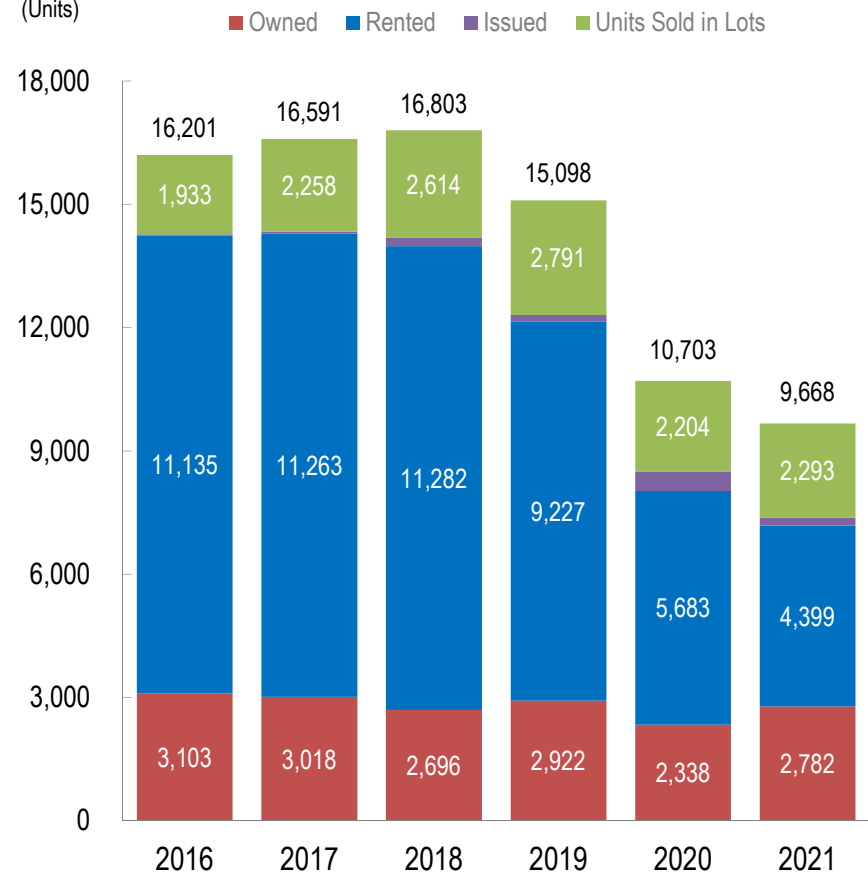
(Million yen)



Source: West Japan Construction Company Okinawa Branch

Numbers of New Housing Construction Projects Started

(Units)



Source: "Housing Starts Statistics," Ministry of Land, Infrastructure, Transport and Tourism



# Financial Summary (Consolidated) (1/2)

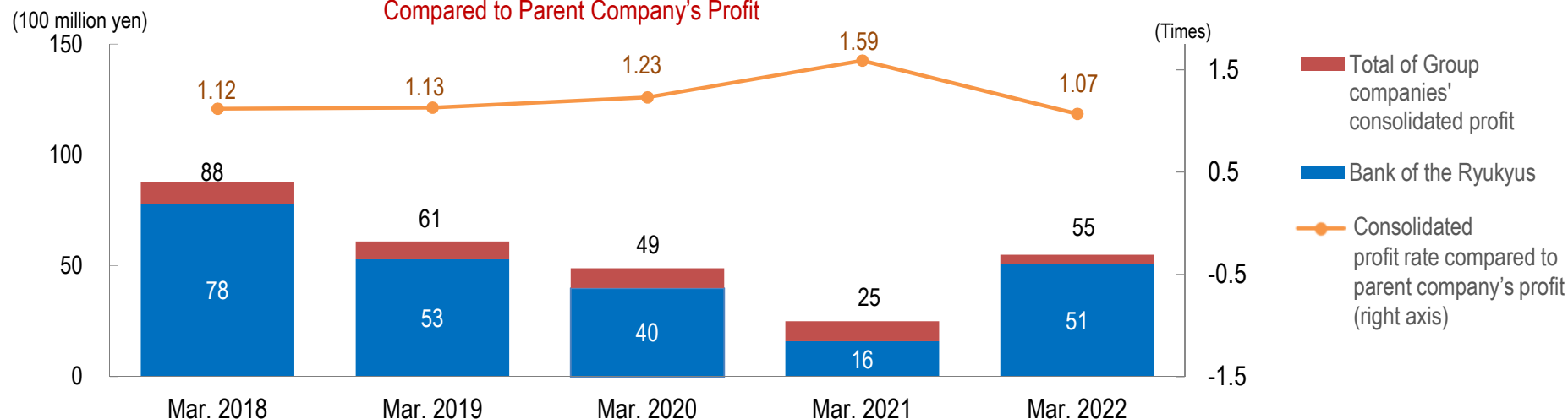
Revenue decreased and profit increased. Improvements in non-consolidated expenses and credit costs led to higher consolidated net income.

(100 million yen)

|   | FY 2021 (Ending Mar. 2022) |                     | FY 2020<br>(Ending Mar. 2021) |
|---|----------------------------|---------------------|-------------------------------|
|   |                            | Year-on-year change |                               |
| Ordinary revenue                            | 570                        | -2                  | 572                           |
| Ordinary expenses                           | 490                        | -44                 | 534                           |
| Ordinary profit                             | 79                         | 41                  | 38                            |
| Profit attributable to owners of the parent | 55                         | 30                  | 25                            |

Note: Year-on-year calculation is spreadsheet based.

Current Consolidated Net Income and Consolidated Profit Rates  
 Compared to Parent Company's Profit



# Financial Summary (Consolidated) (2/2)

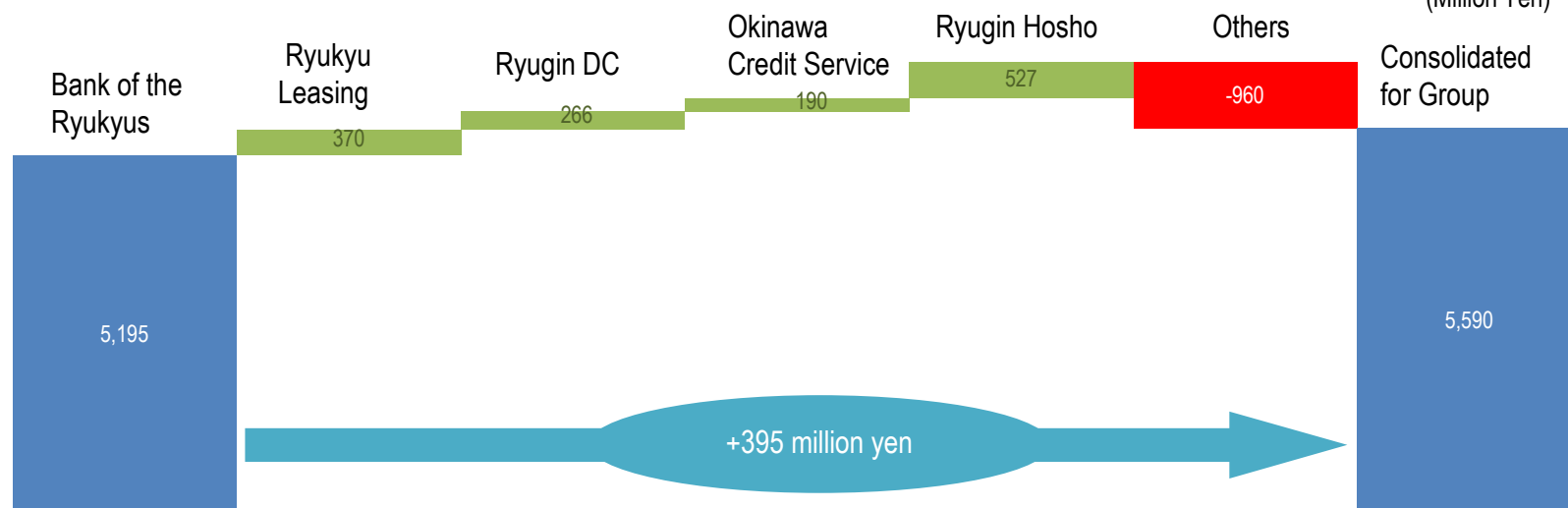
Positive profit for the period was achieved for Bank of the Ryukyus Group companies.

(100 million yen)

|                  | Bank of the Ryukyus | Ryukyu Leasing | Ryugin DC | Okinawa Credit Service | Ryugin Hosho | Others |
|------------------|---------------------|----------------|-----------|------------------------|--------------|--------|
| Ordinary revenue | 386                 | 160            | 17        | 19                     | 9            | -24    |
| Ordinary profit  | 69                  | 5              | 4         | 2                      | 7            | -10    |
| Net income       | 51                  | 3              | 2         | 1                      | 5            | -9     |

Note: "Others" encompasses inter-company eliminations and also includes Ryugin Business Service Co., Ltd. and Ryugin Research Institute Ltd.

(Million Yen)



# Financial Summary (Non-Consolidated)

Revenue and profit increased. The introduction of forward-looking provisioning in FY 2020 caused a downward credit-cost rebound.

(100 million yen)

|                                      | FY 2021 (Ending Mar. 2022) |                     | FY 2020<br>(Ending Mar. 2021) |
|--------------------------------------|----------------------------|---------------------|-------------------------------|
|                                      |                            | Year-on-year change |                               |
| Ordinary revenue                     | 386                        | 13                  | 373                           |
| Business gross profit (a)            | 310                        | 0                   | 310                           |
| Expenses (b)                         | 246                        | -3                  | 249                           |
| Real net business profit (c = a - b) | 64                         | 3                   | 61                            |
| Net credit costs                     | -7                         | -40                 | 33                            |
| Other extraordinary gains/losses     | -3                         | 3                   | -6                            |
| Ordinary profit                      | 69                         | 47                  | 22                            |
| Net income                           | 51                         | 35                  | 16                            |

Note: Year-on-year calculation is spreadsheet based.

# Summary of Profit/Loss Trends (Non-Consolidated: March 2018 to March 2022)

(Million yen)

|   | Mar. 2018 | Mar. 2019 | Mar. 2020 | Mar. 2021 | Mar. 2022 | Year on Year |
|---|-----------|-----------|-----------|-----------|-----------|--------------|
| Profit from customer services* <sup>1</sup>           | 3,395     | 3,472     | 3,619     | 3,835     | 5,097     | +1,262       |
| Deposit and loan balance* <sup>2</sup>                | 21,890    | 22,278    | 22,837    | 23,249    | 23,433    | +184         |
| Profit from service charges* <sup>3</sup>             | 5,277     | 5,347     | 5,400     | 5,775     | 6,287     | +512         |
| Expenses  | -23,772   | -24,153   | -24,618   | -25,189   | -24,623   | -566         |
| Profit/loss in Trading Division                       | 4,937     | 3,238     | 2,054     | 1,864     | 1,302     | -562         |
| Profit/loss in Securities & International Department  | 4,425     | 1,845     | 1,778     | 1,357     | 537       | -820         |
| Interest and dividends                                | 2,911     | 2,298     | 1,597     | 1,201     | 1,054     | -147         |
| Gains/losses from forex and commodities trading       | -36       | 821       | 149       | 115       | 60        | -55          |
| Balance of 5 bond accounts                            | 387       | -169      | 421       | 89        | -818      | -907         |
| Balance of 3 share accounts                           | 1,123     | -730      | -1,089    | 41        | -103      | -144         |
| Policy-related investment                             | 511       | 1,393     | 276       | 506       | 765       | +259         |
| Net credit costs                                      | 1,808     | 217       | -869      | -3,313    | 729       | +4,042       |
| General provision for doubtful accounts* <sup>4</sup> | 850       | -644      | -1,591    | -2,751    | 880       | +3,631       |
| Miscellaneous, corporate tax, etc.                    | -2,314    | -1,553    | -795      | -770      | -1,933    | -1,163       |
| Net income  | 7,826     | 5,374     | 4,009     | 1,616     | 5,195     | +3,579       |

\*1 Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges – Expenses

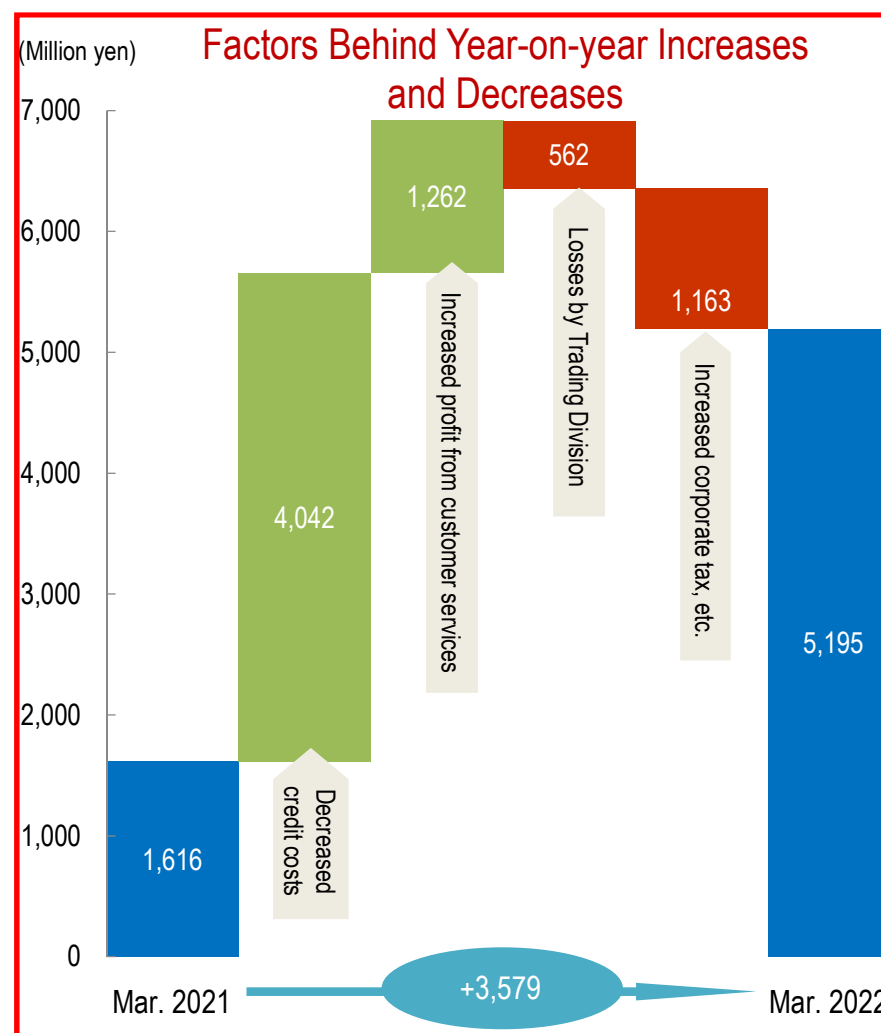
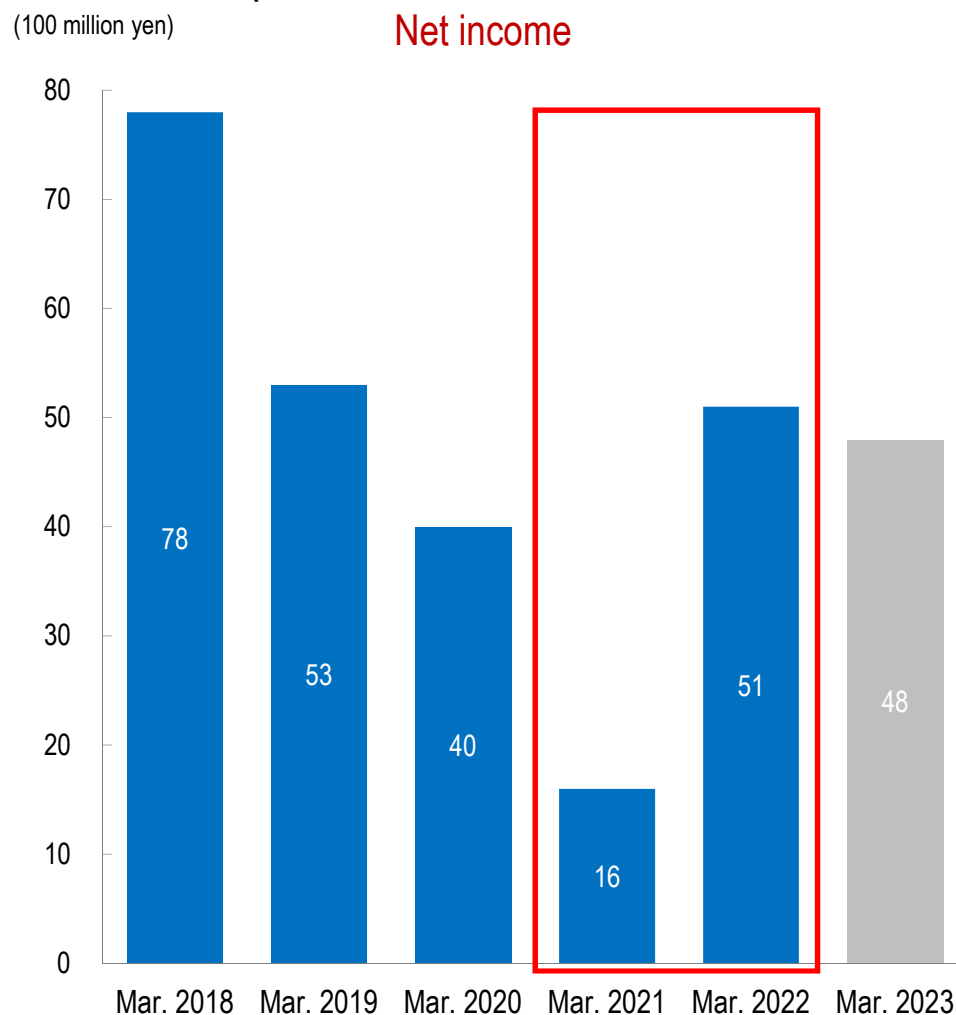
\*2 Balance of deposits and loans (incl. loan-related fees). Interest on deposits is calculated based on currency swap income in real terms.

\*3 Profit from service charges (excl. loan fees).

\*4 General provision for doubtful accounts: negative amounts indicate a provision and positive amounts indicate a reversal.

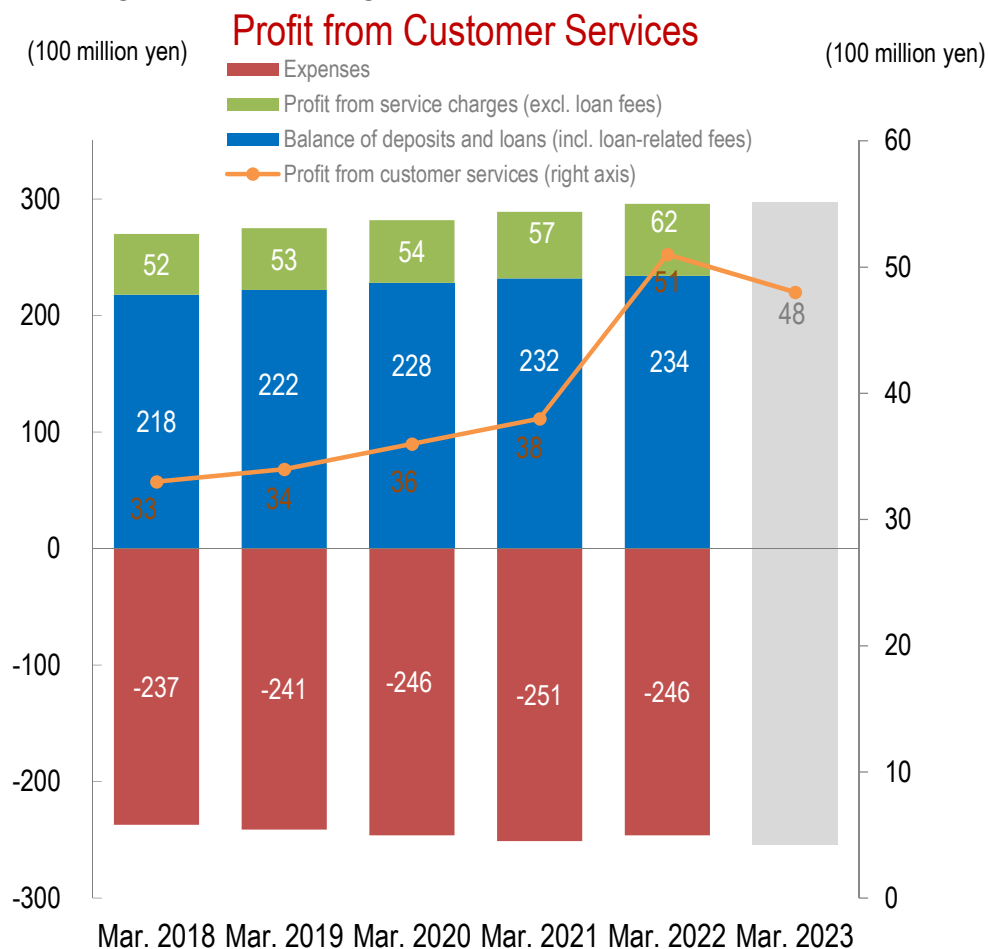
# Profit/Loss During the Fiscal Year Ended March 31, 2022

Major profit increases were seen over the previous fiscal year due to decreased credit costs and increased profit from customer services.



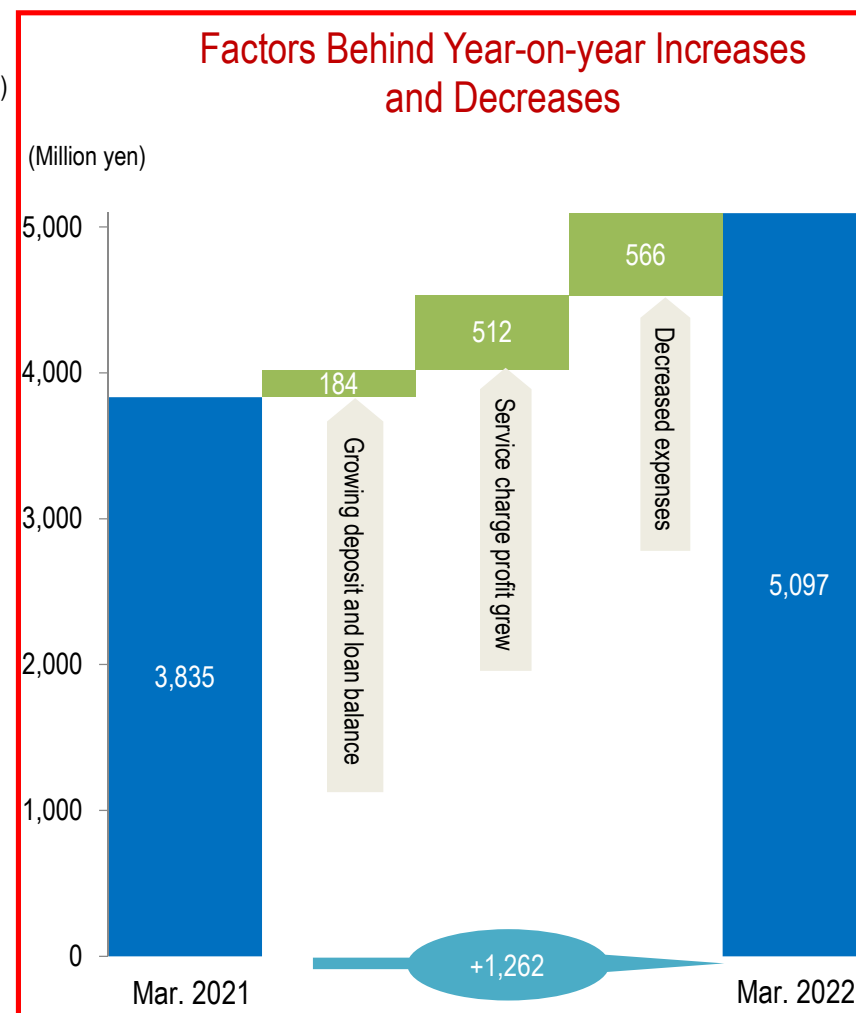
# Profit from Customer Services

Service charge profit increases and expense reductions led to growing profits from customer services. Profits from service charges for mortgage loans, assets in custody and card business services helped bring service charge profit up overall.



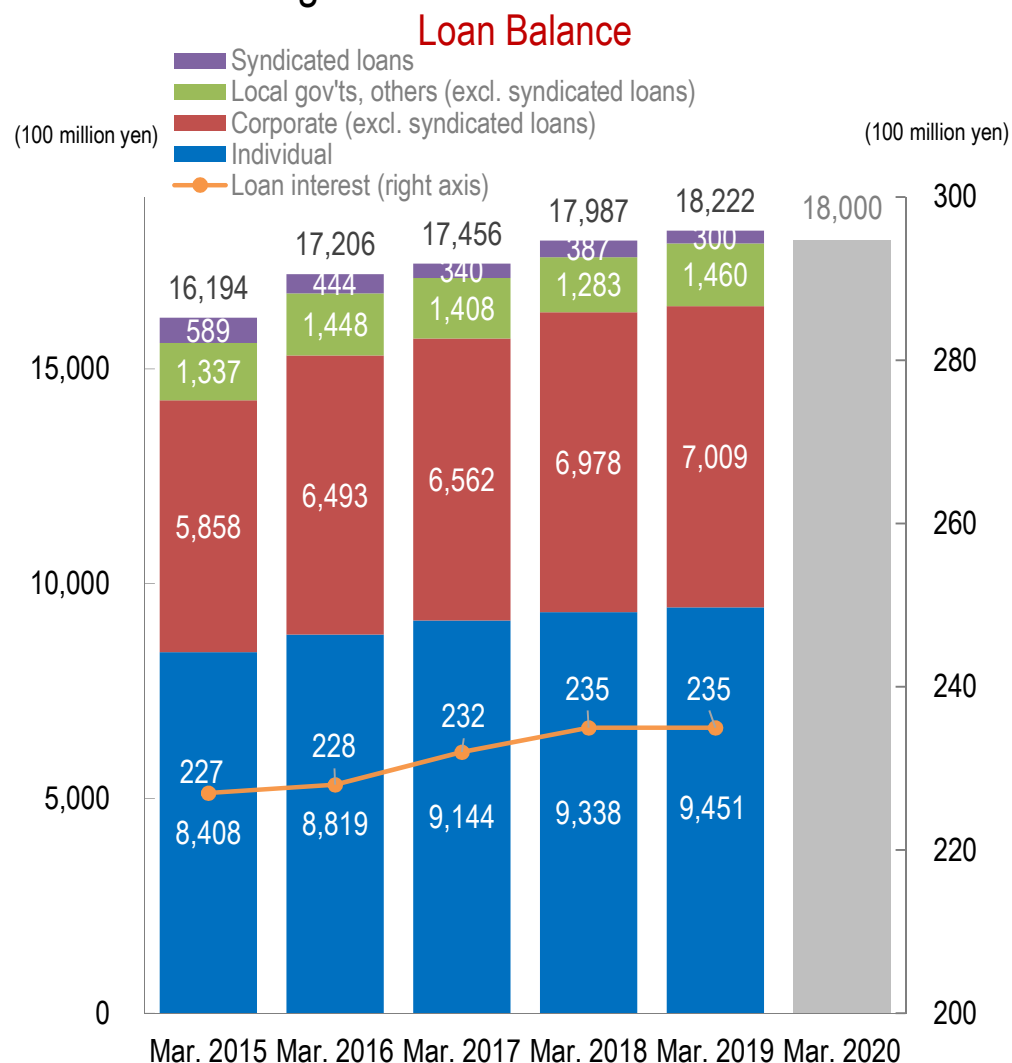
Note: Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges – Expenses

Note: For balances of deposits and loans, interest on deposits is calculated based on currency swap income in real terms.

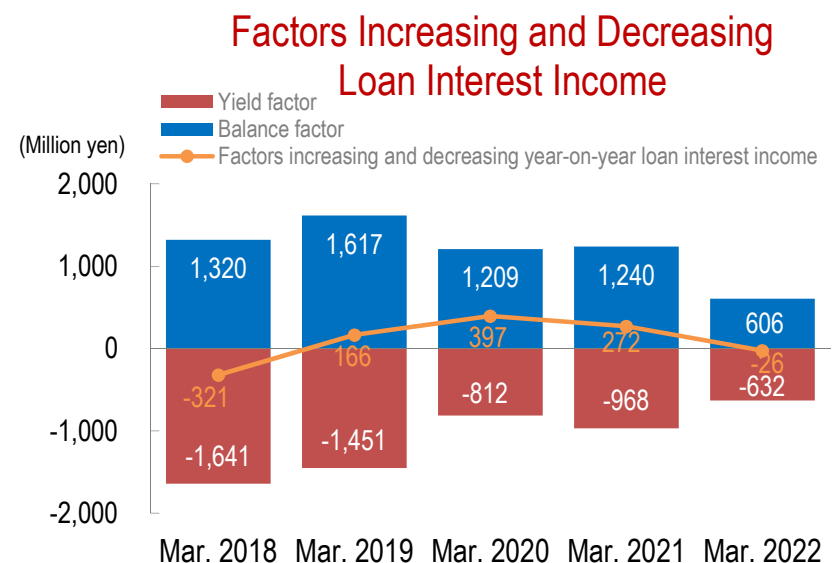
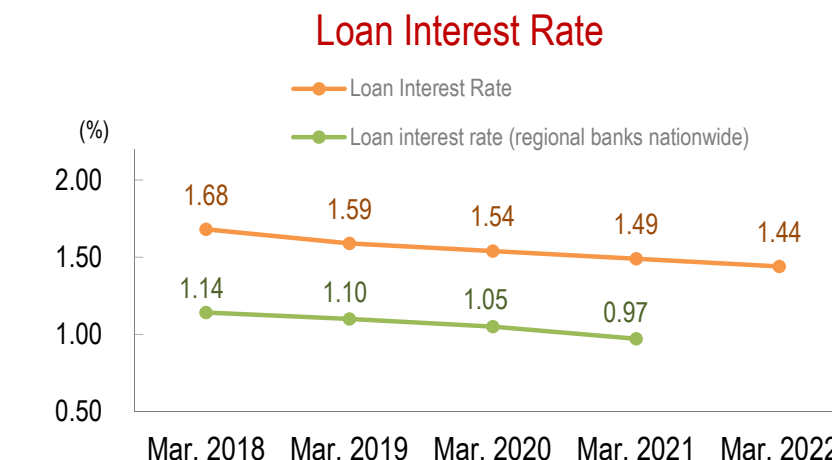


# Loans (1/2)

Slowed loan-balance growth rates and loan interest rate declines resulted in flattening out of loan interest changes.



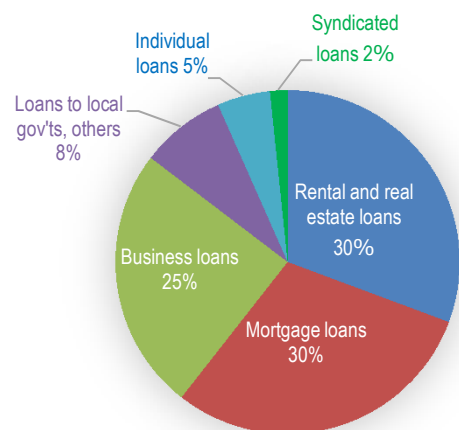
Note: Loan-related fees (consumer loan guarantee fees and group credit life insurance premiums) are deducted from the amount of loan interest income.



# Loans (2/2)

Personal loans, mortgage loans and similar showed steady increases, but decreasing funding demand by businesses and other issues resulted in a lower business-loan balance.

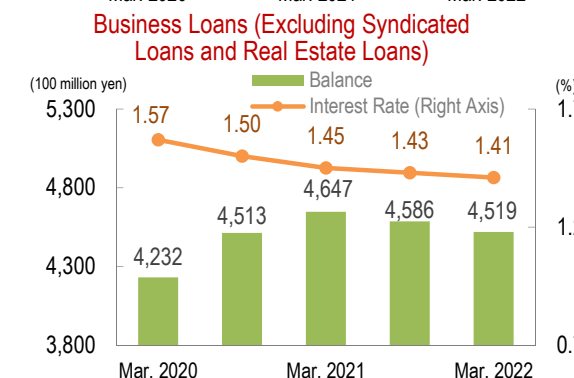
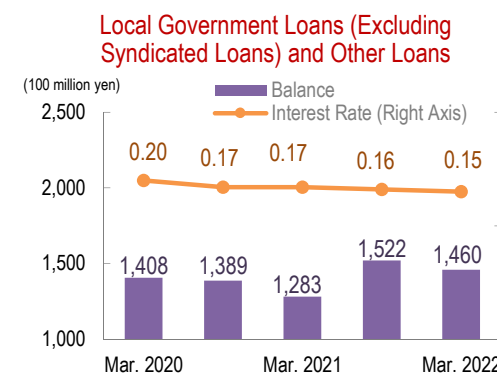
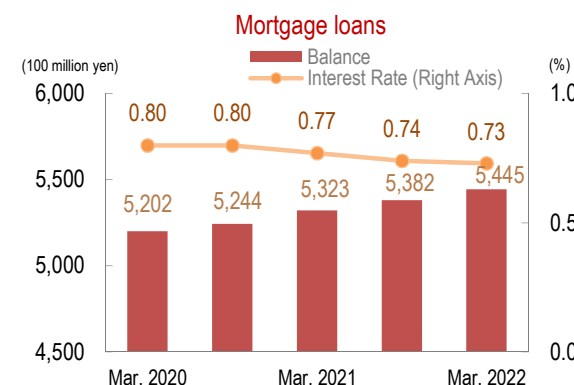
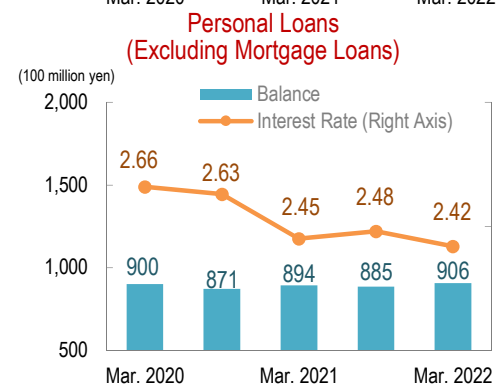
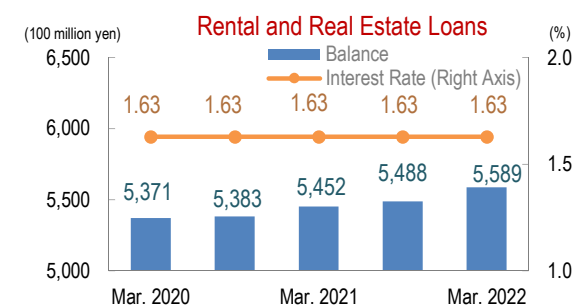
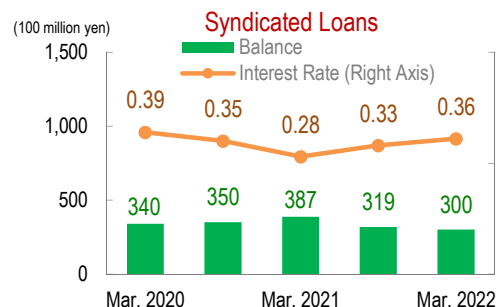
Breakdown of Loan Balances by Use



Note: Loan-related fees (consumer loan guarantee fees and group credit life insurance premiums) are deducted from yield calculation.

Interest Rate Conditions for Loans (Effectively Interest-free and Unsecured) to Local Governments

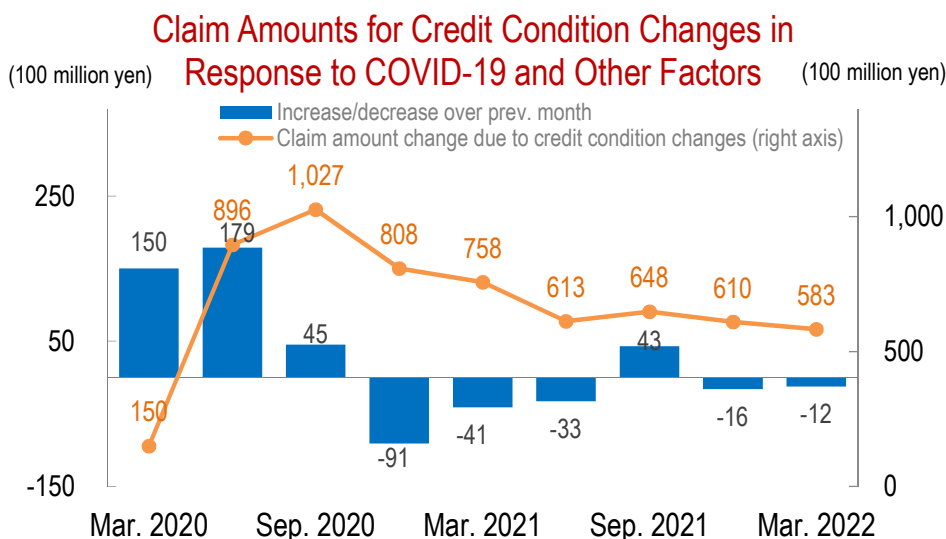
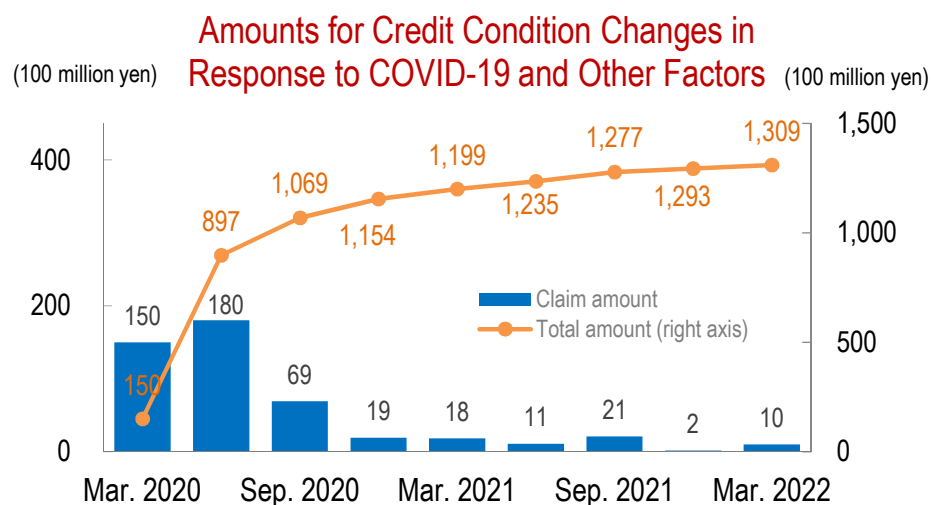
| Local Gov't      | Base Rate (Fixed)   |
|------------------|---|
| Tokyo Metropolis | 1.7%  |
| Nara Pref.       | 2.175%<br>(with 1.9% subsidized by nat'l gov't)   |
| Fukuoka Pref.    | 1.3%  |
| Kagoshima Pref.  | 1 year or less: 1.4%<br>More than 1 year, max. 3 years: 1.6%<br>More than 3 years, max. 5 years: 1.7% |
| Okinawa Pref.    | 0.8%  |



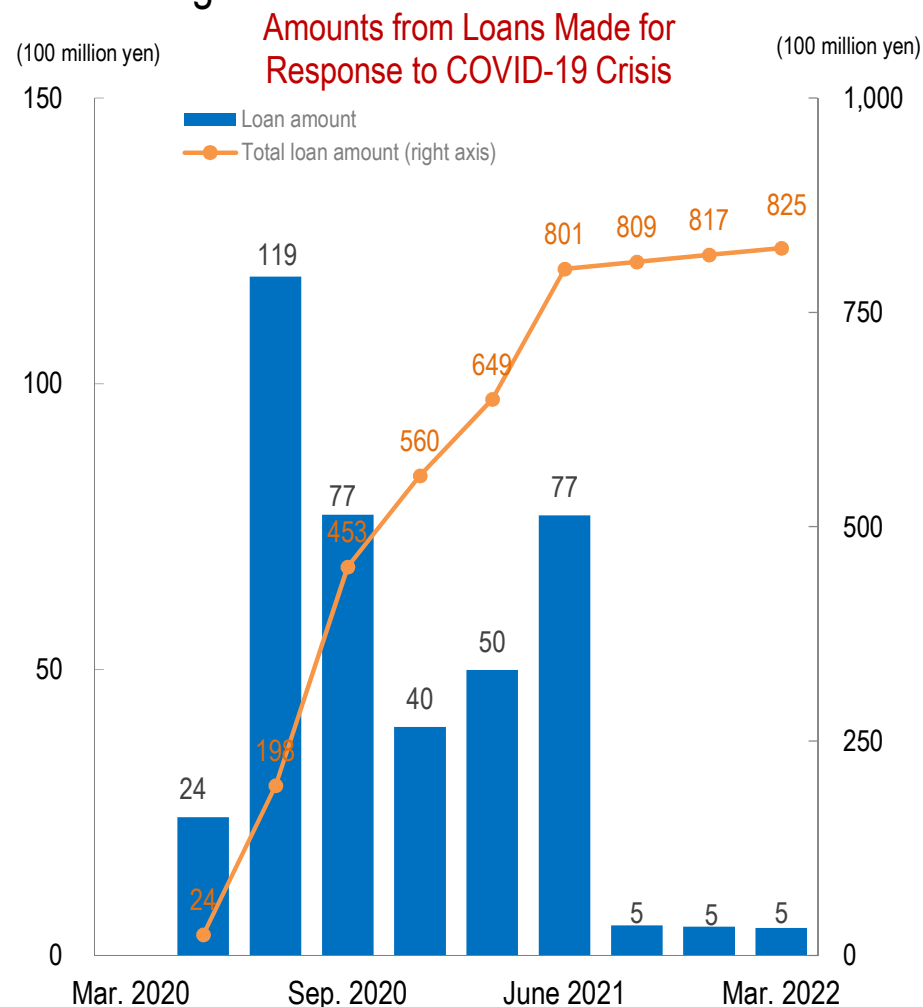


# COVID-19 Crisis Financial Support

Amounts for credit condition changes and new loans in response to the COVID-19 crisis leveled out due to easing of economic-activity restrictions and similar changes.



Note: Claim amounts for which principal payment has resumed following start of the changed-condition period by the creditor are subtracted from the claim amounts for credit condition changes shown in the graph.

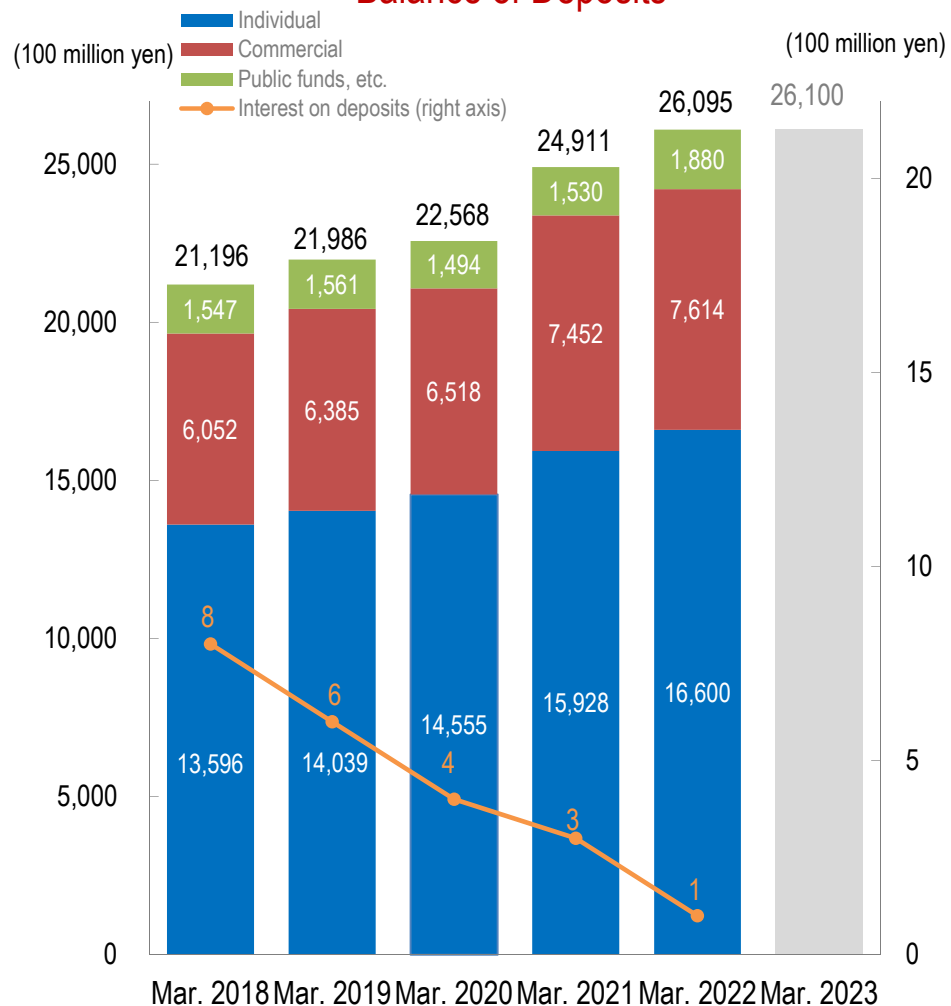


Note: Regarding loans made for response to the COVID-19 crisis, amounts in the graph are reached by adding together loans from the prefectural Small and Medium Enterprise Safety Net Fund and COVID-19 Infection Countermeasures Fund (applications no longer accepted as of March 2021).

# Deposits

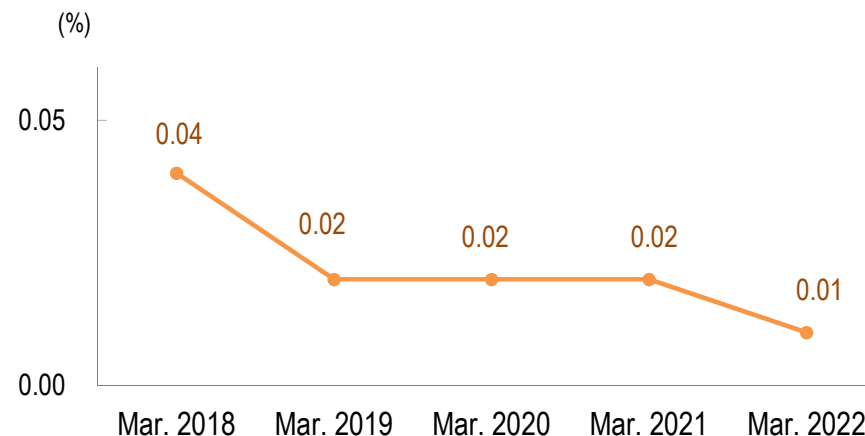
The balance of deposits exhibited a rising trend thanks primarily to yields from COVID-19 subsidies, financing support and other such measures.

## Balance of Deposits



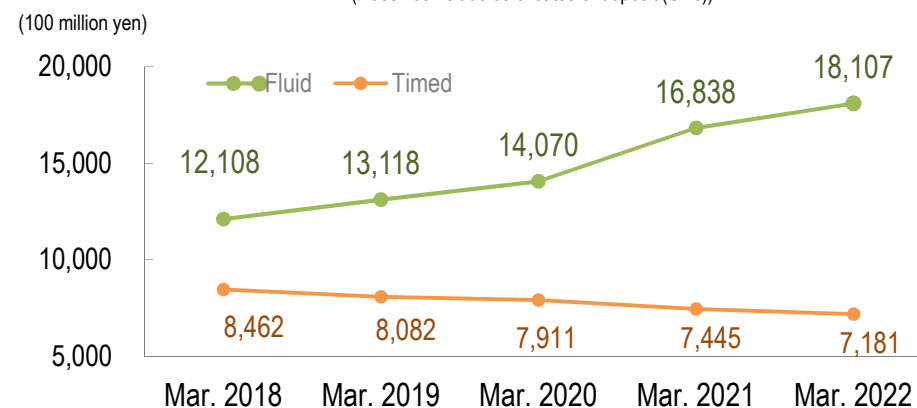
Note: Includes certificates of deposit (CDs).

## Annual Percentage Yields



## Averaged Liquid and Timed Deposit Balances

(Does not include certificates of deposit (CDs))

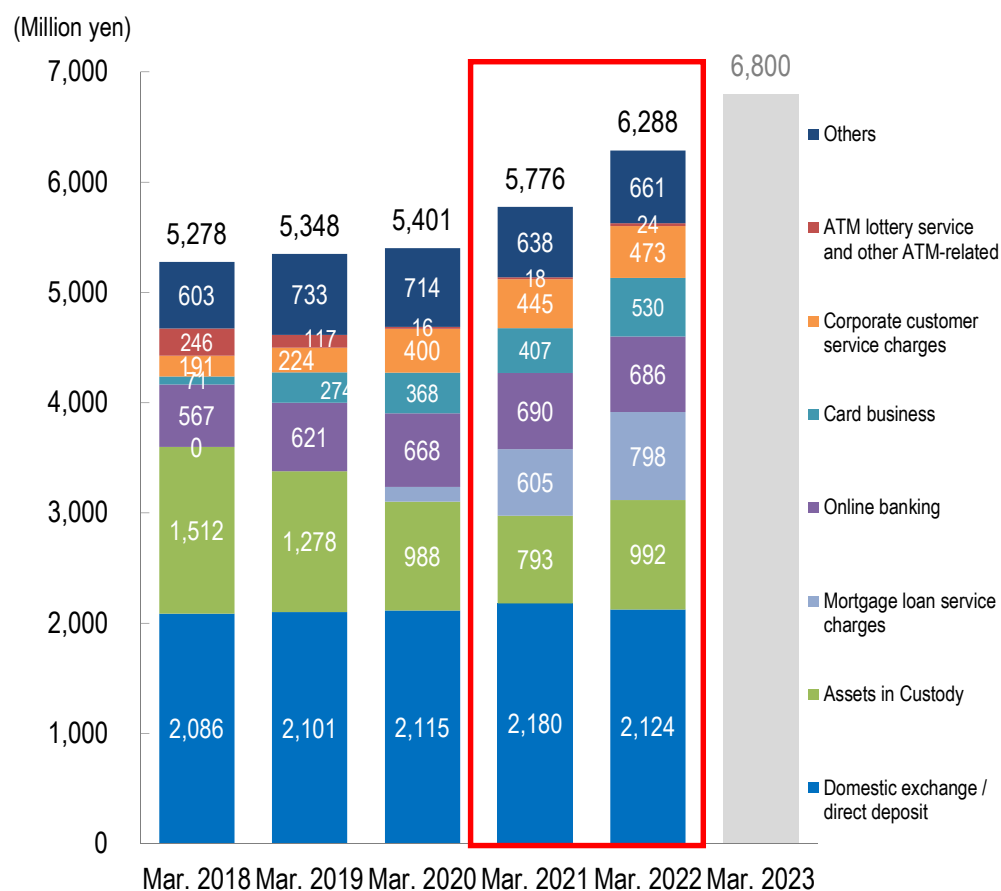


# Profit from Service Charges

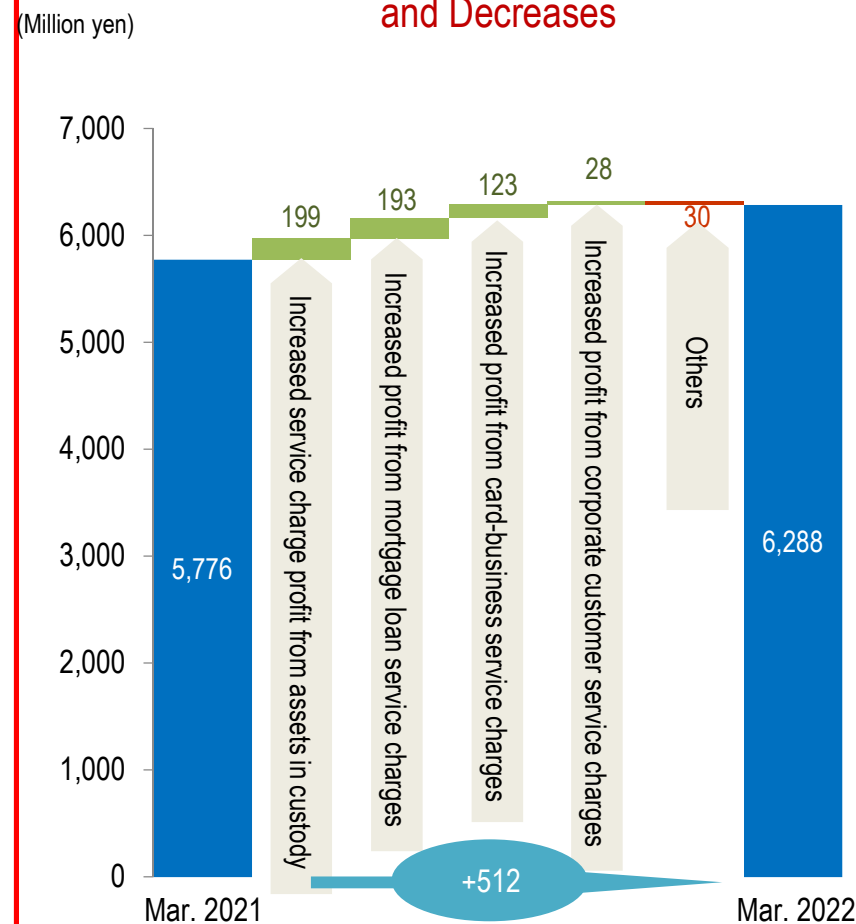
Service charges for assets in custody, mortgage loans, card business services and similar drove increased service charge profit.

## Trends in Profit from Service Charges

(Excluding Group Credit Life Insurance Premiums and Loan Guarantee Fees)



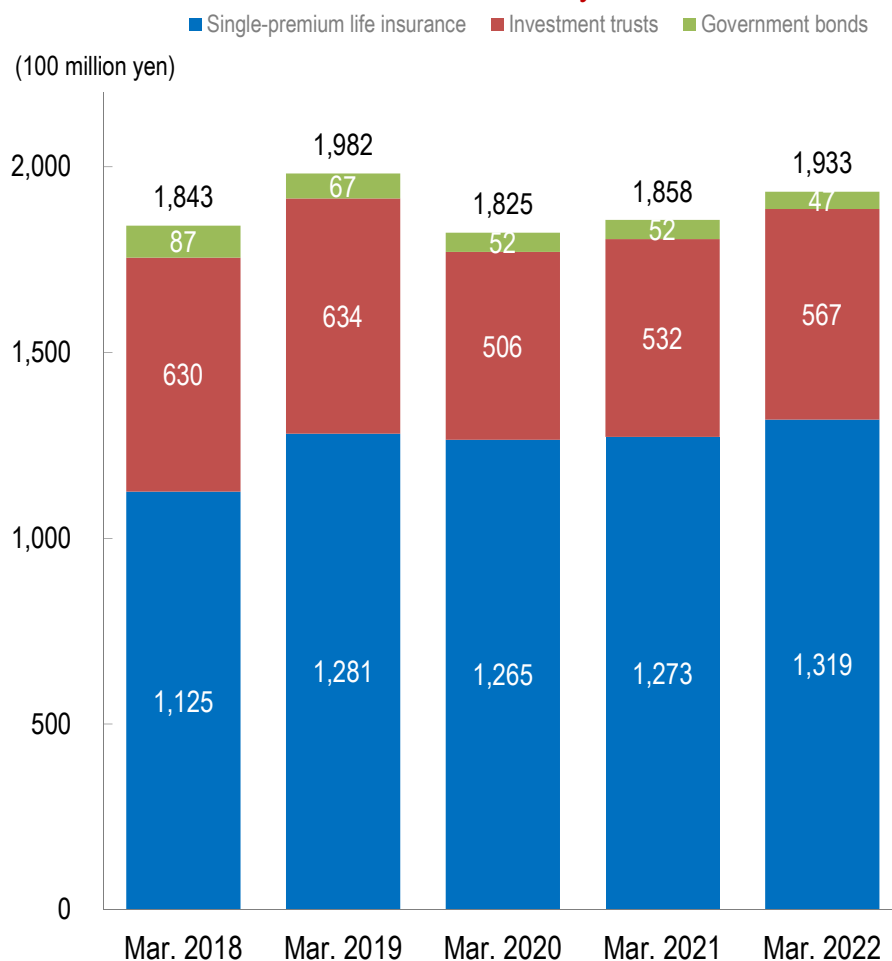
## Factors Behind Year-on-year Increases and Decreases



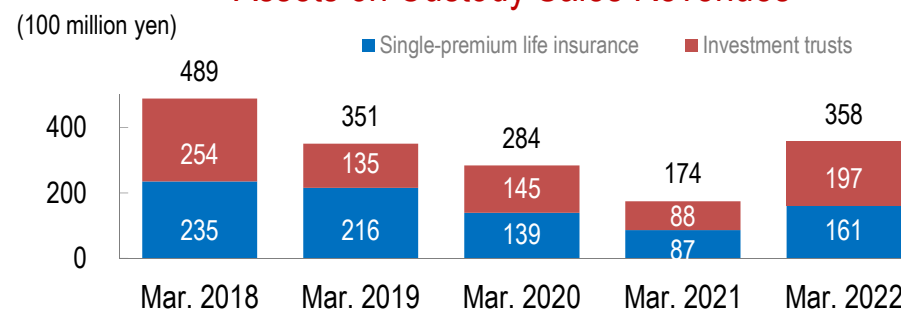
# Assets in Custody

Sales strengthening measures for assets in custody led to increased sales for investment trusts, single-premium life insurance and commercial insurance.

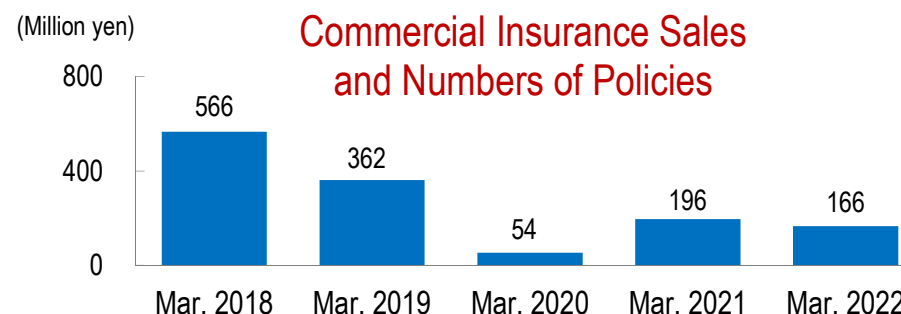
## Assets in Custody Balance



## Assets on Custody Sales Revenues



## Commercial Insurance Sales and Numbers of Policies



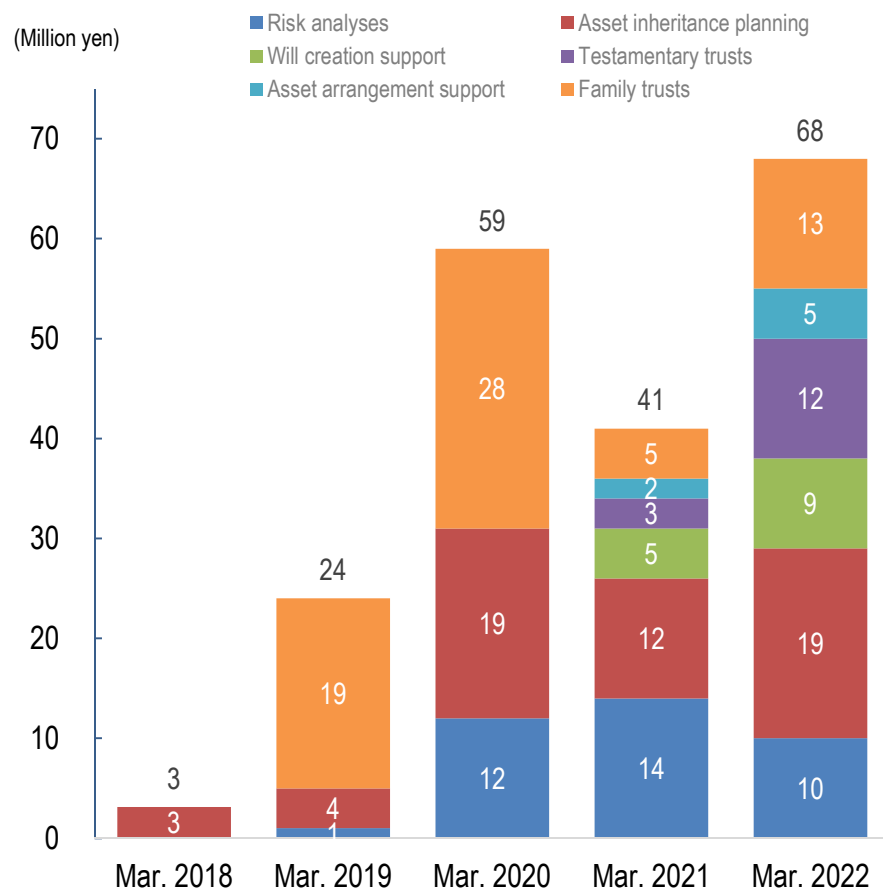
### Sales Strengthening Measures (From April 2021) for Assets in Custody

- We added more members to our Assets in Custody Promotion Team to strengthen assets in custody sales, and assigned these personnel to all blocks throughout the prefecture.
- By offering strengthened sales support, led by the Assets in Custody Promotion Team, for retail-field personnel training, we worked to foster human resources capable of proposing products and services better suited to each customer's current situation and stage in life, thus strengthening asset inheritance consulting services, asset management consulting services and so forth.

# Retail Customer Services

We have pursued retail-customer asset inheritance support services since FY 2017, and by further disseminating and raising awareness of endeavors to solve inheritance-related problems and issues we have boosted revenues from services fees for retail customers.

## Service Fees for Retail Customers



## Retail-customer Asset Inheritance Support Approaches

### Comprehensive Asset Inheritance Support Services for Retail Customers

Step 1: Assess current circumstances (determine family make-up, create asset inventory, confirm inheritance-related intentions)

Step 2: Conduct risk analysis (estate partition measures, funds for tax obligations, etc.)

Step 3: Create asset inheritance plan and provide related support

(Following asset inheritance plan creation, we provide support for testamentary trust investments, family trusts, etc.)

## Bank of the Ryukyus Support System

### Even Distribution of Sales and In-bank Service Operations Among Sales Representatives and Tellers

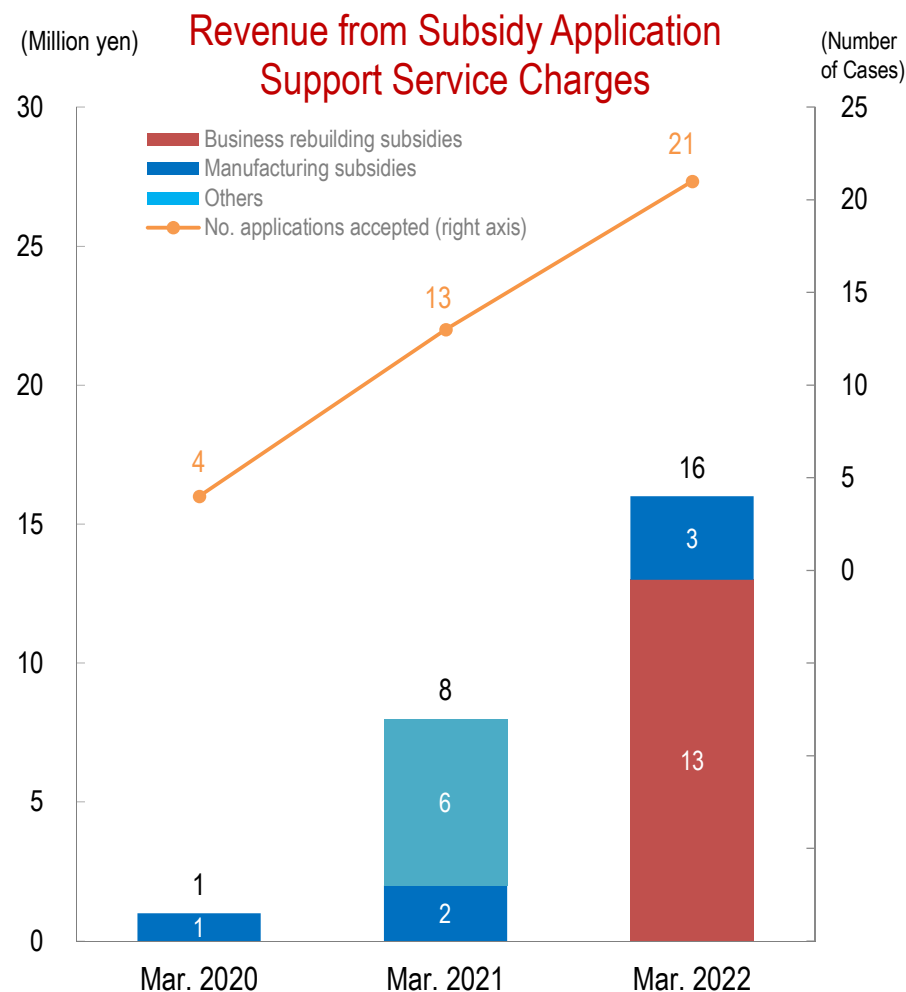
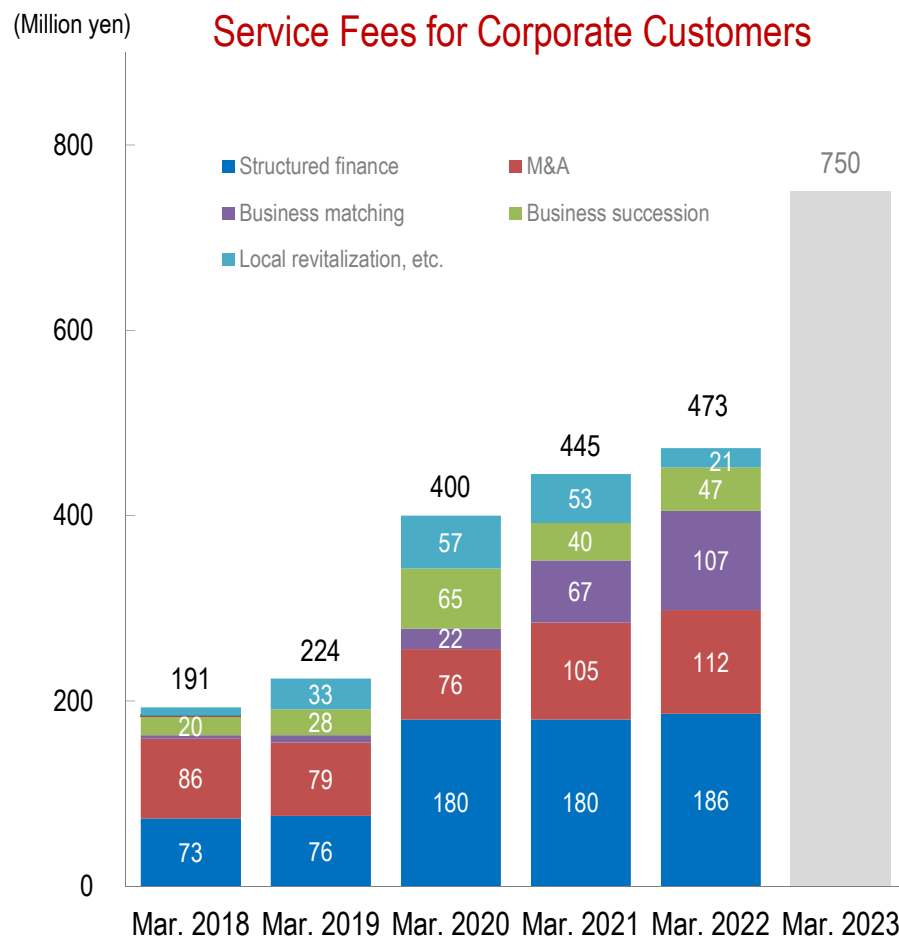
- Increasingly wide range of inheritance-related needs brought about by changes in thinking (regarding inheritance) due to the COVID-19 pandemic
- Provision of high-quality operations and services for customers, and maximizing of sales strengths to provide solutions
- Under headquarters leadership, cultivation of human resources who provide products and services optimized to each customer's current situation and stage in life



# Corporate Customer Services

Revenue from service charges remained relatively unchanged. There was a trend toward increased M&A consultations due to the COVID-19 pandemic.

We provided support for businesses who wished to rebuild and thus applied for business rebuilding subsidies.

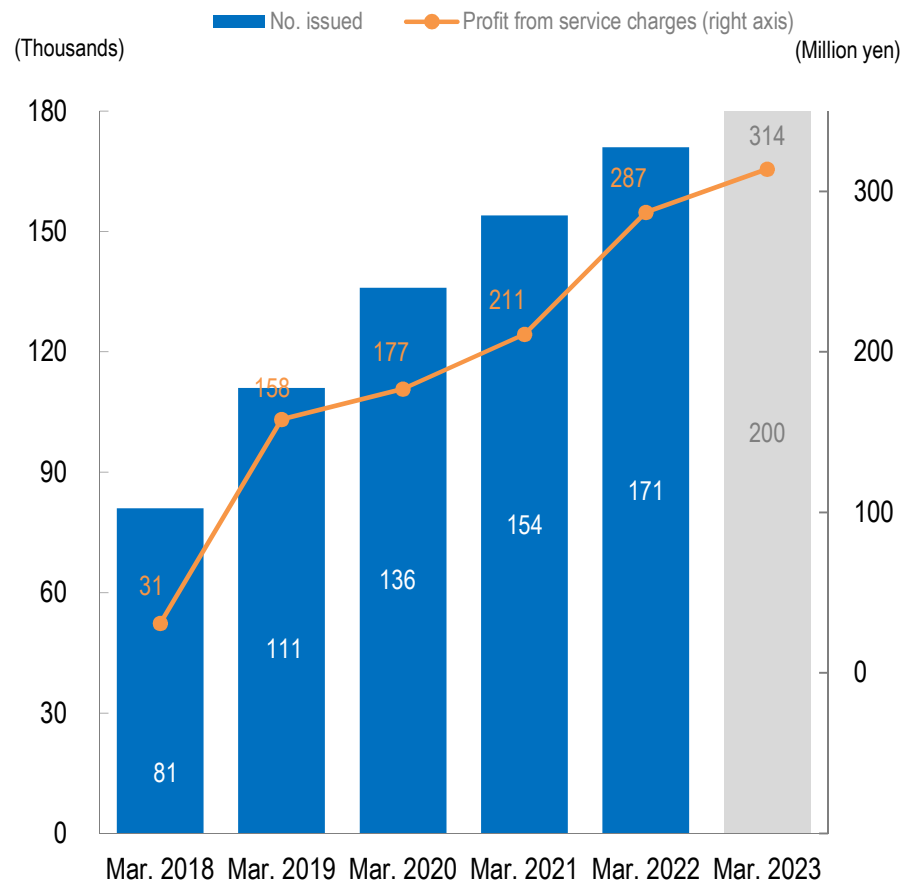


Note: Service charge revenues from subsidy support services shown here are based on contracts.

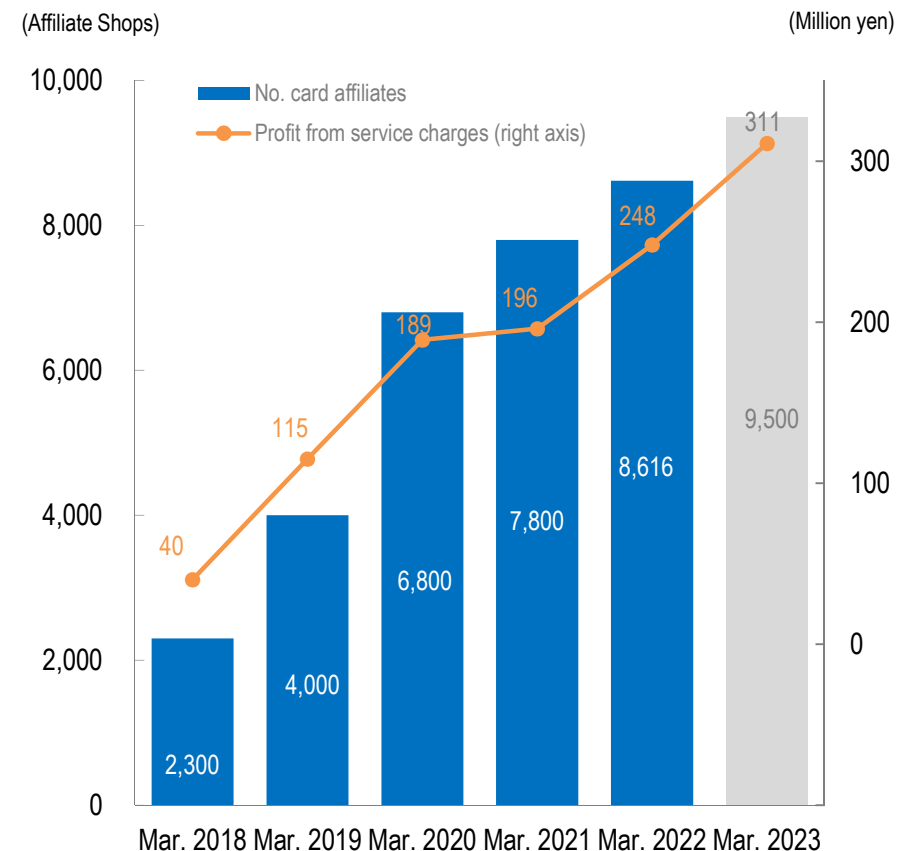
# Card-related Business (1/2)

Numbers of Visa debit card issuances and card affiliates both grew steadily, and service charge profits from card usages and affiliates increased despite the COVID-19 pandemic.

Numbers of Visa Debit Cards Issued  
and Service Charge Profits



Numbers of Card Affiliates  
and Service Charge Profits



# Card-related Business (2/2)

Numbers of new members grew for Visa debit cards with contactless payment functionality. Payment terminal functions are becoming increasingly sophisticated at card-affiliate locations as we accelerate efforts to sign up new affiliates.

## Ryugin Visa Debit Card

- Oct. 2015 Began offering the Ryugin Visa Debit Card
- July 2018 Began immediate, over-the-counter issuance of cards at Ryugin locations
- Sep. 2018 Began issuing the corporate-customer Ryugin Visa Debit Card

## Main Efforts in Recent Times

### Issuance of Debit Cards with Visa Touch Payment Feature (July 2020)



## Card Affiliate Services

- Jan. 2017 Began offering customer services for card affiliates
- May 2018 Began offering electronic money services (five main brands)
- Sep. 2019 Began support for METI cashless and customer return initiative
- July 2021 Began offering card-affiliate services for the UnionPay international payment services brand

### Newly Added Brands



- In response to growing demand nationwide for QR code payment support, we offer QR-based payment services through five major service brands.
- We now offer support for 28 brands at affiliate locations, achieving the widest-reaching brand support in a single payment terminal among all such terminal types in Japan.

## Main Efforts in Recent Times

### Began Offering Ticket Vending Machines with Cashless Payment Functionality (Mar. 2021)

- Our bank lends ticket vending machines with built-in touch-panel settlement terminals to affiliates. These machines support credit card, electronic money, QR code and cash payments.
- The technology was developed jointly by our bank and The Chiba Bank, Limited, in collaboration with Toshiba Tech Corporation and the TSUBASA Alliance.



### Began Offering Cards for International Payment Brand "UnionPay" (Feb. 2022)

- In July 2021, we became the first regional bank in Japan to obtain a brand license (Principle Member license) for UnionPay. We began offering QR-code-based payment services using UnionPay in August 2021, and payment services via UnionPay cards (plastic cards) in February 2022.

#### \* UnionPay Cards

UnionPay-brand cards are used widely throughout China and also issued 70 other countries and regions worldwide. Outside of China, a total of 160 million cards have been issued.

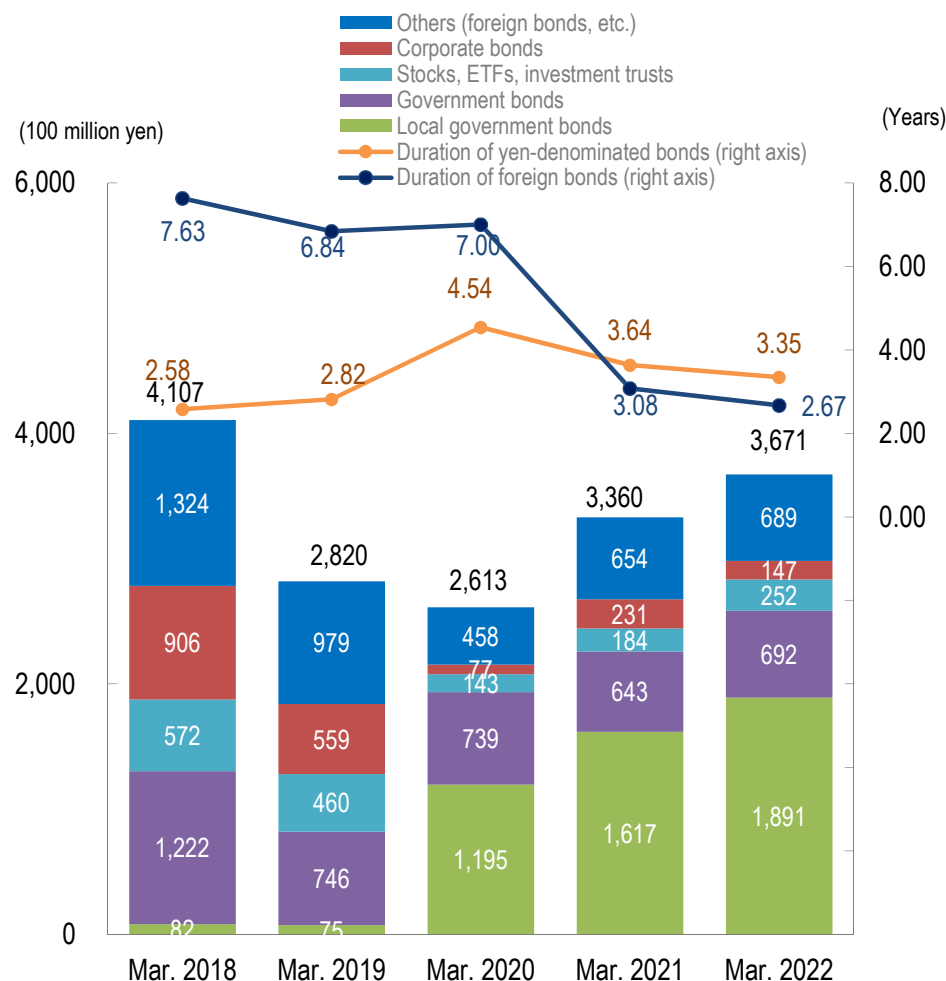




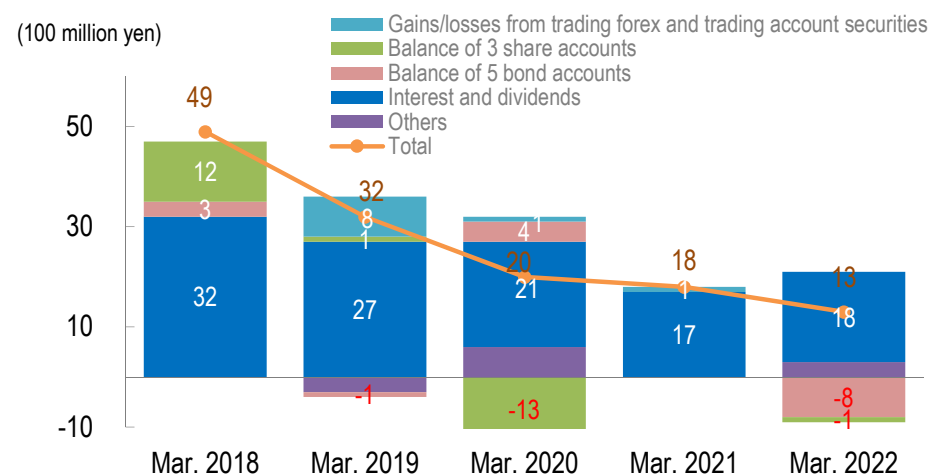
# Securities

As interest rates rose both domestically and internationally, we determined loss amounts while conducting bond swap sales in order to bolster yields. We expect these efforts to contribute toward improved interest revenues from FY 2022 onward.

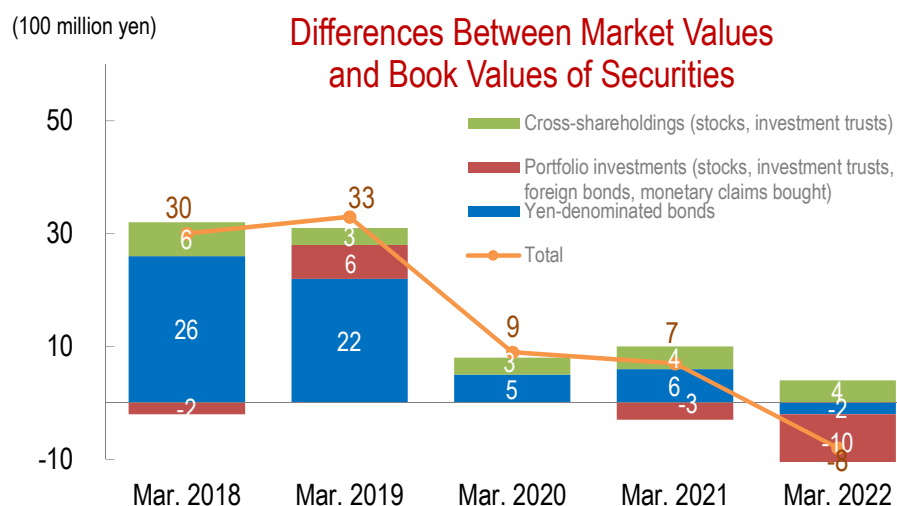
## Securities Balances and Deflation



## Profit/loss in Trading Division



## Differences Between Market Values and Book Values of Securities

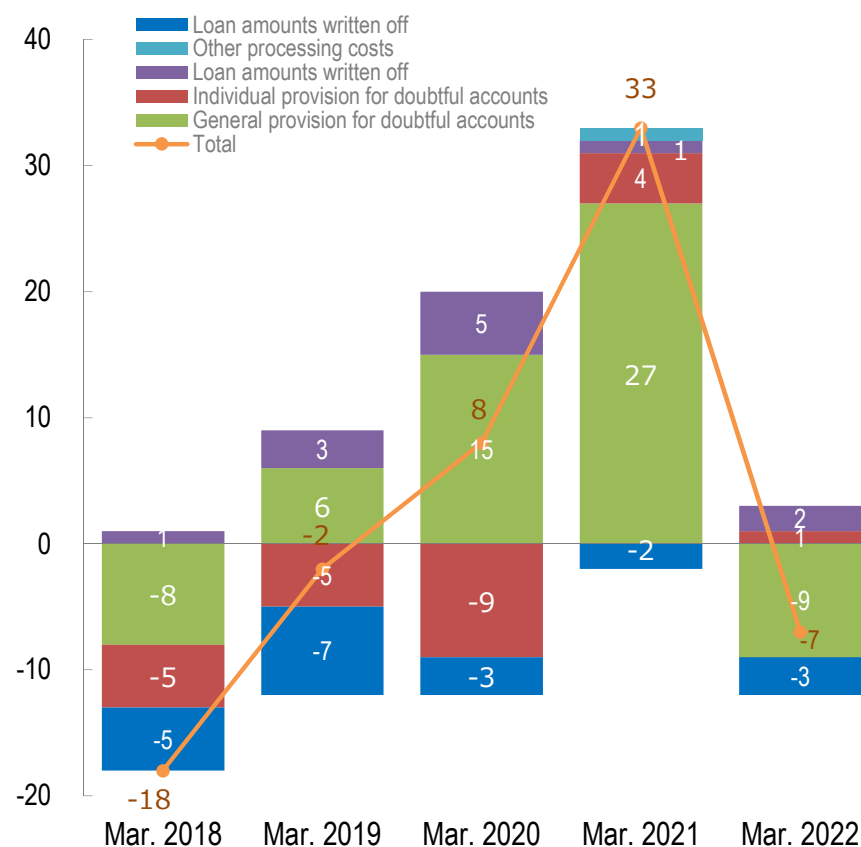


# Net Credit Costs and Disclosed Bad Debt

We introduced forward-looking provisioning in FY 2020. A reversal in credit cost trends was seen due to restarting of capital repayments by some businesses, improvements in economic indicators and other factors.

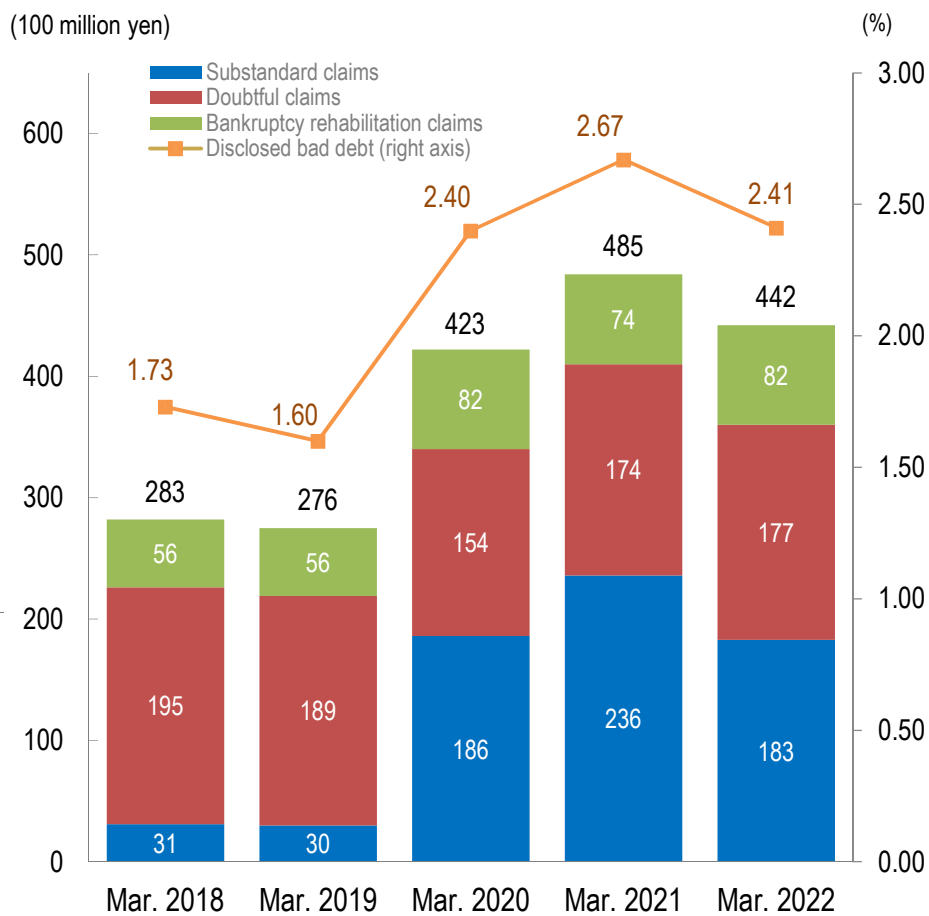
Net Credit Costs

(100 million yen)



Disclosed Bad Debt

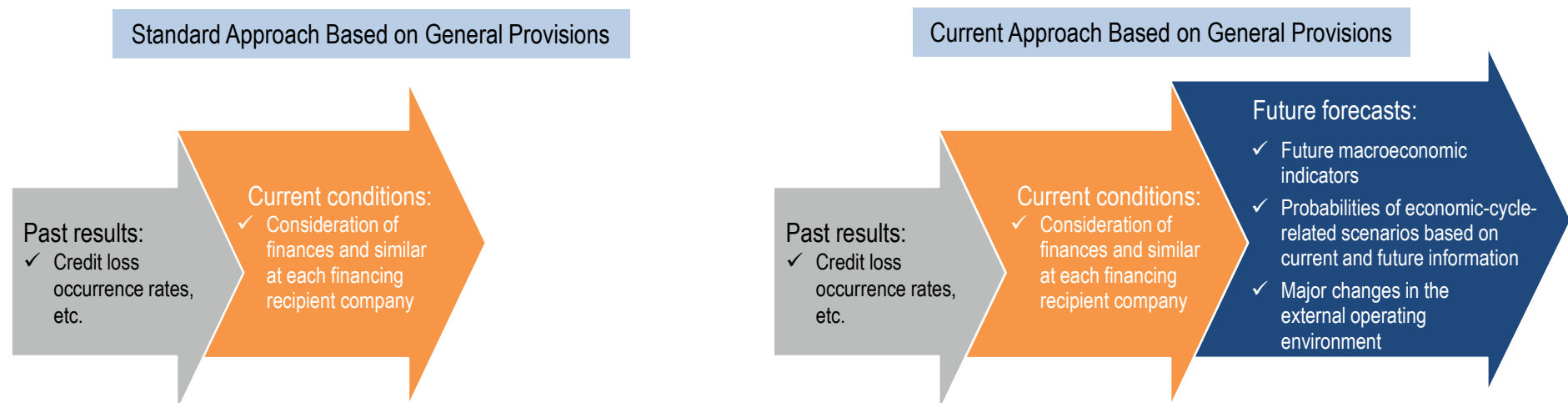
(100 million yen)



# Overview of Forward-looking Provisioning (1/2)

By switching to a more rational estimation method for future risk calculation that takes consideration of macroeconomic indicators, probabilities of economic-cycle-related scenarios based on current and future information, and assessment methods that factor in the presence or lack of major changes in the external operating environment, we have strengthened our standing against future potential loss and risk.

This bolsters our financial resilience to economic-environment downturns in the future and makes it possible to focus firmly on forward-looking sales efforts, thus cultivating a framework that supports customers without fear of additional credit costs.



## Provision for Doubtful Accounts Calculation Process

Provision for Doubtful Accounts = Receivables Balance ×

Predicted Loss Rate

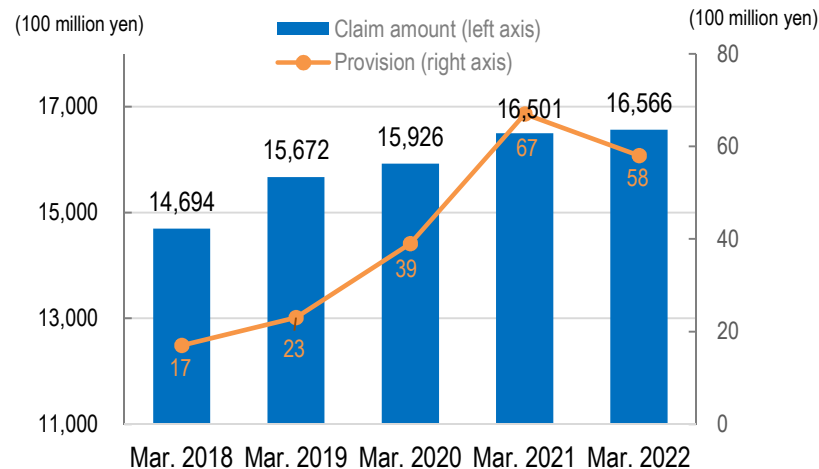
Standard approach: calculation based on past bad debts

New approach (improved): calculation based on **future** economic forecasts and similar factors

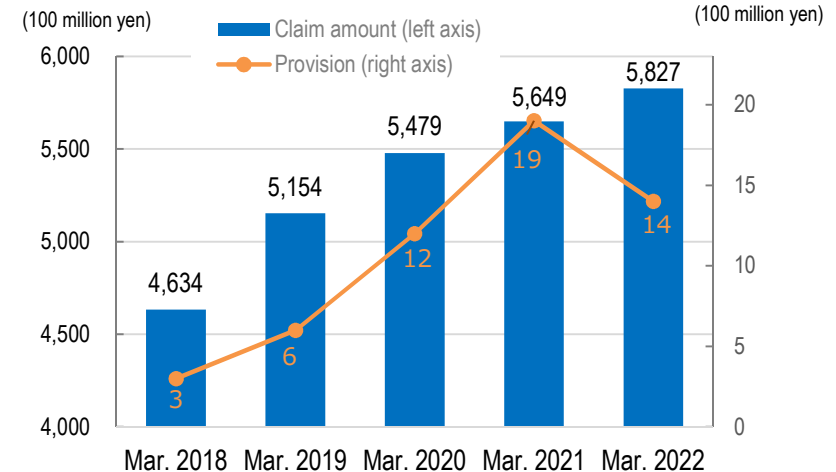
# Overview of Forward-looking Provisioning (2/2)

Repayments by some businesses (primarily in real estate) were restarted. Provision amount decreased due to credit rating rank increases.

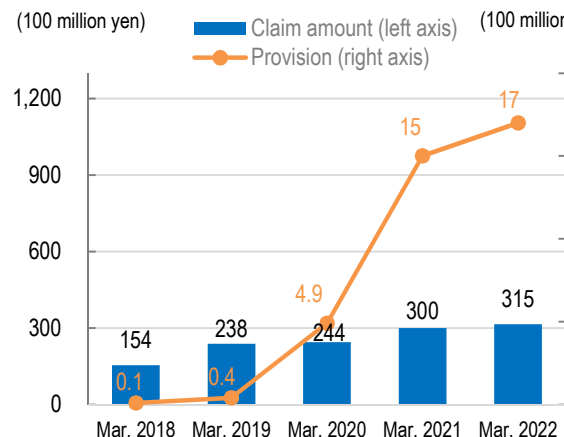
Overall



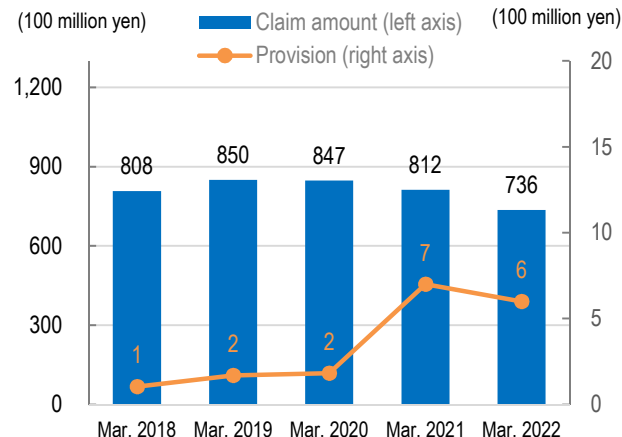
Real Estate Industry



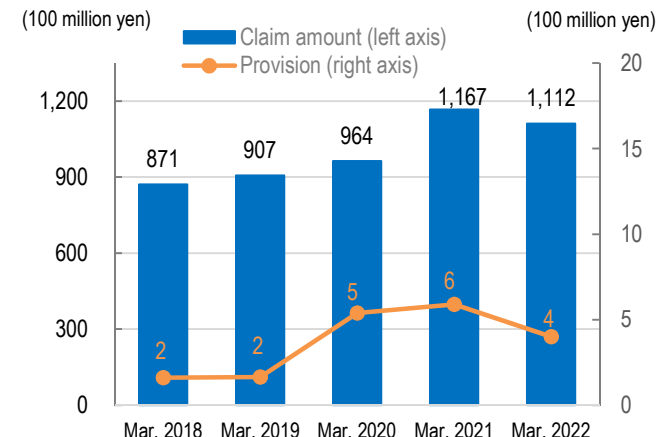
Accommodation Industry



Healthcare and Insurance Industries

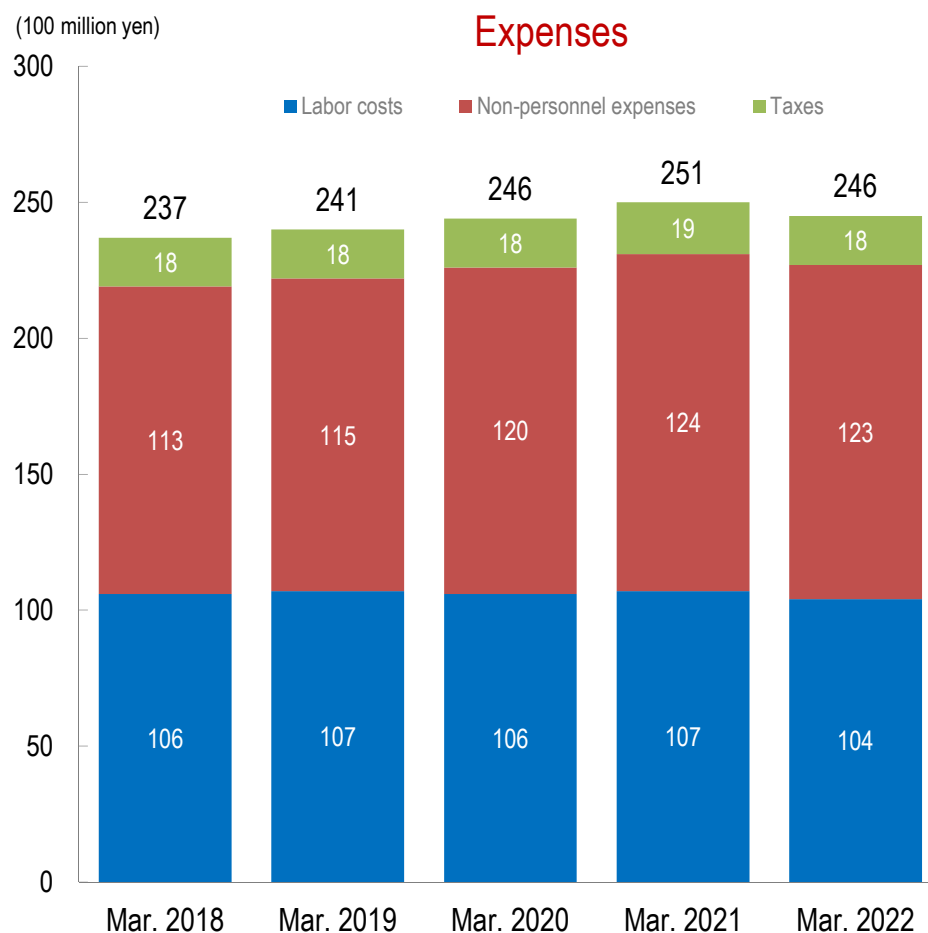


Restaurants and Service Industries

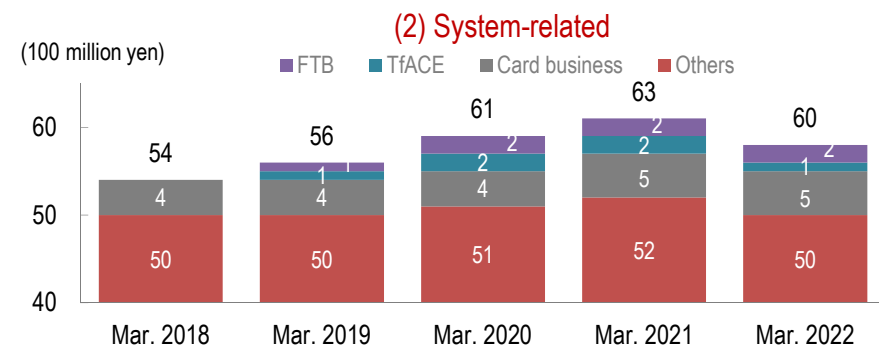
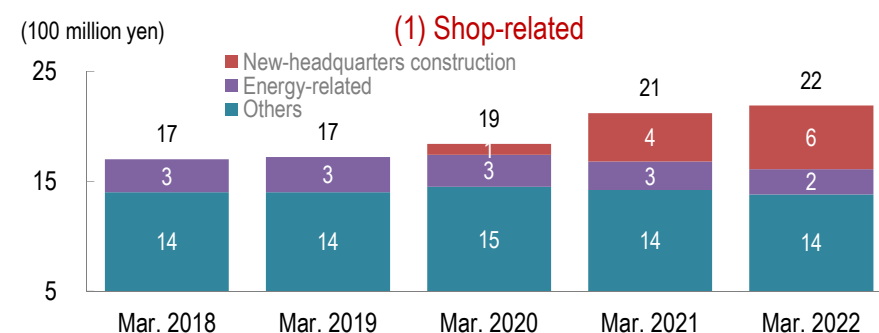
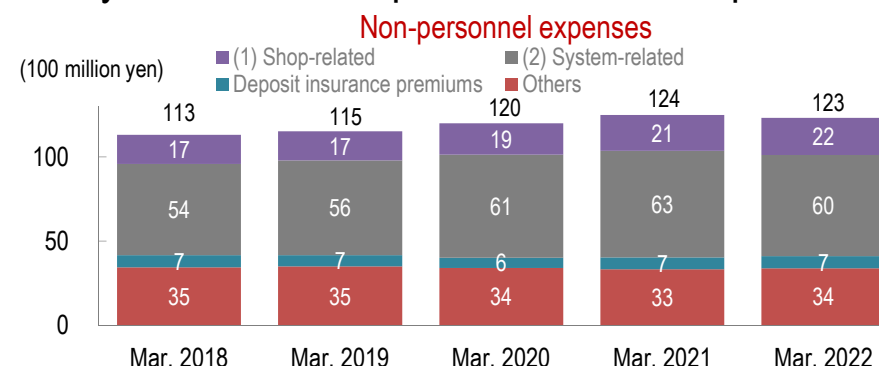


# Expenses

Despite increased non-personnel expenses including new-headquarters construction outlays and other future-oriented investments, we achieved reduced system-related expenses overall compared with the previous fiscal year.



Note: Personnel expenses include employees' past salaries with respect to retirement benefits, and impacts (loss/profit) of actuarial differences.



FTB: Flexible & Traditional Bank. A semi-self-service, tablet-type terminal system for in-bank services.

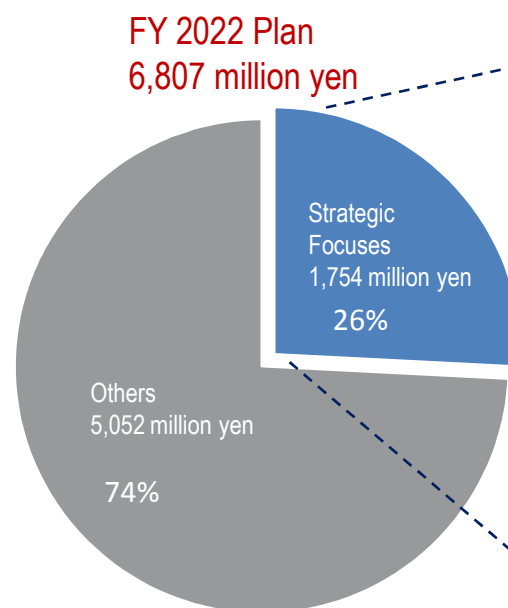
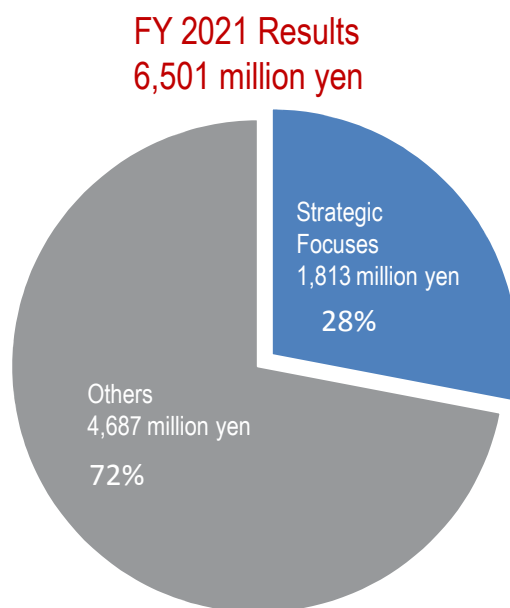
TfACE: Next-generation tablets used at bank locations.

# Forward-looking Mechanization Investment Plan

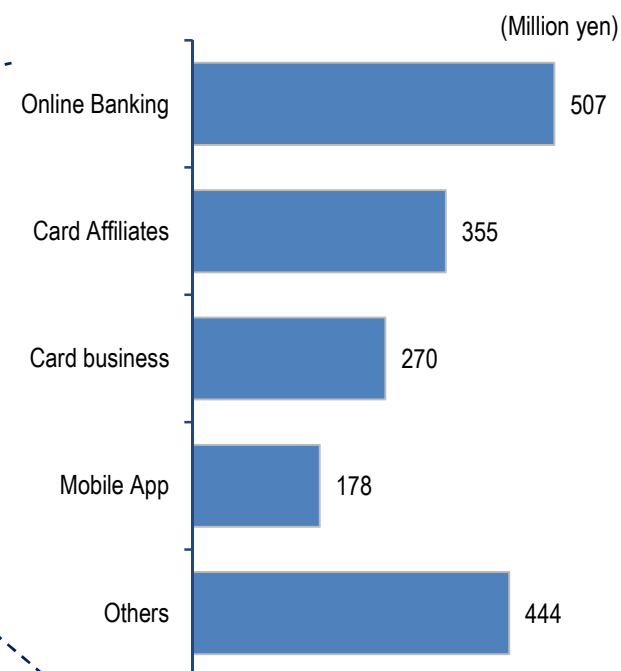
In our FY 2022 mechanization investment plan, investment toward mechanization aimed at customer service improvements, increased profits and other such improvements accounted for more than 26 percent of the total.

Furthermore, we continued with strategic investments into our (1) channel strategy, (2) cashless strategy, (3) retail business strategy and (4) corporate business strategy as laid out in the SINKA 2020 Mid-Term Management Plan.

FY 2021 Results and FY 2022 Mechanization Investment Plan



Breakdown of Major Strategic Focuses



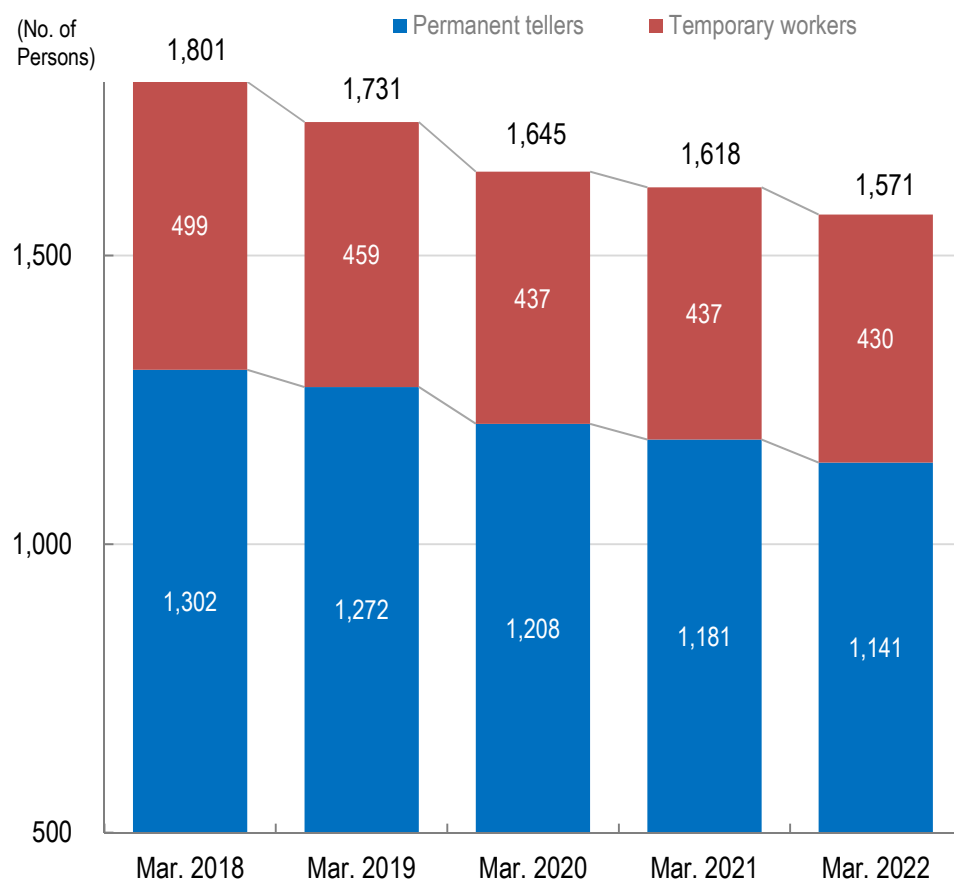
Note: "Strategic Focuses": Investment toward measures to improve customer services, profits, etc.

"Others": Investments related to systems/frameworks, risk, business foundations, renovations and updates for aging buildings/equipment, etc.

# Workforce Planning

We reduced workforce size as well as individual workloads to simultaneously bring down labor costs and strengthen customer communication.

## Changes in Workforce Size



Note: "Workforce" here refers to all employees including those sent in as temporary workers from outside organizations, minus research personnel, personnel dispatched by the Bank to other organizations, employees on leave, and similar.

## Main Measures to Reduce Labor Demand at Bank Locations

### Introduction of Barcode and QR Code Reader Functionality (Feb. 2022)

- Use of barcode and QR code reader functions enables reading of barcodes on payment forms as well as QR codes used in unique RYU-QR services\*1 developed by Bank of the Ryukyus
  - Handheld barcode / QR code scanners were installed at all bank locations to shorten customer wait times and improved work efficiency
- \*1 RYU-QR: A proprietary system developed by Bank of the Ryukyus used for creating payment forms that include QR codes.

### Dissemination of Flexible & Traditional Bank (FTB) System at All Locations (Aug. 2021)

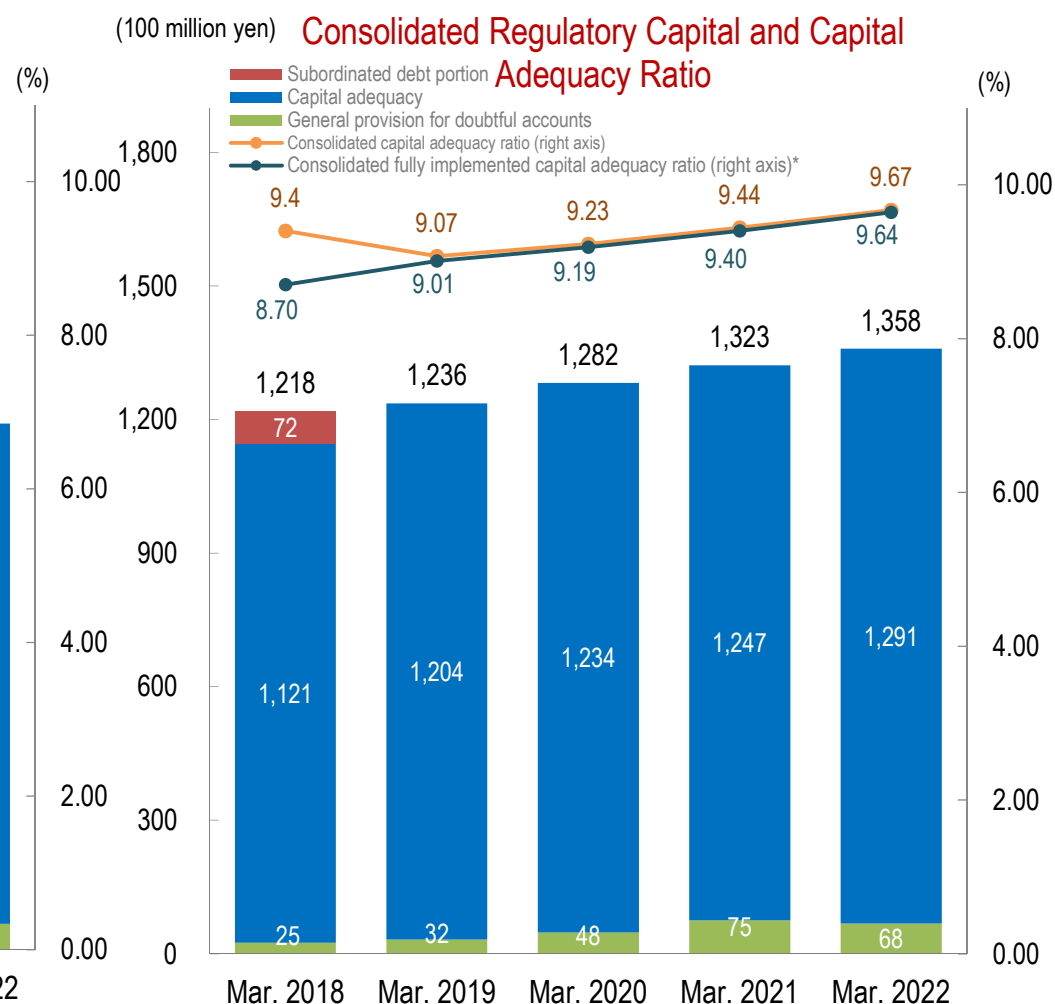
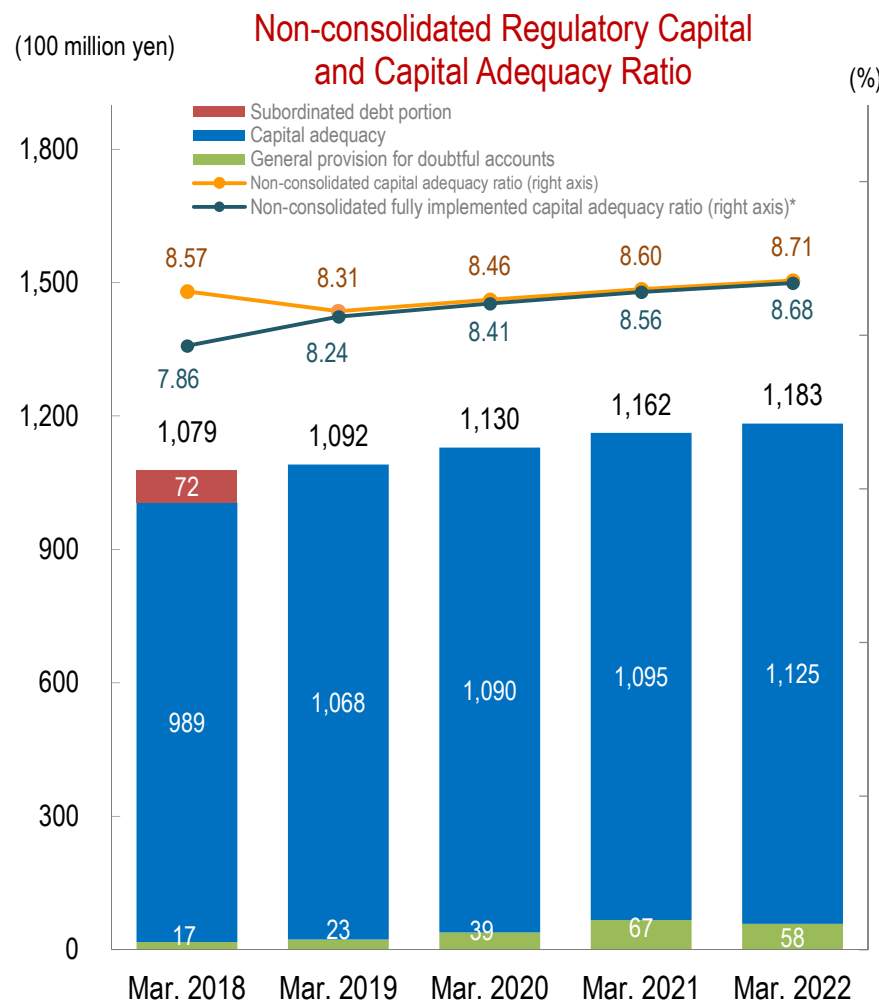
- Use of semi-self-operated tablet devices, and significantly reducing bank counter staff workloads and numbers of tellers
- Completed introduction of semi-self-operated tablet devices at all locations in first half of FY 2021, thus eliminating the use of paper printouts and personal seals and doing away with unnecessary operations

### Remote Consultation Counter (Nov. 2021)

- Establishment of a "Remote Consultation Counter" for the Ajya Branch, which handles forex, to enable communication of tellers with specialized knowledge who can handle consultations regarding forex, inheritance issues, etc.
- Increased operational efficiency for in-bank teller services through concentration of highly specialized consultation operations at the headquarters rather than distribution among individual locations (previous approach)

# Capital Adequacy Ratio

We bolstered financial support measures prepared in response to the COVID-19 crisis, and our capital adequacy ratio increased steadily.

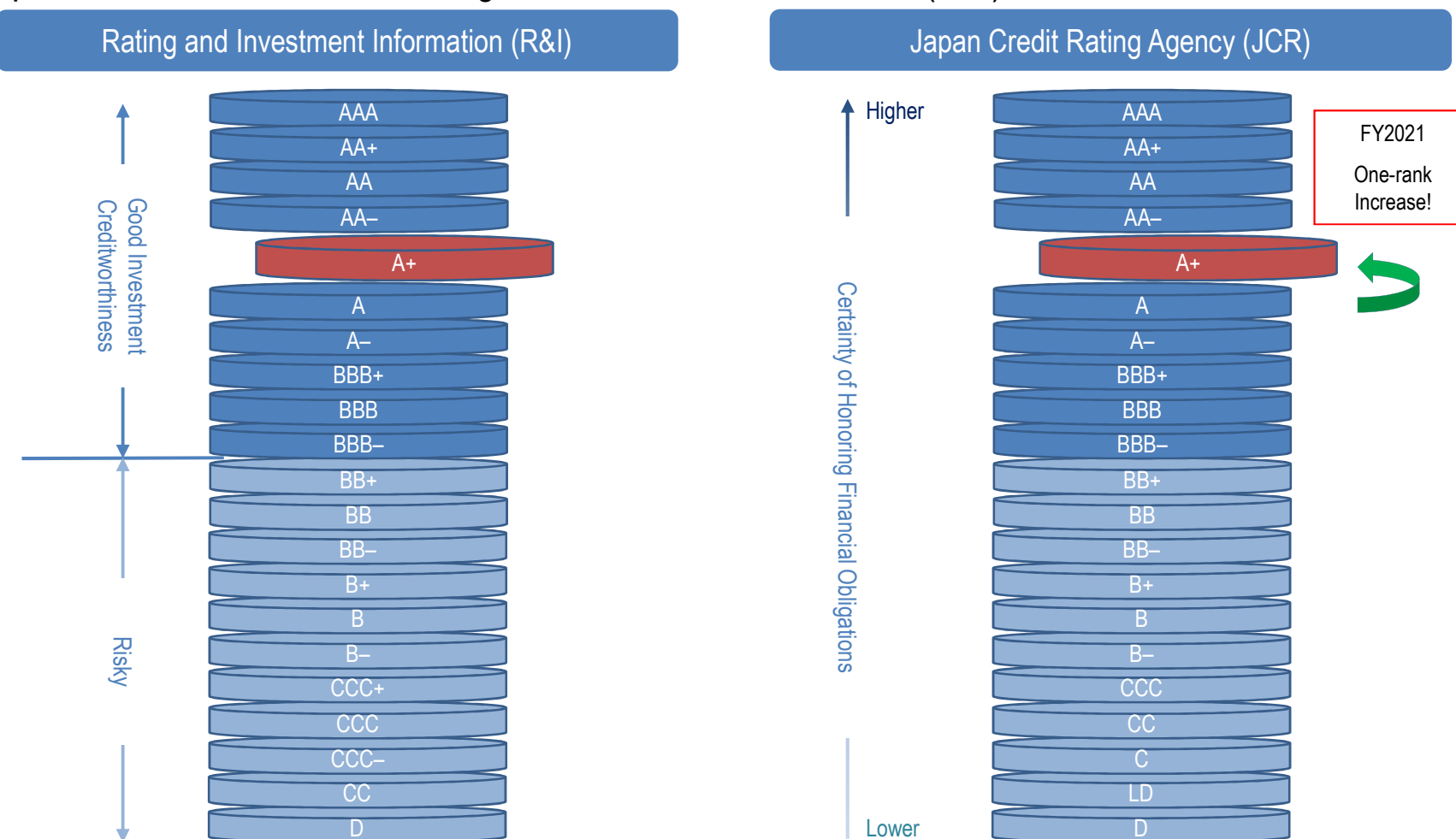


\* Based on application of current capital adequacy ratio calculation requirements (final version of Basel III), the fully implemented capital adequacy ratio was calculated by setting capital computation of subordinated debt and the difference in land revaluation as zero, and summing up the entire amount of intangible fixed assets and prepaid pension cost as adjusted capital.



# Outside Credit Ratings

The credit score assigned to our bank by the Japan Credit Rating Agency (JCR) for FY was upgraded from A to A+. As a result, Bank of the Ryukyus now has an A+ credit score, which is the fifth highest possible score, from both Rating and Investment Information (R&I) and JCR.



Note: "Outside credit ratings" refers to impartial assessment and evaluation of a bank's financial situation, its operating environment and similar factors by a third-party credit rating organization in order to determine the bank's creditworthiness, financial soundness, etc.

# Forecast for FY 2022 (Ending March 31, 2023) 琉球銀行グループ BANK OF THE RYUKYUS GROUP

We expect to achieve zero credit costs in FY 2022, and thanks to the rebound this year gains of approximately 700 million yen are forecasted. Profit decline is expected for both non-consolidated and consolidated financial results.

## Non-Consolidated

(100 million yen)

|                  | FY 2022 (Ending Mar. 2023) |                     | FY 2021<br>(Ending Mar. 2022)<br>Completed |
|------------------|----------------------------|---------------------|--|
|                  | Forecast                   | Year-on-year change |  |
| Ordinary revenue | 374                        | -12                 | 386  |
| Ordinary profit  | 67                         | -2                  | 69   |
| Net income       | 48                         | -3                  | 51   |

## Consolidated

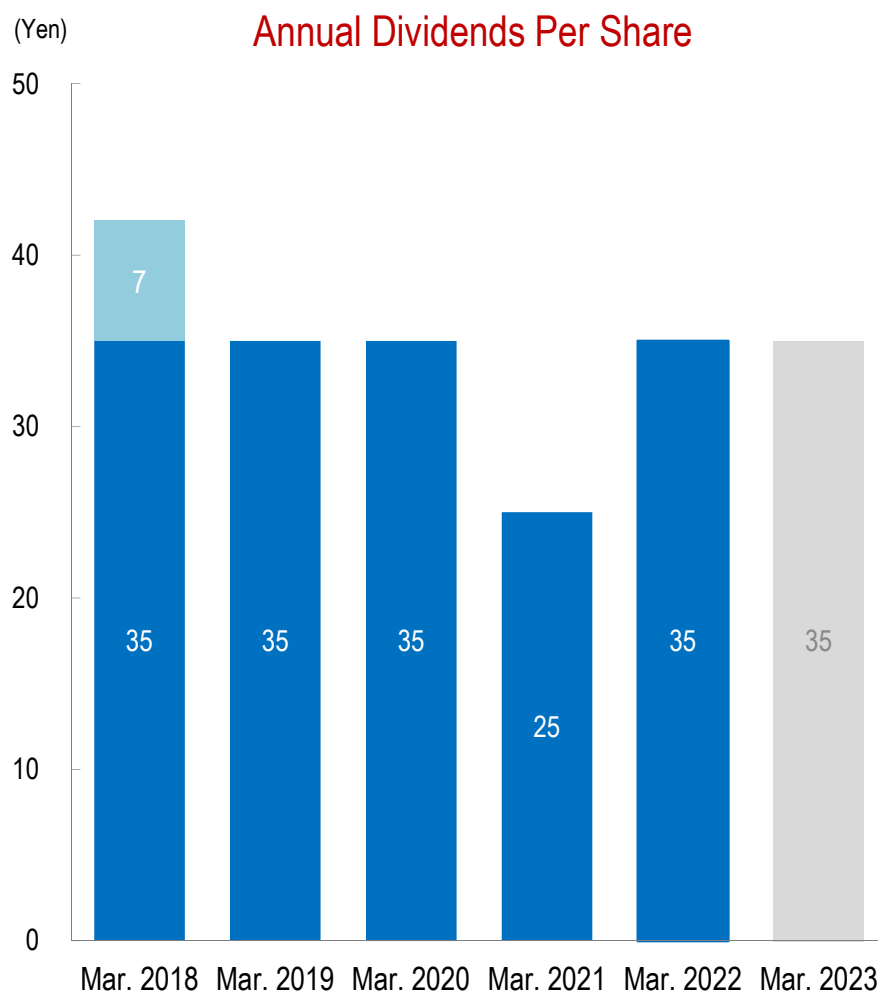
(100 million yen)

|  | FY 2022 (Ending Mar. 2023) |                     | FY 2021<br>(Ending Mar. 2022)<br>Completed |
|--|----------------------------|---------------------|--|
|  | Forecast                   | Year-on-year change |  |
| Ordinary revenue   | 560                        | -10                 | 570  |
| Ordinary profit  | 80                         | +1                  | 79   |
| Profit for the period attributable to owners of the parent | 55                         | -0                  | 55   |

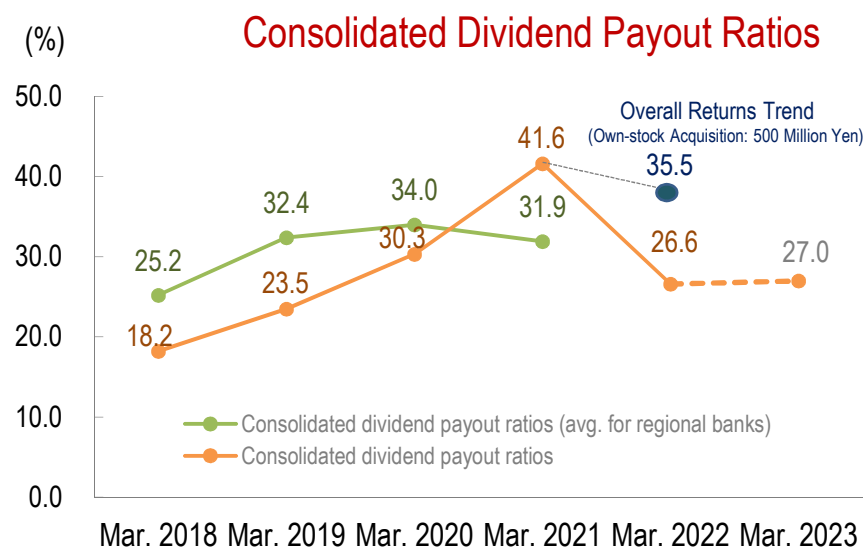
Note: Year-on-year calculation is spreadsheet based.

# Dividends

Dividends for the coming fiscal year will be on par with those paid this fiscal year based on the basic dividend policy.



Note: Mar. 2018 dividends included a commemorative payout of 7 yen in celebration of the 70th anniversary of the Bank's founding.



## Basic Dividend Policy and Dividend Payouts

### Basic Dividend Policy

- Our basic policy on dividend payouts is to continue strengthening internal reserves while paying dividends based on comprehensive and thorough consideration of business results, the financial environment, future shareholder value improvements and other such factors.

### March 2021 Dividend Payouts

- Dividend payouts for the fiscal year ended March 31, 2021 fell in response to the impacts of the COVID-19 pandemic.

# Information Disclosure Based on the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

## Governance

### Sustainability Committee

- With the president as Sustainability Committee chairperson, the board member in charge of General Planning Department as Committee vice-chairperson, and managers of relevant departments and divisions as members of the committee, deliberation and discussion on various ESG (environmental, social and governance) issues is carried out once per quarter, and results are reported to the Board of Directors.

### Sustainability Subcommittee

- With the General Planning Department manager as Sustainability Subcommittee chairperson, discussion is held in collaboration with all relevant departments and divisions regarding implementation of concrete measures aimed at achieving zero carbon emissions.

## Strategy: Scenario-based Analysis (Risk Amounts through 2050)

### Physical Risk Based on 2°C and 4°C Temperature-rise Scenarios\*1

- Loss from effects on collateral value of Bank-owned real estate (buildings) from typhoon damage, heavy rain damage and other weather-related damage (additional credit-related costs as part of overall credit-related costs):  
**Approx. 400 million yen**
- Damage caused to facilities and equipment at Bank branch locations:  
**Approx. 500 million to 1.1 billion yen**

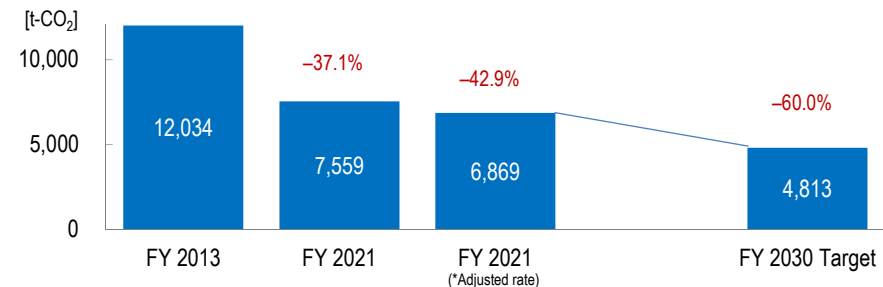
### Transition Risk

- Additional credit-related costs resulting from cost increases related to carbon tax introduction as well as business model changes, increase of capital investment and similar in response to energy-source shifts for the electricity, gas and water sectors; and additional credit-related costs due to air travel restrictions along with resulting tourist number declines and other changes in the restaurants and lodging sector:  
**Approx. 5.1 billion yen (max.)**

\*1 Analysis based on the lowest-temperature-rise scenario (RCP 2.6; 2°C temperature rise) and highest-temperature-rise scenario (RCP 8.5; 4°C temperature rise) from among 100-year temperature-rise scenarios formulated based on Intergovernmental Panel on Climate Change (IPCC) research.

## Indicators and Targets

### Scope 1 and 2 Greenhouse Gas Emissions

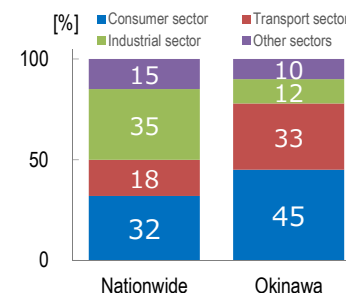


- With a deadline of FY 2030, we have set the target of a **60 percent reduction** from the FY 2013 level.

\* The 42.9% adjusted rate was calculated with consideration for the Bank's use of the "Uchina CO<sub>2</sub> free menu" plan offered by the Okinawa Electric Power Company, which features electricity derived from renewable energy sources.

### Scope 3 Greenhouse Gas Emissions

- CO<sub>2</sub> emission volumes from the consumer sector (households) in Okinawa Prefecture accounted for 45 percent, which is higher than the national average. Therefore, it is necessary to reduce CO<sub>2</sub> emissions from the consumer sector in order to achieve the end goal of a zero-carbon-emissions society.
- When carrying out calculations for scope 3 category 15, "Investments," we focused on mortgage loans, apartment loans and other individual consumer loans which account for roughly 60 percent of the Bank's total loan portfolio, and calculated per-household CO<sub>2</sub> emissions based on calculation methods stipulated by Partnership for Carbon Accounting Financials (PCAF).



### Scope 3 Category 15: Investments

|  | FY 2013 | FY 2020 | Increase/Decrease |
|--|---------|---------|-------------------|
| Greenhouse gas emissions from households (unit: t-CO <sub>2</sub> )    | 155,634 | 194,842 | 125.1%            |
| Financing for mortgage and apartment loans (unit: 100 millions of yen) | 6,507   | 8,272   | 127.1%            |

Source: Greenhouse Gas Inventory Office of Japan, National Institute for Environmental Studies

# Response Measures to Climate Change Issues

## Future Measures Related to TCFD and Scope 3 Emissions

### Reducing Scope 3 Greenhouse Gas Emissions

- Through financing promotion measures aimed at zero-energy homes (ZEHs), zero-energy buildings (ZEBs), and buildings certified under the Building-Housing Energy-efficiency Labeling System (BELS), we are taking proactive steps to reduce greenhouse gas emission volumes for Okinawa Prefecture as a whole.
- Regarding greenhouse gas emissions for Scope 3 Category 15, “Investments,” we will conduct deliberations and discussions via the Sustainability Committee and publicize reduction targets at a later date.

## Measures in Response to Regional Environmental Issues

### SDG Support Services for Okinawa Prefecture Businesses

- We provide support for visual representation and tracking of progress toward achievement of Sustainable Development Goals (SDGs), as well as creation of SDG-related declarations, among corporations and independent business operators in Okinawa Prefecture.
- By providing the best possible solutions to our customers, we serve as trusted partners in efforts to track progress toward goals stated in SDG declarations and achievement of the SDGs themselves.

### Comprehensive Partnership Agreement with The Okinawa Electric Power Company, Incorporated. Aimed at Zero Carbon Emissions Throughout Society

- Bank of the Ryukyus has signed a comprehensive partnership agreement with The Okinawa Electric Power Company, Incorporated. with the goals of achieving society-wide zero carbon emissions for Okinawa Prefecture along with sustainable development and growth for regional society and its natural environments.

## New Loan Products in Response to Environmental Issues

### Addition of ZEHs\*<sup>1</sup> and BELS\*<sup>2</sup> Certified Buildings/Homes as Mortgage and Apartment Loan Preferential Interest Rate Eligible Categories

- By adding ZEHs, which are environmentally friendly, certified homes, as well as BELS-certified apartment buildings and homes, as loan categories eligible for preferential interest rates, we are actively pursuing financing carried out with consideration for the environment.

\*<sup>1</sup> “Zero-energy homes,” referring to houses with net-zero energy consumption. These homes achieve major energy-use reductions while maintaining living environment quality through the use of high-efficiency systems, while also making use of renewable energy sources, to contribute toward the goal of net-zero annual primary-energy consumption.

\*<sup>2</sup> Building-Housing Energy-efficiency Labeling System. A certification system based on assessment by a third-party institution of energy-conservation performance for newly built and existing buildings and houses.

## Bank Efforts Aimed at Solutions to Environmental Problems

### First-ever ZEB\* Certification for an Okinawa Prefecture Financial Institution



- The Bank of the Ryukyus headquarters building has been certified as “Nearly ZEB” and the Urasoe-Makiminato Branch building as “ZEB Ready.”

### ZEB\* Certification for the New, Under-construction Headquarters Building



- The new headquarters building, for which construction was started in May 2022, has received “ZEB Oriented” certification thanks to its use of energy- and resource-saving environmental measures.

\* “Zero-energy building,” referring to a building with net-zero energy consumption. Buildings are ZEB-certified in one of four categories based on their annual energy-consumption reduction rate: a building with a reduction rate of 100% or more is certified as “ZEB,” a building with a 75% or higher rate as “Nearly ZEB,” a building with a 50% or higher rate as “ZEB Ready,” and a building with 40% or higher rate as “ZEB Oriented.”

### Introduction of the “Uchina CO<sub>2</sub> Free Menu” Plan

- Bank of the Ryukyus adopted The Okinawa Electric Power Company, Incorporated.’s “Uchina CO<sub>2</sub> free menu” plan in November 2021, which features electricity derived from renewable energy sources, in order to reduce Bank CO<sub>2</sub> emission amounts.

# Measures Through Our Alliances

While calling upon the knowledge and experience of multiple alliances and their member organizations, we strive to achieve more sophisticated financial services.

## TSUBASA Alliance

### Establishment of the Business Strategy Department within Joint-stock Corporation TSUBASA Alliance Co., Ltd.

- The newly established Business Strategy Department carries out planning, makes declarations and engages in other such efforts aimed at joint pursuits and consolidation of efforts related to shared problems and challenges in the areas of “digital transformation (DX) measures,” “human resource training and diversity,” “ESG (environmental, social and governance) issues and the Sustainable Development Goals (SDGs),” “information collection and utilization,” “measures related to new business,” and more.

### Use of the Shared TSUBASA Fintech Platform and API Collaboration with Zaim

- Zaim Inc. provides Japan’s largest-scale online household accounting service for non-corporate users, through which users can register their bank account and credit card information in order to create automated home account books while managing assets for multiple accounts at once.
- By interlinking our application programming interface (API) with Zaim’s software, we provide safe and seamless collaboration between Bank of the Ryukyus and Zaim services.

### Provision of the “Bank of the Ryukyus App” Smartphone Banking App

- The Bank of the Ryukyus App utilizes the TSUBASA Fintech shared platform to provide a wide range of financial services in a trustworthy, straightforward and convenient manner.



The TSUBASA Alliance is a wide-reaching alliance framework comprising 11 regional-bank members. These include The Chiba Bank, The Daishi Bank, Chugoku Bank, The Iyo Bank, The Toho Bank, North Pacific Bank, Hokuetsu Bank, The Musashino Bank, Shiga Bank, The Gunma Bank, and Bank of the Ryukyus.



## Okinawa Economic Revitalization Partnership

### Standardization of Paperwork and Processes for Deposits and Other Inheritance-related Procedures

- By unifying paperwork and procedures, including inheritance-related notice submissions, between Bank of the Ryukyus and The Bank of Okinawa, we strive to reduce the burden on heirs and offer greater customer convenience.

### Provision of All-inclusive Inheritance Procedures in One Place

- As an extension of the abovementioned efforts to standardize inheritance-related paperwork and processes, we have made it possible for customers to complete procedures all at one location in cases where separate procedures would normally be required at two different banks. This is made possible by having the customer come to just one of the two banks in question, and then having that one bank receive and process all necessary paperwork for both organizations.

### “Yorozu Support Center” Business Consultations for SMEs and Smaller-scale Business Operators

- The Yorozu Support Center was established in the Yaeyama region to provide reliable support for local business operators, aiming to promote more sustainable economic development in the area and help customers who face troubles amid the COVID-19 crisis.
- The Center offers free consultations with specialists regarding business management and operations, helping Bank of the Ryukyus provide support to an even wider range of business customers.

The Okinawa Economic Revitalization Partnership is a comprehensive partnership agreement between Bank of the Ryukyus and The Bank of Okinawa intended to reduce costs through joint efforts aimed at Okinawa Prefecture economic revitalization, sharing of back-office tasks, and other such endeavors while maintaining the independence, unique corporate brands and customer bases of each banking corporation.



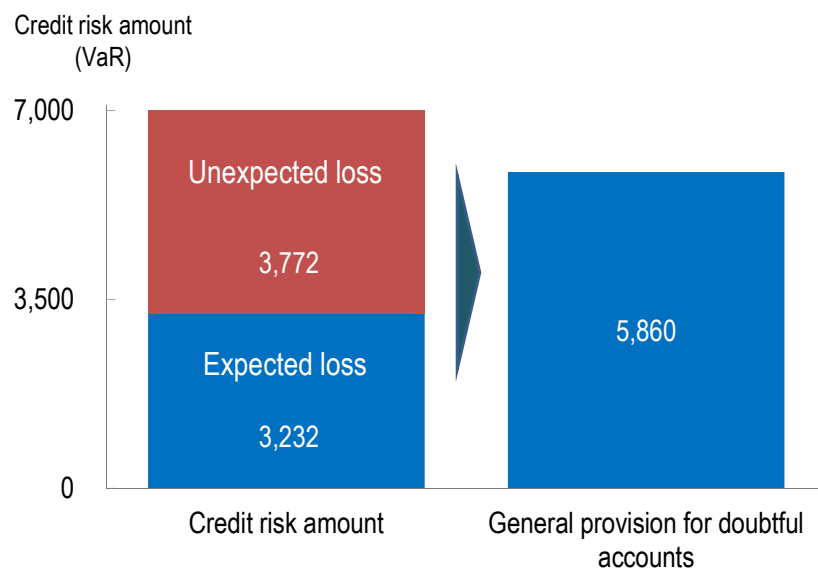
# COVID-19 Crisis Responses and Okinawa's Economic Outlook

Bank of the Ryukyus utilizes forward-looking provisioning to achieve a framework that supports customers without fear of additional credit costs. This approach is an example of “moves toward recovery” as described *Regional Economic Trends*, a government document released in June 2022 that covers economic and business conditions within Okinawa Prefecture

## Forward-looking Provisioning

### Ensuring Sufficient Provisioning Amid the COVID-19 Crisis

- The general provision for doubtful accounts was 5.8 billion yen as of March 31, 2022, with expected loss exceeding 3.2 billion. We achieved 83 percent preservation in regard to the 7.0 billion yen of total credit risk, which includes unexpected loss.

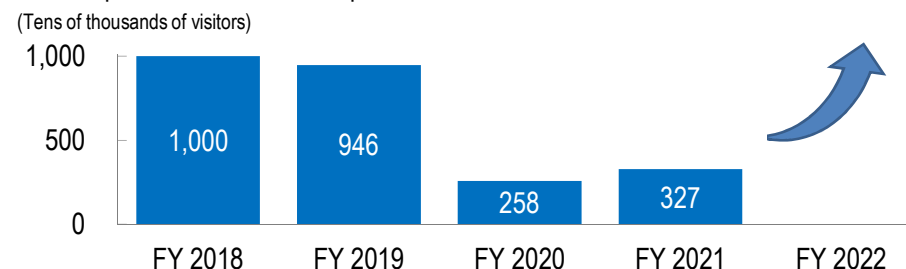


Expected loss: Average predicted loss value for loans, with consideration taken for the possibility of irrecoverable debt, over a specified time period.  
 Unexpected loss: For a loan portfolio comprising multiple loans, the maximum predicted loss amount based on a fixed probability, minus the average expected loss amount.

## Tourism in Okinawa Prefecture

### Changes in Okinawa Prefecture Tourist Numbers and Future Outlook

- Numbers of tourists visiting Okinawa Prefecture during the 2022 Golden Week holiday period is forecasted to increase by 2.6 times over the previous year (approximately 213,000 visitors). Tourists have been taking responsibility for preparing and implementing COVID-19 infection countermeasures, and we are seeing a gradual return to normal socio-economic activity.
- In addition, Naha Airport has made a decision to once again begin admitting tourists from abroad arriving on international flights for the first time in two years, starting in June. Numbers of visitors from Taiwan, South Korea and other parts of the world are expected to rise.



Excerpts from Cabinet Office's *Regional Economic Trends in Okinawa* (Published June 2, 2022)

|                                 | Previous (March 2022)   | Most Recent (June 2022)                 |   |
|---------------------------------|---|---|---|
| Economic-climate determination  | Trends toward recovery seem weak as conditions caused by COVID-19 pandemic remain challenging   | Indications of moves toward recovery    | ↑ |
| Tourism                         | Currently weak  | Indications of moves toward recovery    | ↑ |
| Individual consumption [delete] | Recently, moves toward recovery at a standstill   | Recently, moves toward recovery visible | ↑ |
| Employment                      | As conditions caused by COVID-19 pandemic remain challenging, weak trend continues but signs of employment-related recovery are visible | Indications of moves toward recovery    | ↑ |

# Digital Transformation (DX) Measures

Through the use of digital technologies, we are striving to bolster our productivity, earning capacity and corporate value while contributing to the local region.

## Working-style Revolutions

### Switch to Microsoft Cloud Services (Office 365) for In-house Information Sharing

- We have switched our software over to Microsoft cloud services including Office 365. These include a portal site as well as various information-sharing tools such as portal services, e-mail, scheduling, chat functions, an in-house social media platform, and more.
- These abovementioned software adoptions enable the use of workflow and information sharing tools on all devices in bank operations (computers, iPads and iPhones), and facilitate more efficient operations and communication.

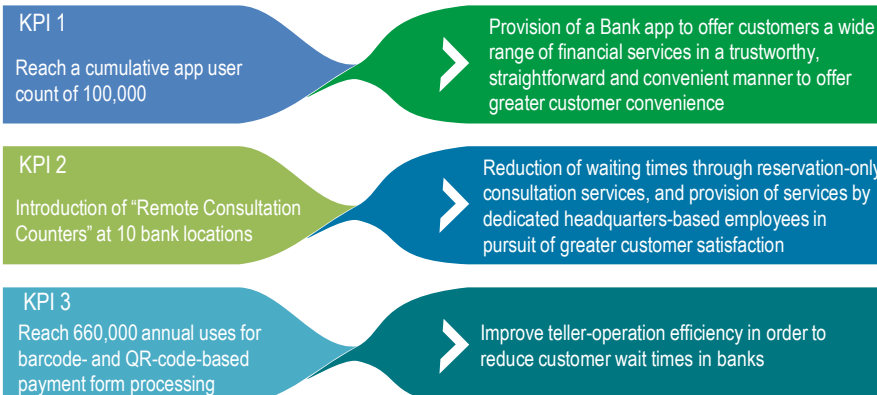
## Creation of a DX promotion framework

### Assignment of Dedicated DX Personnel for the General Planning Department and Creation of a DX Promotion Framework Based on Inter-departmental Cooperation Under the Bank-established DX Standardization Policy

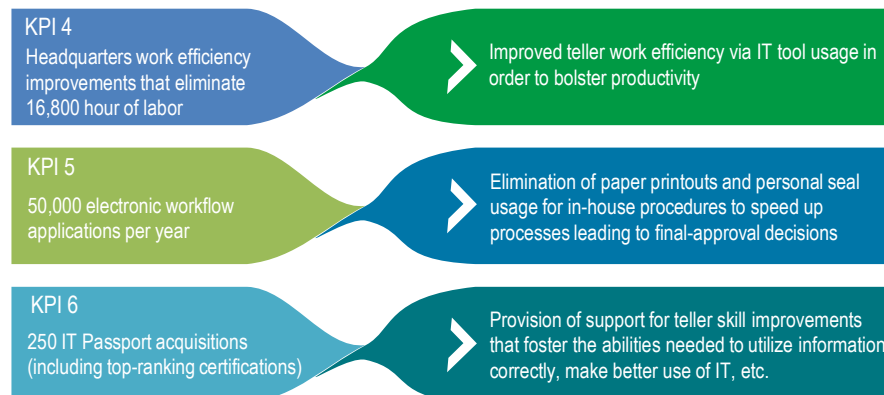
| Departments/Divisions in Charge | Activities  |
|---------------------------------|---|
| General Planning Department     | <ul style="list-style-type: none"> <li>• Establishment of a Bank policy based on DX-related investigations and research</li> <li>• Overall supervision of operational efficiency improvements at headquarters and branches</li> </ul>               |
| Human Resources Department      | <ul style="list-style-type: none"> <li>• Establishment of the overall vision/targets for DX-related human resources</li> <li>• Securing and training of DX-related human resources</li> </ul>   |
| Payments Department             | <ul style="list-style-type: none"> <li>• Promotion of cashless-payment-related business</li> <li>• Expansion and improvements to customer services (app, commercial-customer portal site, etc.)</li> </ul>  |
| Commercial Customers Department | <ul style="list-style-type: none"> <li>• Provision of ICT consulting services for customers</li> </ul>  |
| Administrative Division         | <ul style="list-style-type: none"> <li>• In-house digitalization of operations via Microsoft Office 365, Teams, etc.</li> <li>• Provision of system-related support for operational efficiency improvements at headquarters and branches</li> </ul> |

## Six Key Performance Indicators (KPIs) for Achieving DX

### KPIs Aimed at Customer Service Improvements



### KPIs Aimed at Teller Working Style Improvements



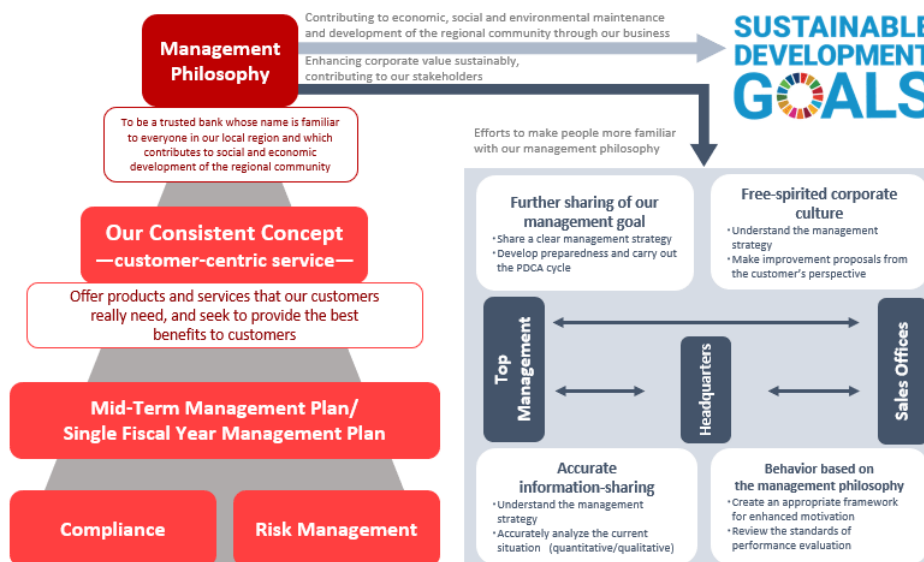


# SINKA2020

## New Medium-Term Management Plan: SINKA2020

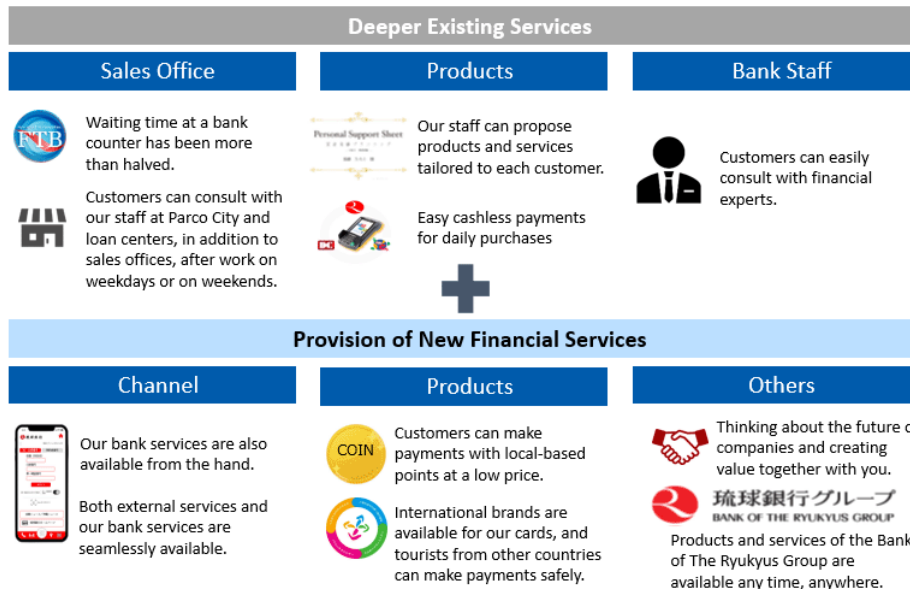
### Achievement of Sustainable Growth with the Regional Community

Become involved in financial intermediation under our management philosophy of achieving sustainable growth of the regional community and enhancing corporate value.



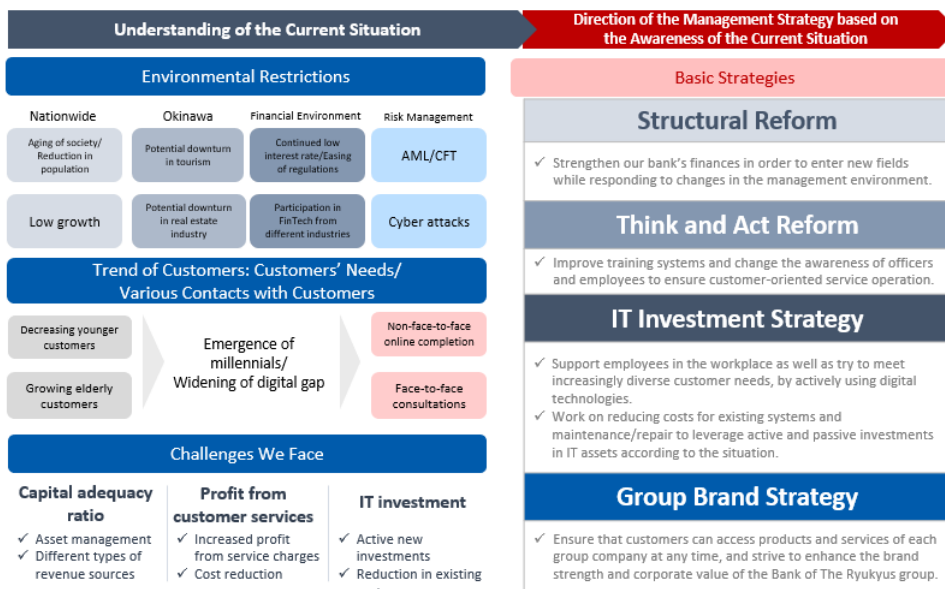
### Our Ideal Vision from a Customer Perspective

Providing products and services tailored to each customer (getting products out to the market)



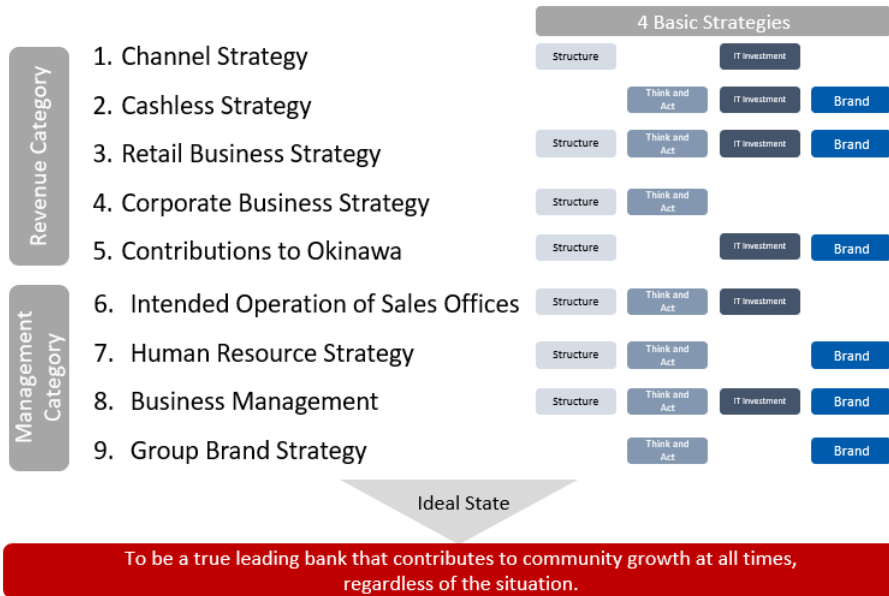
## Management Strategic Directions based on the Current Situation

Work on achieving the next mid-term management plan as a whole group under the four basic strategies, based on the current situation.



## Basic Strategies

Nine individual strategies based on the four basic strategies



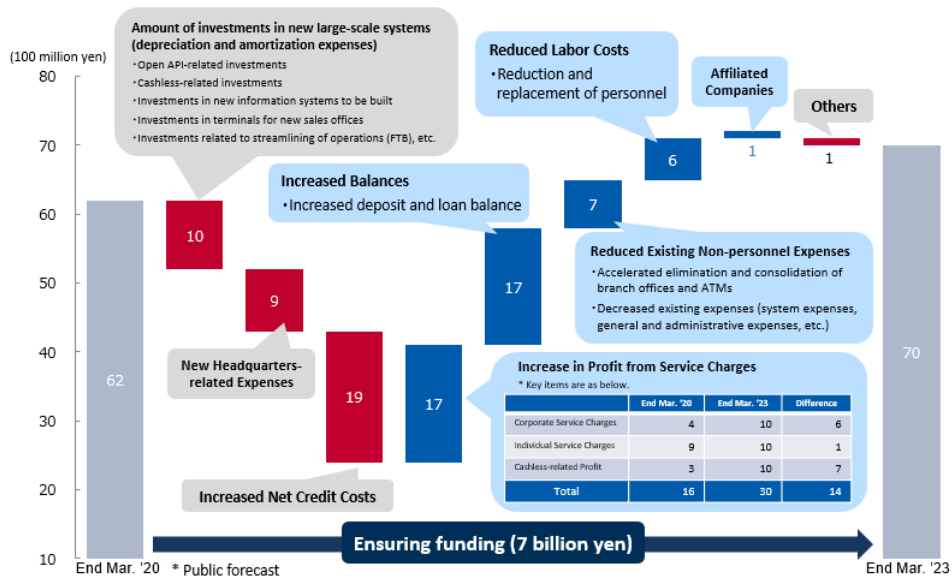
## Overview of the New Mid-Term Management Plan

| Name   | SINKA 2020 —even further SINKA for the community—  |  |
|--|--|--|
| Period   | April 2020 to March 2023 (three years)   |  |
| Ideal Vision   | To be a true leading bank that contributes to the development of the regional community at all times, regardless of the situation. |  |
| Basic Concept  | ✓ Structural Reform<br>✓ IT Investment Strategy  | ✓ Think and Act Reform<br>✓ Group Brand Strategy |
| Item   |  | Targets for FY2022                               |
| 1. Consolidated net income during the period                                       |  | 7 billion yen                                    |
| 2. Consolidated ROE  |  | 5% or more                                       |
| 3. Profit from customer services   |  | 7 billion yen                                    |
| 4. Non-consolidated capital adequacy ratio (fully implemented)                     |  | 8.2% or more                                     |
| 5. Non-consolidated core OHR   |  | 75% or below                                     |
| 6. Total revenue of card affiliate groups (total of our bank, OCS, and Ryugin DC)  |  | 88 billion yen                                   |
| 7. Number of proposals for solutions using the Business Potential Evaluation Sheet |  | 3,500  |

\* Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges - Expenses

## Consolidated Net Income during the Period in the Mid-Term Management Plan

Invest funds for the future of our bank as well as work on reducing existing expenses to enhance corporate value.



## Annual Report



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[金融取引に関する方針等](#)

# Management Policy

Forging Stronger Bonds of Trust with the Local Community

## Management Philosophy

Bank of the Ryukyus (“the Bank”) has long followed a management philosophy of fostering a relationship of trust with the local community so as to contribute to the development of regional society. To continue putting this philosophy into practice in the future, the Bank and its group will enhance the range and quality of services offered, while establishing sound management practices that will enable us to cope with any change in the business environment. By so doing, we aim to meet the needs of the local community.

## We see our Bank as:A provider of “solution-type” financial services

As a provider of “solution-type” financial services, the Bank will identify and resolve problems and issues facing the region, its corporations and its individual customers. That is the vision. Therefore, the Bank aims to promoting sustainable growth in partnership with our community, corporate and individual customers, by strengthening its capabilities in “solution-type” banking and providing a wider range of services.

## We see our employees as:

1. People with a strong commitment to professionalism  
Ability to demonstrate strong business knowledge and competence. Determination to achieve goals.
2. People with imagination and initiative  
Constant awareness of potential problems and a will to make changes when necessary. Ability to set an example through own initiative.
3. People with self-development ability and good personality  
Persistence in self-development, to improve competence and ability to adapt to change, and willingness to embrace challenges.
4. Trusted by and popular with the local community  
Ability to gain trust and support of local communities, and contribute to their growth

# The Local Community

People with  
a strong commitment  
to professionalism

People with  
self-development  
ability and good  
personality

People with  
imagination and  
initiative

Trusted by and  
popular with the  
local community

Bank of the Ryukyus

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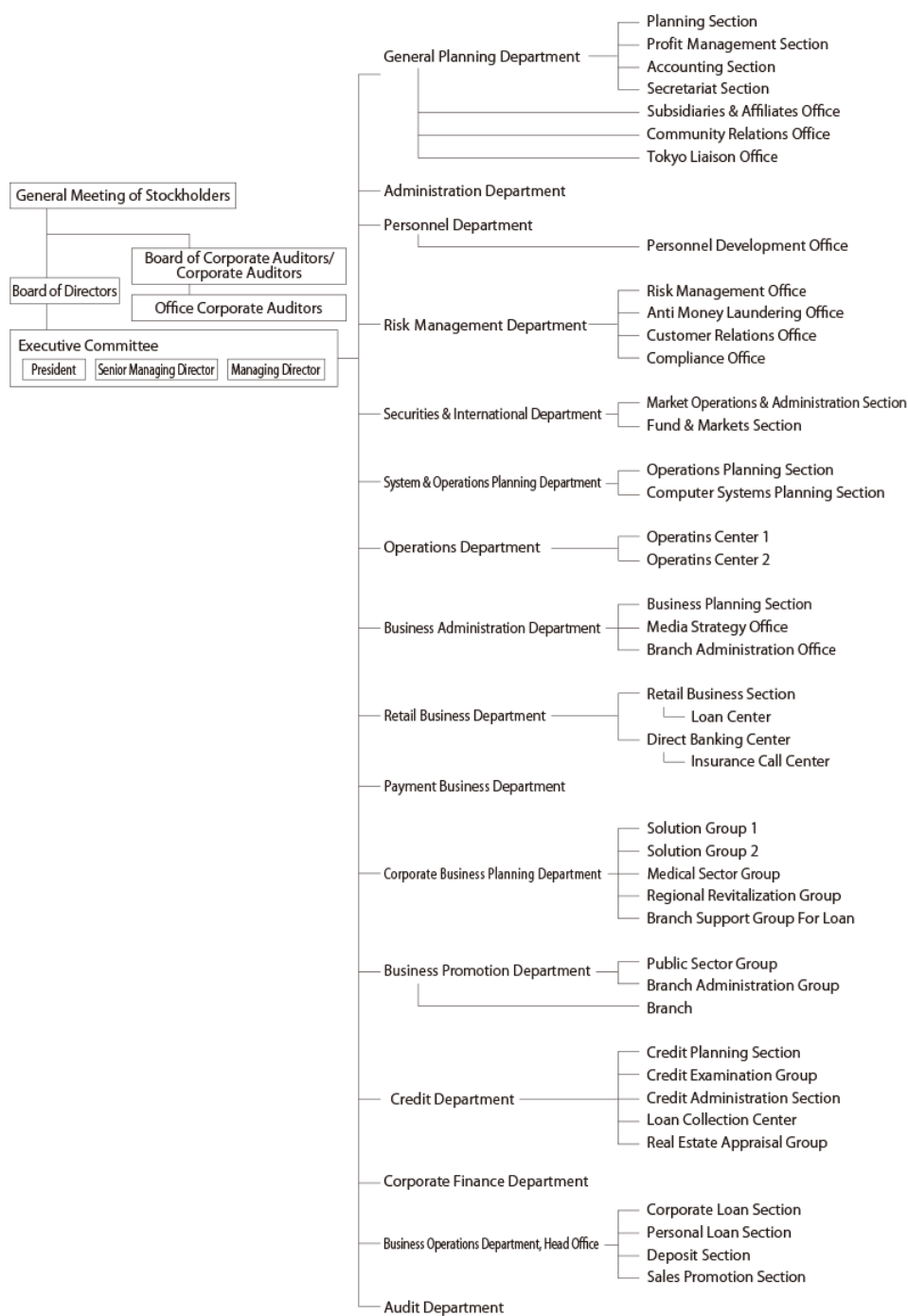
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- りゅうぎんビジネスクラブ

# Organization

## Annual Report

(As of April 1, 2020)



# Profile

## Annual Report

Bank of The Ryukyus, Ltd. was established in 1948 under an ordinance of the U.S. military for the purpose of restoring financial order and stabilizing the currency in order to facilitate the sound development of the Okinawan economy. From its founding up to the reversion of Okinawa to Japan, the Bank dedicated itself to promoting the development of the prefectural economy in its role as the region's de facto central bank.



When Okinawa was restored to Japanese sovereignty in 1972, the Bank reverted to the status of an ordinary bank subject to Japanese banking law, and as the prefecture's leading bank, it facilitated the transition to the Japanese economic and financial systems. In 1983, we became the first bank in Okinawa to be listed on the stock exchange, and in 1986 construction of our Computer Center was completed. In 1988, we established an international foundation. In this way, the Bank has been simultaneously working to strengthen its business structure and actively contribute to the prosperity of the regional community.

In September 1999, for the twin purposes of ensuring the soundness of its assets and strengthening its financial position, the Bank implemented a capital increase through a third-party allocation of new shares in the amount of ¥22.7 billion, while simultaneously receiving an injection of ¥40 billion in public funds.

While strengthening its financial foundations through the issuance of preferred stock, the Bank also repaid ¥34 billion out of the abovementioned ¥40 billion in public funding in October 2006, and the remaining ¥6 billion in public funding was repaid in July 2010.

In April 2020, we launched our new medium-term management plan under the name SINKA2020.



# Corporate Data

## Annual Report

### Non-Consolidated Data

(As of March 31, 2022)

|   |   |
|---|---|
| Date of Establishment   | May 1, 1948                                   |
| Paid-in Capital   | ¥ 56,967million                               |
| Total Assets  | ¥ 3,027,731million                            |
| Number of Employees   | 1,349   |
| Number of Offices<br>(including Head Office and Sub-branches) | 75  |
| Number of Shareholders  | 15,444  |
| Stock Listings  | Tokyo Stock Exchange & Fukuoka Stock Exchange |

### Service Network

(As of March 31, 2022)

|   |
|---|
| Head Office and Securities & International Department   |
| 2-1, Higashimachi (P.O. Box 310), Naha, Okinawa 900-0034, Japan<br>Phone: 098-866-1212<br>Fax: 098-863-8504<br>SWIFT: RYUB JPJZ |
| Tokyo Branch  |
| Kanda 21 Building 4F, 2-2-16, Kandata-cho, Chiyoda-ku, Tokyo 101-0046, Japan<br>Phone: 03-5296-8611<br>Fax: 03-5296-8616        |

### Board of Directors

(As of June 28, 2022)

|          |                   |
|----------|-------------------|
| Chairman | Outside Directors |
|----------|-------------------|



|  |   |
|--|---|
| <div> <div> Tokei Kinjo </div> <div> President </div> </div> <div> <div> Yasushi Kawakami </div> <div> Senior Managing Director </div> </div> <div> <div> Keishi Fukuhara </div> <div> Managing Directors </div> </div> <div> <div> Yasushi Tokashiki<br/> Ryoji Toyoda<br/> Ken Shimabukuro </div> </div> | <div> <div> Masanori Fukuyama<br/> Kanao Tomihara<br/> Masaharu Hanazaki </div> <div> Standing Corporate Auditor </div> <div> <div> Hitoshi Kinjo </div> <div> Outside Corporate Auditors </div> </div> <div> <div> Shunsuke Takahashi<br/> Kyoko Nakayama<br/> Hiroshi Kitagawa </div> </div> </div> |
|--|---|

# Bank of The Ryukyus Group Companies

(As of March 31, 2022)

|  |
|--|
| <div> <div>RYUKYULEASING CO., LTD.*</div> <div> <div>7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan</div> <div>Phone: 098-866-5500</div> <div>Established: May 1972</div> <div>Paid-in Capital: ¥ 346 million</div> <div>Line of Business: General leasing</div> </div> </div>   |
| <div> <div>Ryugin Hosho Co., Ltd.*</div> <div> <div>2-1, Higashimachi, Naha, Okinawa 900-0034, Japan</div> <div>Phone: 098-869-1250</div> <div>Established: July 1979</div> <div>Paid-in Capital: ¥ 20 million</div> <div>Line of Business: Housing loans, debt guaranty and insurance agency</div> </div> </div>  |
| <div> <div>Ryugin Business Service Co., Ltd.*</div> <div> <div>33-1, Yafuso3-chome, Urasoe, Okinawa 901-2127, Japan</div> <div>Phone: 098-879-1514</div> <div>Established: September 1983</div> <div>Paid-in Capital: ¥ 10 million</div> <div>Line of Business: Cash inspection and arrangement, Cash Dispenser/ATM management and maintenance</div> </div> </div> |
| <div> <div>RYUGIN DC CO., LTD.*</div> <div> <div>7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan</div> <div>Phone: 098-862-1525</div> <div>Established: April 1984</div> <div>Paid-in Capital: ¥ 195 million</div> <div>Line of Business: Credit cards, financing</div> </div> </div>   |
| <div> <div>Ryugin Research Institute., Ltd.*</div> <div> <div>1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0025, Japan</div> <div>Phone: 098-835-4650</div> <div>Established: June2006</div> </div> </div>  |



Paid-in Capital: ¥23 million

Line of Business:

Industrial, economic and financial surveys and research; planning and organization of conferences and training

OKINAWA CREDIT SERVICE CO., LTD.\*

3-10, Matsuyama 2-chome, Naha, Okinawa 900-8609, Japan

Phone: 098-861-1123

Established: August 2008

Paid-in Capital : ¥279million

Line of Business: Credit cards, financing

\*Consolidated subsidiaries

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# Message from the President

Annual Report



Yasushi Kawakami  
President

Greetings to all and my sincerest thanks for your continued support.

The following is a report on our operations and accounts for the 106nd Term (April 1, 2021 to March 31, 2022).

## Financial & Economic Environment

In fiscal 2021, the Japanese economy showed a weakening trend as a whole due to decline in personal consumption, including travel and eating-out, given the issuance of the declaration of a state of emergency and the priority preventive measures throughout the country during the period from April to September. As these measures were lifted nationwide at the end of September, people's movement recovered during the period from October to December, and the economy showed signs of a pickup. However, the economy weakened again during the period from January to March 2022 due to the reissuance of the priority preventive measures throughout the country that restricted people's movement, coupled with the emergence of supply shortages of semiconductors and components from Southeast Asia, as well as declining exports attributable to the slowdown in economic recovery in China.

The economy of Okinawa Prefecture followed the same trend as the rest of the country, remaining in the recession phase during the period from April to September, shifting then to a bottoming-out (flat in growth) phase during the period from October to December, and again getting back to the recession phase during the period from January to March 2022. In Okinawa Prefecture, the period of restrictions on people's movement lasted for 257 days, because of the declaration of a state of emergency and the priority preventive measures, as well as the shorter business hours of restaurants. As a circumstance specific to Okinawa, the tertiary industry comprises a high percentage of the industrial composition, while the share of the manufacturing sector is low, resulting in an increased impact from COVID-19 on the prefecture.

# Business Activities and Performance Results

Amid this operating environment, in fiscal 2021, which was the second year of our medium-term management plan “Shinka 2020,” we promoted various initiatives in order to contribute to the regional revitalization through proactive support initiatives for customers who were facing financial difficulty due to changes in the environment caused by the COVID-19 epidemic.

## 1. Efforts for customer business operators

With a view to strengthening its financial standing, the Bank introduced forward-looking provisioning in fiscal 2020, thereby creating a system to support customers’ revitalization from a long-range perspective without fear of additional provisions in the future. Based on the system, to customers who had been affected by COVID-19, we offered deferment of principal repayment of loans and funding support on the financial front. On the sales front, we provided accompanying-style support, such as formulation of business improvement plans to facilitate customers’ business continuity and revitalization and top-line growth support.

Moreover, we executed an investment in a large hotel in Okinawa, together with Ryukyu Capital Co., Ltd. established jointly by the Bank and major companies in Okinawa. The company was founded in fiscal 2020 for the purpose of protecting Okinawa’s resources through ensuring business continuity and job retention in the prefecture.

With a business potential evaluation as a starting point, we will continue to ascertain diverse needs of customers by enhancing communication with them. We will also improve our skills to propose various solutions to resolve issues faced by customers.

## 2. Efforts for retail customers

In the course of practicing customer-oriented service operation (fiduciary duty), we provided products and asset management services in line with customers’ life plans. Our efforts were particularly focused on testamentary trusts and estate planning services in the field of inheritance, where customer needs are expected to increase with the progress in aging population.

Moreover, we released the Ryugin App to meet the needs for non-face-to-face financial transactions that heightened in the COVID-19 pandemic and backed by wider adoption of smartphones. For personal loans, we expanded from four to nine the lineup of our loan products that can be completed via the Internet without having to visiting the Bank’s branches. We will continue to improve customers’ convenience by using digital technologies, including the enhancement of the app functions.

## 3. Efforts for cashless transactions

The prolonged COVID-19 epidemic has promoted the use of cashless payment in consumer activities, which calls for stores and facilities to support a diverse means of payment other than cash. The Bank had been issuing Visa Debit Cards and encouraging the introduction of card payment terminals that accommodate electronic money and QR code payments even before the pandemic. The number of card affiliates has been steadily increasing every year, and card transaction volume in fiscal 2021 reached a record high. Following a Chinese UnionPay Card that we started handling in fiscal 2021, we plan to start handling EasyCard in fiscal 2022, an electronic money widely accepted in Taiwan. The Bank will continue to expand the number of card users and card affiliates, enhance attractiveness of the card services, and contribute to the cashless economy in the region.

## 4. Efforts to streamline branch office operations

In fiscal 2021, we spread across all branch offices a new reception system using tablets and a “centralized call center for sales offices” that consolidates customers’ telephone inquiries to the headquarters. We have been developing these systems with an aim to shorten customers’ waiting time and improve counter services.

In addition, we began operating a “remote consultation counter” that connects customers who visit our branch offices with expert bank tellers at the headquarters to provide highly specialized transaction

consultations remotely. This enables us to provide high-quality consultation services to customers and improve operational efficiency of sales office counters.

In terms of business operations, the balance of loans and bills discounted at the end of the fiscal year under review increased by 23,432 million yen from the balance at the end of the previous fiscal year to 1,822,200 million yen, due to strong demand in personal loans, mainly mortgage loans, as well as an increase in loans to local governments. The balance of deposits (including negotiable certificate of deposits) at the end of the fiscal year under review increased by 118,311 million yen from the balance at the end of the previous fiscal year to 2,609,505 million yen, mainly due to an increase in personal deposits owing to increased propensity to saving during the COVID-19 epidemic.

In terms of earnings, ordinary income increased by 1,310 million yen from the previous fiscal year to 38,688 million yen, due to increases in fees and commissions income related to mortgage loans and interest on deposits, despite decreases in interest on loans and gain on sale of bonds.

Meanwhile, ordinary expenses decreased by 3,390 million yen from the previous fiscal year to 31,691 million yen, due to a turnaround from provision to reversal for general allowance for doubtful accounts, thanks to the improvement in debtor category following the resumption of repayments from business operators who had deferred repayment of loan principal and a lower anticipated loss ratio in line with improvements in economic indicators.

As a result, ordinary profit increased by 4,701 million yen from the previous fiscal year to 6,996 million yen, and profit increased by 3,579 million yen from the previous fiscal year to 5,195 million yen.

## Issues Facing the Bank

The business environment surrounding the Bank continues to be challenging with increasing uncertainty in the future financial environment. Causes for concern includes the continuation of negative interest rate policy and operators from different industries entering the financial sector, as well as economic recession caused by COVID-19 and the growing concerns about accelerated inflation due to rising prices of resources and commodities triggered by the situation in Ukraine.

Meanwhile, looking at the social environment, the spread of COVID-19 drove changes in people's lifestyles, rapidly heightening demand for non-face-to-face and contactless transactions. In addition, efforts to reduce greenhouse gases, which are considered a cause of climate change, have become a global trend, and addressing climate change risks has increased its significance in corporate activities. With these changes in the environment, the trend toward digitalization and decarbonization is expected to pick up the pace going forward.

Amid this operating environment, the Bank's commitment is to underpin local communities. In order to help sustain and develop the economy, society, and environment of the region, we will proactively advance the following initiatives to resolve issues faced by local communities and customers.

### 1. Efforts to revitalize the local economy

Okinawa Prefecture has been severely affected by the spread of COVID-19, particularly in the face-to-face service sectors, including tourism-related and restaurant industries. In order to revitalize the local economy toward the sustainable development of local communities as a bank's social responsibility, the Bank will strive to understand thoroughly business conditions of customers through close communication with them. In addition to offering financial support such as cash management and consolidation of long-term loans, we will provide appropriate assistance such as business succession, M&A, and sales channel expansion with a view to a society coexistent with, and after containing, COVID-19.

## 2. Strengthening collaboration among Ryugin Group companies

The Bank has long worked to expand its business areas and create synergies through collaboration among the Group companies. Specifically, through collaborations with RYUKYU LEASING COMPANY LIMITED focusing on lease intermediary services, and with OKINAWA CREDIT SERVICE CO., LTD. and RYUGIN DC CO., LTD. centering on credit card services, we have helped customers resolve their issues, such as procurement of equipment and cashless operations. In order to meet various needs of customers and resolve their issues, we will continue to enhance our Group governance and strengthen the provision of solutions in both the financial and non-financial fields based on the intra-Group collaboration.

## 3. Efforts for sustainability

The Bank recognizes addressing climate change as a significant management issue. We will ascertain and analyze the impact of climate change risks on our business and financial performance, establish a governance system to tackle such risks, and strengthen efforts for decarbonization.

Toward realizing sustainable local communities, regional financial institutions are required to offer intensified assistance, besides fulfilling financial intermediary functions as their core business, to resolve various issues surrounding local communities, such as environmental issues caused by climate change.

In response to this, the Bank will diagnose the status of our customers' initiatives for SDGs (decarbonization, health management, etc.) and contribute to enhancing their values through support to resolve their issues.

## 4. Promoting digitalization

The Japanese government is promoting digital transformation, as represented by the launch of the Digital Agency. The Bank has already achieved productivity improvement through digitalization of its operations, but will continue to promote paperless internal operations, aiming for sophistication of its credit management and data marketing with the use of digital technologies.

Furthermore, we will promote digitalization of financial services to meet the customers' need for non-face-to-face and contactless services, while helping corporate customers to streamline their operations by supporting digitalization and IT introduction.

We would like to take this opportunity to offer our deepest apologies again to our shareholders, customers, and community members for the great concern and inconvenience caused by the multiple incidents of misconduct that have come to light since last fiscal year. All officers and employees deeply regret that this situation has arisen, as a financial institution that plays a public role and should place the highest priority on trust. Positioning compliance as the most important management issue, we are committed as one to restoring trust and preventing recurrence of such incidents.

Through these efforts, the Bank will continue to provide attractive products and services that meet the diverse needs of local communities and customers. We will also deepen our collaboration with local governments to further enhance our involvement in sustainable community development and initiatives to fundamentally resolve issues faced by local communities.

June 2022

Yasushi Kawakami,  
President



# Financial Section

## Annual Report

### Financial Data [PDF files]

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Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Balance Sheets

As of March 31, 2022 and 2021

|  | Millions of Yen (Note 1) |            | Thousands of<br>U.S. Dollars (Note 1) |
|--|--------------------------|------------|---------------------------------------|
|  | 2022                     | 2021       | 2022                                  |
| <b>Assets</b>  |                          |            |                                       |
| Cash and due from banks (Note 9) .....                                     | ¥ 770,553                | ¥ 525,140  | \$ 6,295,887                          |
| Call loans and bills bought .....  | —                        | 506        | —                                     |
| Monetary claims bought .....   | —                        | 9          | —                                     |
| Money held in trust (Note 6) .....   | 518                      | 533        | 4,233                                 |
| Securities (Notes 6, 7 and 9) .....  | 364,179                  | 333,047    | 2,975,562                             |
| Loans and bills discounted (Notes 6, 8 and 9) .....                        | 1,804,414                | 1,778,890  | 14,743,152                            |
| Foreign exchanges .....  | 6,208                    | 7,636      | 50,726                                |
| Lease receivables and lease investment assets .....                        | 21,510                   | 23,090     | 175,753                               |
| Other assets (Note 9) .....  | 66,272                   | 75,114     | 541,487                               |
| Property, plant and equipment (Note 10) .....                              | 23,246                   | 23,238     | 189,939                               |
| Intangible fixed assets .....  | 4,466                    | 5,155      | 36,496                                |
| Net defined benefit asset .....  | 1,032                    | 815        | 8,435                                 |
| Deferred tax assets .....  | 5,651                    | 5,932      | 46,177                                |
| Customers' liabilities for acceptances and guarantees (Note 11) .....      | 8,283                    | 11,224     | 67,682                                |
| Allowance for loan losses (Note 5) .....                                   | (11,471)                 | (12,192)   | (93,732)                              |
| Total assets .....   | ¥3,064,865               | ¥2,778,142 | \$25,041,797                          |
| <b>Liabilities</b>   |                          |            |                                       |
| Deposits (Notes 6) .....   | ¥2,587,046               | ¥2,453,399 | \$21,137,724                          |
| Negotiable certificate of deposits (Note 6) .....                          | 11,213                   | 25,807     | 91,619                                |
| Payables under repurchase agreements .....                                 | —                        | 1,093      | —                                     |
| Borrowed money (Notes 6 and 9) .....                                       | 297,872                  | 128,573    | 2,433,794                             |
| Foreign exchanges .....  | 78                       | 154        | 642                                   |
| Other liabilities .....  | 21,967                   | 21,927     | 179,488                               |
| Reserve for bonuses .....  | 674                      | 683        | 5,514                                 |
| Reserve for directors' bonuses .....                                       | 12                       | —          | 99                                    |
| Net defined benefit liability .....  | 223                      | 890        | 1,823                                 |
| Reserve for retirement benefits for directors and corporate auditors ..... | 14                       | 10         | 122                                   |
| Reserve for reimbursement of dormant deposits .....                        | 22                       | 35         | 183                                   |
| Reserve for contingent losses .....  | 99                       | 112        | 814                                   |
| Reserve for point service program .....                                    | 175                      | 193        | 1,434                                 |
| Reserve for losses on interest payment .....                               | 215                      | 274        | 1,758                                 |
| Deferred tax liabilities for land revaluation .....                        | 1,947                    | 1,947      | 15,916                                |
| Acceptances and guarantees (Note 11) .....                                 | 8,283                    | 11,224     | 67,682                                |
| Total liabilities .....  | 2,929,846                | 2,646,326  | 23,938,612                            |
| <b>Net assets (Note 13)</b>  |                          |            |                                       |
| Capital stock .....  | 56,967                   | 56,967     | 465,457                               |
| Capital surplus .....  | 14,220                   | 14,250     | 116,187                               |
| Retained earnings .....  | 64,252                   | 60,004     | 524,979                               |
| Treasury stock .....   | (575)                    | (170)      | (4,700)                               |
| Total shareholders' equity .....   | 134,864                  | 131,051    | 1,101,923                             |
| Valuation difference on available-for-sale securities .....                | (775)                    | 174        | (6,334)                               |
| Revaluation reserve for land (Note 12) .....                               | 776                      | 751        | 6,343                                 |
| Remeasurements of defined benefit plans .....                              | (25)                     | (380)      | (211)                                 |
| Total accumulated other comprehensive income .....                         | (24)                     | 544        | (202)                                 |
| Stock acquisition rights .....   | 179                      | 219        | 1,464                                 |
| Total net assets .....   | 135,018                  | 131,815    | 1,103,185                             |
| Total liabilities and net assets .....                                     | ¥3,064,865               | ¥2,778,142 | \$25,041,797                          |

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries  
**Consolidated Statements of Income**  
For the years ended March 31, 2022 and 2021

|  | Millions of yen (Note 1) |         | Thousands of<br>U.S. Dollars (Note 1) |
|--|--------------------------|---------|---------------------------------------|
|  | 2022                     | 2021    | 2022                                  |
| <b>Income</b>                                |                          |         |                                       |
| Interest income:                             |                          |         |                                       |
| Interest on loans and discounts.....         | ¥26,364                  | ¥26,558 | \$215,412                             |
| Interest and dividends on securities.....    | 1,150                    | 1,302   | 9,401                                 |
| Other interest income .....                  | 273                      | 138     | 2,235                                 |
| Fees and commissions .....                   | 10,438                   | 9,938   | 85,288                                |
| Other operating income .....                 | 16,882                   | 18,149  | 137,938                               |
| Other income .....                           | 2,451                    | 1,234   | 20,026                                |
| Total income.....                            | 57,560                   | 57,321  | 470,300                               |
| <b>Expenses</b>                              |                          |         |                                       |
| Interest expenses:                           |                          |         |                                       |
| Interest on deposits .....                   | 109                      | 345     | 891                                   |
| Other interest expenses .....                | 64                       | 69      | 523                                   |
| Fees and commissions .....                   | 4,468                    | 4,327   | 36,507                                |
| Other operating expenses .....               | 15,739                   | 15,936  | 128,598                               |
| General and administrative expenses .....    | 27,150                   | 27,792  | 221,840                               |
| Other expenses (Note 14) .....               | 1,913                    | 5,121   | 15,634                                |
| Total expenses.....                          | 49,444                   | 53,592  | 403,993                               |
| Income before income taxes .....             | 8,115                    | 3,728   | 66,309                                |
| Income taxes:                                |                          |         |                                       |
| Current .....                                | 1,971                    | 1,976   | 16,105                                |
| Deferred.....                                | 554                      | (827)   | 4,528                                 |
| Total income taxes.....                      | 2,525                    | 1,149   | 20,633                                |
| Profit .....                                 | 5,590                    | 2,579   | 45,676                                |
| Profit attributable to owners of parent..... | ¥ 5,590                  | ¥ 2,579 | \$ 45,676                             |

|  | Yen     |        | U.S. Dollars (Note 1) |
|--|---------|--------|-----------------------|
| <b>Per share of common stock (Note 13) :</b> |         |        |                       |
| Net income — basic .....                     | ¥131.18 | ¥60.03 | \$1.07                |
| Net income — diluted .....                   | 130.74  | 59.79  | 1.07                  |
| Cash dividends applicable to the year .....  | 35.00   | 25.00  | 0.29                  |

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Comprehensive Income

For the years ended March 31, 2022 and 2021

|   | Millions of yen (Note 1) |        | Thousands of<br>U.S. Dollars (Note 1) |
|---|--------------------------|--------|---------------------------------------|
|   | 2022                     | 2021   | 2022                                  |
| Profit .....  | ¥5,590                   | ¥2,579 | \$45,676                              |
| Other comprehensive income:                                 |                          |        |                                       |
| Net unrealized gains on available-for-sale securities ..... | (949)                    | 11     | (7,759)                               |
| Deferred loss on derivatives under hedge accounting .....   | —                        | (1)    | —                                     |
| Remeasurements of defined benefit plans .....               | 354                      | 519    | 2,898                                 |
| Total other comprehensive income .....                      | (594)                    | 529    | (4,861)                               |
| Comprehensive income .....                                  | ¥4,995                   | ¥3,108 | \$40,815                              |
| Attributable to   |                          |        |                                       |
| Owners of the parent .....                                  | ¥4,995                   | ¥3,108 | \$40,815                              |

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2022 and 2021

|   | Millions of Yen (Note 1) |          | Thousands of<br>U.S. Dollars (Note 1) |
|---|--------------------------|----------|---------------------------------------|
|   | 2022                     | 2021     | 2022                                  |
| <b>Shareholders' equity</b>                                   |                          |          |                                       |
| <b>Capital stock:</b>   |                          |          |                                       |
| Balance at end of the previous year .....                     | ¥ 56,967                 | ¥ 56,967 | \$ 465,457                            |
| Cumulative effect of a change in accounting principle .....   | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | 56,967                   | 56,967   | 465,457                               |
| Changes during the period:                                    |                          |          |                                       |
| Total changes during the year .....                           | —                        | —        | —                                     |
| Balance at end of the period .....                            | ¥ 56,967                 | ¥ 56,967 | \$ 465,457                            |
| <b>Capital surplus:</b>                                       |                          |          |                                       |
| Balance at end of the previous year .....                     | ¥ 14,250                 | ¥ 14,264 | \$ 116,431                            |
| Cumulative effect of a change in accounting principle .....   | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | 14,250                   | 14,264   | 116,431                               |
| Changes during the period:                                    |                          |          |                                       |
| Sale of treasury stock .....                                  | (29)                     | (14)     | (244)                                 |
| Total changes during the year .....                           | (29)                     | (14)     | (244)                                 |
| Balance at end of the year .....                              | ¥ 14,220                 | ¥ 14,250 | \$ 116,187                            |
| <b>Retained earnings:</b>                                     |                          |          |                                       |
| Balance at end of the previous period .....                   | ¥ 60,004                 | ¥ 58,625 | \$ 490,272                            |
| Cumulative effect of a change in accounting principle .....   | (37)                     | —        | (307)                                 |
| Restated balance at April 1 .....                             | 59,966                   | 58,625   | 489,965                               |
| Changes during the period:                                    |                          |          |                                       |
| Cash dividends .....  | (1,279)                  | (1,288)  | (10,455)                              |
| Profit attributable to parent of the owner .....              | 5,590                    | 2,579    | 45,676                                |
| Reversal of revaluation reserve for land .....                | (25)                     | 87       | (207)                                 |
| Total changes during the period .....                         | 4,285                    | 1,379    | 35,014                                |
| Balance at end of the period .....                            | ¥ 64,252                 | ¥ 60,004 | \$ 524,979                            |
| <b>Treasury stock:</b>  |                          |          |                                       |
| Balance at end of the previous period .....                   | ¥ (170)                  | ¥ (250)  | \$ (1,392)                            |
| Cumulative effect of a change in accounting principle .....   | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | (170)                    | (250)    | (1,392)                               |
| Changes during the period:                                    |                          |          |                                       |
| Purchase of treasury stock .....                              | (501)                    | (0)      | (4,094)                               |
| Sales of treasury stock .....                                 | 96                       | 80       | 786                                   |
| Total changes during the period .....                         | (404)                    | 80       | (3,308)                               |
| Balance at end of the period .....                            | ¥ (575)                  | ¥ (170)  | \$ (4,700)                            |
| <b>Total shareholders' equity:</b>                            |                          |          |                                       |
| Balance at end of the previous period .....                   | ¥131,051                 | ¥129,606 | \$1,070,769                           |
| Cumulative effect of a change in accounting principle .....   | (37)                     | —        | (307)                                 |
| Restated balance at April 1 .....                             | 131,013                  | 129,606  | 1,070,462                             |
| Changes during the period:                                    |                          |          |                                       |
| Cash dividends .....  | (1,279)                  | (1,288)  | (10,455)                              |
| Profit attributable to parent of the owner .....              | 5,590                    | 2,579    | 45,676                                |
| Reversal of revaluation reserve for land .....                | (25)                     | 87       | (207)                                 |
| Purchase of treasury stock .....                              | (501)                    | 0        | (4,094)                               |
| Sales of treasury stock .....                                 | 66                       | 66       | 541                                   |
| Total changes during the period .....                         | 3,850                    | 1,444    | 31,461                                |
| Balance at end of the period .....                            | ¥134,864                 | ¥131,051 | \$1,101,923                           |
| <b>Accumulated other comprehensive income</b>                 |                          |          |                                       |
| <b>Valuation difference on available-for-sale securities:</b> |                          |          |                                       |
| Balance at end of the previous period .....                   | ¥ 174                    | ¥ 163    | \$ 1,425                              |
| Cumulative effect of a change in accounting principle .....   | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | 174                      | 163      | 1,425                                 |
| Changes during the period:                                    |                          |          |                                       |
| Net changes in items other than shareholders' equity .....    | (949)                    | 11       | (7,759)                               |
| Total changes during the period .....                         | (949)                    | 11       | (7,759)                               |
| Balance at end of the period .....                            | ¥ (775)                  | ¥ 174    | \$ (6,334)                            |

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2022 and 2021

|   | Millions of Yen (Note 1) |          | Thousands of<br>U.S. Dollars (Note 1) |
|---|--------------------------|----------|---------------------------------------|
|   | 2022                     | 2021     | 2022                                  |
| <b>Deferred gains on hedges:</b>                      |                          |          |                                       |
| Balance at end of the previous period                 | ¥ —                      | ¥ 1      | \$ —                                  |
| Cumulative effect of a change in accounting principle | —                        | —        | —                                     |
| Restated balance at April 1                           | —                        | 1        | —                                     |
| Changes during the period:                            |                          |          |                                       |
| Net changes in items other than shareholders' equity  | —                        | (1)      | —                                     |
| Total changes during the period                       | —                        | (1)      | —                                     |
| Balance at end of the period                          | ¥ —                      | ¥ —      | \$ —                                  |
| <b>Revaluation reserve for land:</b>                  |                          |          |                                       |
| Balance at end of the previous period                 | ¥ 751                    | ¥ 838    | \$ 6,136                              |
| Cumulative effect of a change in accounting principle | —                        | —        | —                                     |
| Restated balance at April 1                           | 751                      | 838      | 6,136                                 |
| Changes during the period:                            |                          |          |                                       |
| Net changes in items other than shareholders' equity  | 25                       | (87)     | 207                                   |
| Total changes during the period                       | 25                       | (87)     | 207                                   |
| Balance at end of the period                          | ¥ 776                    | ¥ 751    | \$ 6,343                              |
| <b>Remeasurements of defined benefit plans:</b>       |                          |          |                                       |
| Balance at end of the previous period                 | ¥ (380)                  | ¥ (899)  | \$ (3,109)                            |
| Cumulative effect of a change in accounting principle | —                        | —        | —                                     |
| Restated balance at April 1                           | (380)                    | (899)    | (3,109)                               |
| Changes during the period:                            |                          |          |                                       |
| Net changes in items other than shareholders' equity  | 354                      | 519      | 2,898                                 |
| Total changes during the period                       | 354                      | 519      | 2,898                                 |
| Balance at end of the period                          | ¥ (25)                   | ¥ (380)  | \$ (211)                              |
| <b>Total accumulated other comprehensive income:</b>  |                          |          |                                       |
| Balance at end of the previous period                 | ¥ 544                    | ¥ 103    | \$ 4,453                              |
| Cumulative effect of a change in accounting principle | —                        | —        | —                                     |
| Restated balance at April 1                           | 544                      | 103      | 4,453                                 |
| Changes during the period:                            |                          |          |                                       |
| Net changes in items other than shareholders' equity  | (569)                    | 441      | (4,655)                               |
| Total changes during the period                       | (569)                    | 441      | (4,655)                               |
| Balance at end of the year                            | ¥ (24)                   | ¥ 544    | \$ (202)                              |
| <b>Stock acquisition rights</b>                       |                          |          |                                       |
| Balance at end of the previous period                 | ¥ 219                    | ¥ 250    | \$ 1,794                              |
| Cumulative effect of a change in accounting principle | —                        | —        | —                                     |
| Restated balance at April 1                           | 219                      | 250      | 1,794                                 |
| Changes during the period:                            |                          |          |                                       |
| Net changes in items other than shareholders' equity  | (40)                     | (31)     | (330)                                 |
| Total changes during the period                       | (40)                     | (31)     | (330)                                 |
| Balance at end of the period                          | ¥ 179                    | ¥ 219    | \$ 1,464                              |
| <b>Total net assets</b>                               |                          |          |                                       |
| Balance at end of the previous period                 | ¥131,815                 | ¥129,960 | \$1,077,016                           |
| Cumulative effect of a change in accounting principle | (37)                     | —        | (308)                                 |
| Restated balance at April 1                           | 131,778                  | 129,960  | 1,076,708                             |
| Changes during the period:                            |                          |          |                                       |
| Cash dividends  | (1,279)                  | (1,288)  | (10,455)                              |
| Profit attributable to parent of the owner            | 5,590                    | 2,579    | 45,676                                |
| Reversal of revaluation reserve for land              | (25)                     | 87       | (207)                                 |
| Purchase of treasury stock                            | (501)                    | (0)      | (4,094)                               |
| Sales of treasury stock                               | 66                       | 66       | 541                                   |
| Net changes in items other than shareholders' equity  | (609)                    | 410      | (4,984)                               |
| Total changes during the period                       | 3,240                    | 1,855    | 26,477                                |
| Balance at end of the period                          | ¥135,018                 | ¥131,815 | \$1,103,185                           |

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Consolidated Statements of Cash Flows

For the years ended March 31, 2022 and 2021

|  | Millions of Yen (Note 1) |           | Thousands of<br>U.S. Dollars (Note 1) |
|--|--------------------------|-----------|---------------------------------------|
|  | 2022                     | 2021      | 2022                                  |
| <b>Cash flows from operating activities</b>  |                          |           |                                       |
| Income before income taxes   | ¥ 8,115                  | ¥ 3,728   | \$ 66,309                             |
| Depreciation   | 3,003                    | 2,936     | 24,543                                |
| Impairment loss on fixed assets  | 141                      | 21        | 1,157                                 |
| Increase (decrease) in allowance for loan losses   | (720)                    | 2,943     | (5,885)                               |
| Increase (decrease) in reserve for bonuses   | (9)                      | 9         | (74)                                  |
| Increase (decrease) in reserve for directors' bonuses  | 12                       | —         | 99                                    |
| (Increase) decrease in net defined benefit asset   | (683)                    | 235       | (5,581)                               |
| Decrease (increase) in net defined benefit liability   | 305                      | (130)     | 2,494                                 |
| Increase (decrease) in reserve for retirement benefits for<br>directors and corporate auditors | 4                        | (25)      | 40                                    |
| Increase (decrease) in reserve for reimbursement of dormant deposits                           | (12)                     | (35)      | (104)                                 |
| Decrease (increase) in reserve for contingent losses   | (12)                     | 12        | (102)                                 |
| Increase (decrease) in reserve for point service program                                       | (17)                     | 10        | (145)                                 |
| Increase (decrease) in reserve for losses on interest payment                                  | (59)                     | (91)      | (485)                                 |
| Interest income  | (27,788)                 | (27,999)  | (227,048)                             |
| Interest expenses  | 173                      | 414       | 1,414                                 |
| Other gains (losses), net  | 1,971                    | 263       | 16,110                                |
| Increase in loans and bills discounted   | (25,523)                 | (55,357)  | (208,542)                             |
| Increase (decrease) in deposits  | 133,646                  | 239,655   | 1,091,971                             |
| Increase (decrease) in negotiable certificate of deposits                                      | (14,594)                 | (4,823)   | (119,244)                             |
| Increase (decrease) in borrowed money (excepting subordinated borrowings)                      | 169,298                  | 108,450   | 1,383,271                             |
| Decrease (increase) in due from banks (excluding due from central bank)                        | (138)                    | (243)     | (1,132)                               |
| Decrease (increase) in call loans  | 515                      | (481)     | 4,214                                 |
| Increase (decrease) in payables under repurchase agreements                                    | (1,093)                  | (2,908)   | (8,931)                               |
| Net change in foreign exchange accounts (assets)   | 1,427                    | 318       | 11,666                                |
| Net change in foreign exchange accounts (liabilities)  | (75)                     | (71)      | (618)                                 |
| Decrease (increase) in lease receivables and lease investment assets                           | 1,601                    | 1,814     | 13,084                                |
| Decrease (increase) in initial clearing margin for CCP   | 12,000                   | —         | 98,047                                |
| Interest and dividends received  | 28,618                   | 28,259    | 233,829                               |
| Interest paid  | (266)                    | (505)     | (2,179)                               |
| Other, net   | (1,867)                  | 1,500     | (15,257)                              |
| Subtotal   | 287,973                  | 297,900   | 2,352,921                             |
| Income taxes paid  | (1,856)                  | (2,525)   | (15,169)                              |
| Net cash provided by operating activities  | 286,117                  | 295,374   | 2,337,752                             |
| <b>Cash flows from investment activities</b>   |                          |           |                                       |
| Purchases of securities  | (217,100)                | (179,020) | (1,773,838)                           |
| Proceeds from sales of securities  | 115,571                  | 67,473    | 944,286                               |
| Proceeds from redemptions of securities  | 65,701                   | 36,934    | 536,817                               |
| Increase in money held in trust  | (33,200)                 | (23,200)  | (271,264)                             |
| Decrease in money held in trust  | 33,218                   | 26,492    | 271,417                               |
| Purchases of property, plant and equipment   | (2,142)                  | (2,100)   | (17,507)                              |
| Purchases of intangible fixed assets   | (854)                    | (1,571)   | (6,981)                               |
| Proceeds from sales of property, plant and equipment   | 582                      | 382       | 4,763                                 |
| Payments for disposal of property, plant and equipment   | (440)                    | (92)      | (3,600)                               |
| Net cash used in investment activities   | (38,663)                 | (74,702)  | (315,907)                             |
| <b>Cash flows from financing activities</b>  |                          |           |                                       |
| Cash dividends paid  | (1,283)                  | (1,291)   | (10,484)                              |
| Payments of lease obligations  | (445)                    | (453)     | (3,637)                               |
| Purchases of treasury stock  | (501)                    | (0)       | (4,094)                               |
| Proceeds from sales of treasury stock  | 0                        | 0         | 0                                     |
| Net cash used in financing activities  | (2,229)                  | (1,744)   | (18,215)                              |
| Effect of exchange rate changes on cash and cash equivalents                                   | 50                       | 6         | 413                                   |
| Increase (decrease) in cash and cash equivalents   | 245,274                  | 218,934   | 2,004,043                             |
| Cash and cash equivalents at beginning of the period   | 524,688                  | 305,754   | 4,287,022                             |
| Cash and cash equivalents at end of the period (Note 2)  | ¥769,963                 | ¥524,688  | \$6,291,065                           |

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Notes to Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

### 1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Bank of The Ryukyus, Limited (the “Bank”) and consolidated subsidiaries have been prepared in accordance with the Japanese Financial Instruments and Exchange Act, the Company Act of Japan, the Japanese Banking Law, and in conformity with accounting principles generally accepted in Japan and, where applicable, with the accounting and reporting guidelines prescribed by banking regulatory authorities, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In the preparation of these financial statements, certain items on the domestically issued financial statements have been reclassified and rearranged considering the convenience of readers outside Japan. Also, some of the notes to the domestically issued financial statements have been omitted in case such omissions do not affect the financial statements materially.

The Japanese yen figures in the financial statements are in millions with fractions omitted.

The U.S. dollar figures are computed solely for convenience, at the exchange rate of ¥122.39 per US\$1.00, the rate prevailing on March 31, 2022.

### 2. Significant Accounting Policies

#### (a) Consolidation

The consolidated financial statements include the accounts of the Bank and its six subsidiaries.

Assets and liabilities of consolidated subsidiaries at the time of initial investment are valued at market. Amortization of consolidation adjustment is charged to income as incurred.

#### (b) Statement of Cash Flows

Cash and cash equivalents in the statement of cash flows represents cash, due from the Bank of Japan, deposits with other banks repayable on demand and time deposits with term of three months or less among “cash and due from banks” in the balance sheets.

#### (c) Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Japanese yen at the rates prevailing at the balance sheet dates.

#### (d) Trading Account Securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value.

#### (e) Securities

Under the Accounting Standards for Financial Instruments, held-to-maturity debt securities are stated at amortized cost and the securities which are defined as available-for-sale securities by the standards, are stated at fair value, whenever such value is available, otherwise are stated at moving average cost or amortized cost.

Valuation difference on available-for-sale securities are reported, net of applicable income taxes as a separate component of net assets.

The assessment of securities operated as trust property in money held in trust for isolated operation, mainly for the purpose of securities operation, are stated at fair value.

#### (f) Derivatives

Derivatives are stated at the fair value.

#### (g) Hedge Accounting

##### i. Hedging against Interest Rate Changes

The hedge accounting method applied to hedging transactions for interest rate risk related to financial assets and liabilities is deferred hedge accounting, as stipulated in the “Treatment for Accounting and Auditing of Application of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Guideline No. 24).

The Bank assesses the effectiveness of such hedging transactions in offsetting movements of the fair value accompanying changes in interest rates by classifying the hedged items (deposits, loans) and the hedging instruments (interest swaps) by their maturity. For cash flow hedges, the Bank assesses the effectiveness of such hedging transactions in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.



**Notes to Consolidated Financial Statements**

For the years ended March 31, 2022 and 2021

The Bank applies a special treatment which is stated by the “Financial Instruments Standards” of interest rate swaps to a portion of assets and liabilities, which is placed outside the scope of the assessment of hedging effectiveness.

Consolidated subsidiaries apply an exceptional treatment of interest rate swaps to a portion of liabilities.

**ii. Hedging against Currency Fluctuations**

The Bank applies the deferred hedge accounting stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Guideline No. 25) to hedging transactions against foreign exchange risk arising from assets and liabilities in foreign currencies. Pursuant to the above mentioned report, the Bank assesses the effectiveness of foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by confirming the existence of foreign currency positions, which correspond to the foreign currency monetary claims and debts.

Consolidated subsidiaries do not apply deferred hedge accounting to hedging transactions.

**(h) Depreciation and Amortization****i. Depreciation of Property, Plant and Equipment (excluding lease assets)**

Depreciation of property, plant and equipment is computed on the straight-line method by the applying service life of each and every asset ranging as follows:

Buildings 5 to 50 years

Equipment 3 to 20 years

Depreciation of property, plant and equipment of consolidated subsidiaries is computed mainly on the fixed percentage on declining balance method applying the estimated service life of each and every asset.

**ii. Amortization of Intangible Fixed Assets (excluding lease assets)**

Intangible fixed assets are amortized on a straight-line basis. The costs of development of computer software for internal use are amortized over a useful life of five years.

**iii. Amortization of Lease Assets**

Lease assets in “Property, plant and equipment” of the finance leases other than those that transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

**(i) Allowance for Loan Losses**

The allowance for loan losses for the Bank is provided as follows:

For loans to borrowers in bankruptcy or to borrowers substantially in bankruptcy the reserve was provided for the remaining portion of the amount after direct partial write-offs, which are explained below, after deducting the amount collectable by disposal of collateral or from guarantors.

For loans to borrowers prone to bankruptcy, the reserve was provided at the necessary amount, after deducting the amount collectable by disposal of collateral or from guarantors, considering the overall ability of the borrowers to repay.

For loans other than stated above, the reserve was provided at experiential rates of the past according to the category of loans as classified from the standpoint of collectability.

For claims to legally or virtually bankrupt borrowers backed by collateral or guarantees, the Bank carried out direct partial write-offs, deducting from such claims amounts deemed uncollectable through the disposal of collateral or implementation of guarantees. Partial write-offs amounted to ¥2,159 million (US\$17,640 thousand) as of March 31, 2022.

Allowance for loan losses incurred by consolidated subsidiaries are provided as required based on actual default rates.

**(j) Reserve for Bonuses**

Reserve for bonuses are provided for the payment of employees’ bonuses in the amount deemed necessary for the estimated bonus payment in the future attributable to the reporting period.

**(k) Reserve for directors’ bonuses**

Reserve for directors’ bonuses is provided for payment of bonuses to directors and corporate auditors based on the estimated amount of bonus payments to directors and corporate auditors attributable to the fiscal year.

**(l) Reserve for Retirement Benefits for Directors and Corporate Auditors**

Reserve for retirement benefits for directors and corporate auditors are provided at the amount that would be paid in accordance with the internally established rule at the end of reporting period if they were retired on that date.



**(m) Reserve for Retirement Benefits**

In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to each service period.

Actuarial differences of the plans are amortized from the following fiscal year over the set period (12 years) within the average remaining service period of the employees at the time of occurrence.

Prior service costs are amortized over the set period (12 years) within the average remaining service period of the employees at the time of occurrence.

Consolidated subsidiaries adopt simplified method for the calculation of liability for retirement benefits and pension expenses using necessary payment of voluntary retirement as the projected benefit obligation.

**(n) Reserve for Reimbursement of Dormant Deposits**

Provision is made for possible losses on future claims on withdrawal of deposits which were derecognized as liabilities and recognized as gains under certain conditions in an amount deemed necessary based on the historical reimbursement experience. Provision is made for the payment on burden-sharing of loan losses between financial institution and credit guarantee associations in an amount estimated to be paid in the future.

**(o) Reserve for Contingent Losses**

Reserve for contingent losses is provided at the amount deemed necessary to cover possible future losses from default of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee.

**(p) Reserve for Point Service Program**

Reserve for point service program is provided to cover the costs of credit card point at the amount deemed necessary based on an estimate of the future use of points.

**(q) Reserve for Losses on Interest Payment**

Reserve for losses on interest payment is provided to cover possible losses on the repayment of interest to be received from customers that exceeds the upper limit of interest rates prescribed under the Interest Rate Restriction Act.

**(r) Lease Transactions**

Finance lease transactions in which there is no transfer of ownership were formerly accounted for by a method corresponding to that used for ordinary operating lease contracts. However, for financial statements relating to periods commencing on or after April 1, 2008, it is permitted to apply the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No. 13, issued on March 30, 2007) and the "Implementation Guidance on the Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on March 30, 2007). Accordingly, they are being duly applied as of the year ended March 31, 2009 in accordance with accounting relating to ordinary buying and selling transactions.

**(s) Profit and Losses on the Cancellation and Redemption of Investment Trusts**

Regarding the profit and loss on the cancellation and redemption of investment trusts (except for ETF), it is indicated as "Interest and dividends on securities" if the aggregation of all issues made profit, while it is shown as "Other operating expenses" if such aggregation turned out as loss.

**3. Changes to Accounting Policies****(Application of the Accounting Standard for Revenue Recognition)**

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the consolidated fiscal year under review. Due to this, when promised goods or services are transferred to customers, revenue is to be recognized in an amount which we expect to receive in exchange for those goods or services. As a result of this change, the Bank changed the timing of revenue recognition for the banking business and certain consolidated subsidiaries for transactions that had been recognized as revenue in a lump sum at the time of contract and for transactions for which revenue recognition had been deferred.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment set forth in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the consolidated fiscal year under

## Notes to Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

review was added to or subtracted from the beginning balance of retained earnings for the consolidated fiscal year under review, and thus the new accounting policy was applied from such beginning balance. However, the new accounting policy was not retrospectively applied to contracts where almost all amounts of revenue for periods prior to the beginning of the consolidated fiscal year under review were recognized in accordance with the previous treatment, by applying the method set forth in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, in the consolidated balance sheet for the consolidated accounting period, other liabilities increased by ¥57 million (US\$466 thousand). In the consolidated statement of income for the current accounting period, income before income taxes decreased by ¥3 million (US\$25 thousand).

The beginning balance of retained earnings in the consolidated statement of changes in net assets decreased by ¥37 million (US\$302 thousand) due to the cumulative effect on net assets at the beginning of the consolidated accounting period.

The effect on net assets per share and net income per share for the consolidated accounting period is insignificant.

### (Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 of July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc. has been applied since the beginning of the consolidated period under review. In accordance with the transitional treatment set forth 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 of July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. is to be applied going forward. Note that this change has no effect on financial statements for the consolidated period under review.

## 4. Additional Information

### (Partial Transfer of Retirement Benefit Plan)

On October 1, 2021, the Bank transferred all of the "Defined Benefit Corporate Pension Plan (DB)" for its employees in service to the "Defined Contribution Pension Plan (DC)." The Bank applied the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and the "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) to partially terminate the retirement benefit plan for the portion transferred to the defined contribution plan. As a result, the Bank accounted for the partial termination of the retirement benefit plan in the current consolidated fiscal year.

As a result of this changes, a gain on revision of retirement benefit plan of ¥548 million (US\$4,477 thousand) was recorded as other income in the current consolidated fiscal year.

## 5. Significant Accounting Estimates

### (Estimate of Allowance for Loan Losses)

#### (a) Amount Recorded in Consolidated Financial Statements for the Fiscal Year Ended March 31, 2022.

|  | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Allowance for loan losses.....         | ¥11,471         | \$93,725                  |
| General allowance for loan losses..... | 6,866           | 56,099                    |

#### (b) Other Information Facilitating the Users' Understanding of the Consolidated Financial Statements

##### i. Calculation Method

The calculation method of the allowance for loan losses is shown in the notes to consolidated financial statements, 2. Significant Accounting Policies, (i) Allowance for loan losses.

##### ii. Core Assumptions

-The core assumption in determining Debtor Category is the financial outlook. The Bank individually evaluates each business' earning capability based on materials, such as the management improvement plans the debtor prepares.

**Notes to Consolidated Financial Statements**

For the years ended March 31, 2022 and 2021

-The core assumption used for the calculation of general allowance for loan losses includes future macroeconomic indicators, occurrence rate of the scenario based on the present status and outlook in the economic cycle, and the presence of significant changes in the external environment, etc.

The future macroeconomic indicator is set up based on the business forecast and share price transition. The occurrence rate of the scenario based on the present status and outlook in the economic cycle is determined by the presence of the signs of economic downturn, which is used as risk factors. For the outlook, a mild recovery scenario in economic activities throughout 2021 is anticipated in view of factors like the impact of novel coronavirus infection (pandemic). The presence of significant changes in the external environment, etc. is determined based on the presence of occurrence of events with a possibility to gravely affect our bank group's performance, including the impact of COVID-19 pandemic expansion.

**iii. Impact on the Consolidated Financial Statements for the Fiscal Year Ending March 31, 2023**

If the assumption used for the initial estimate changes due to changes in borrowers' business performance or situations surrounding the pandemic, etc., the allowance for loan losses in the consolidated financial statements for the next fiscal year, may be gravely affected.

**6. Financial Instruments**
**(1) Fair Values of Financial Instruments**

A table below shows book values, fair values and difference of financial instruments as of March 31, 2022. A part of financial instruments, for which no fair values are obtainable such as unlisted stocks, are excluded from the table. (Please see (Note).)

The financial instruments immaterial in terms of consolidated balance sheet amounts are omitted.

|   | Millions of Yen                         |            |            | Thousands of U.S. Dollars               |            |            |
|---|---|------------|------------|---|------------|------------|
|   | Consolidated<br>balance sheet<br>amount | Fair value | Difference | Consolidated<br>balance sheet<br>amount | Fair value | Difference |
| (1) Money held in trust .....                                 | ¥ 518                                   | ¥ 518      | ¥ —        | \$ 4,232                                | \$ 4,232   | \$ —       |
| (2) Securities  |   |            |            |   |            |            |
| Held-to-maturities debt securities .....                      | 21,101                                  | 21,438     | 336        | 172,408                                 | 175,161    | 2,745      |
| Available-for-sale securities .....                           | 339,861                                 | 339,861    | —          | 2,776,869                               | 2,776,869  | —          |
| (3) Loans and bills discounted .....                          | 1,804,414                               |            |            | 14,743,149                              |            |            |
| Allowance for loan losses (*1) .....                          | (8,517)                                 |            |            | (69,589)                                |            |            |
| Total loans and bills discounted .....                        | 1,795,897                               | 1,809,692  | 13,794     | 14,673,560                              | 14,786,273 | 112,705    |
| Total assets .....  | 2,157,378                               | 2,171,510  | 14,131     | 17,627,077                              | 17,742,544 | 115,459    |
| (1) Deposits .....  | 2,587,046                               | 2,587,064  | (18)       | 21,137,724                              | 21,137,871 | (147)      |
| (2) Negotiable certificate of deposit .....                   | 11,213                                  | 11,213     | —          | 91,617                                  | 91,617     | —          |
| (3) Borrowed money .....                                      | 297,872                                 | 297,875    | (3)        | 2,433,794                               | 2,433,818  | (25)       |
| Total liabilities .....                                       | 2,896,131                               | 2,896,153  | (22)       | 23,663,134                              | 23,663,314 | (180)      |
| Derivative transactions (*2)                                  |   |            |            |   |            |            |
| Transactions not accounted for<br>as hedge transactions ..... | (1,034)                                 | (1,034)    | —          | (8,448)                                 | (8,448)    | —          |
| Transactions accounted for<br>as hedge transactions .....     | —                                       | —          | —          | —                                       | —          | —          |
| Total derivative transactions .....                           | (1,034)                                 | (1,034)    | —          | (8,448)                                 | (8,448)    | —          |

(\*1) General allowance for loan losses and specific allowance for loan losses provided to "Loans and bills discounted" are separately presented in the above table.

(\*2) Derivative transactions recorded in other assets and other liabilities are presented as a lump sum. Net receivables and payables arising from derivative transactions are presented on a net basis. A net payable is presented in parentheses.

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Notes to Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

(Note 1) The following table lists financial instruments, the fair value of which is extremely difficult to determine:

Fair Values of Financial Instruments exclude these instruments.

|  | Consolidated balance sheet amount |                           |
|--|-----------------------------------|---------------------------|
|  | Millions of Yen                   | Thousands of U.S. Dollars |
| Securities                                 |                                   |                           |
| (1) Unlisted stocks (*1) .....             | <b>¥2,089</b>                     | <b>\$17,068</b>           |
| (2) Investments in associations (*2) ..... | <b>1,126</b>                      | <b>9,200</b>              |
| Total .....                                | <b>¥3,215</b>                     | <b>\$26,268</b>           |

(\*1) Unlisted stocks and real estate investment fund through private placement are excluded from the fair value disclosure since it has no quoted market price and no fair value is obtainable. For the fiscal year ended March 31, 2022, unlisted stocks amounted of ¥4 million (US\$33 thousand) are written off.

(\*2) A part of the investment in associations of which partnership assets constitutes instruments for which no fair values are obtainable in the same manner as stocks are excluded from the fair value disclosure.

(Note 2) Maturity analysis for money claims and securities with contractual maturities

|   | Millions of yen |                             |                              |                              |                               |                  |
|---|-----------------|-----------------------------|------------------------------|------------------------------|-------------------------------|------------------|
|   | Within 1 year   | Over 1 year<br>less 3 years | Over 3 years<br>less 5 years | Over 5 years<br>less 7 years | Over 7 years<br>less 10 years | Over 10<br>years |
| Money held in trust   | <b>¥ 518</b>    | <b>¥ —</b>                  | <b>¥ —</b>                   | <b>¥ —</b>                   | <b>¥ —</b>                    | <b>¥ —</b>       |
| Securities:   |                 |                             |                              |                              |                               |                  |
| Held-to-maturities: .....                                   | <b>10,303</b>   | <b>2,140</b>                | <b>1,700</b>                 | <b>—</b>                     | <b>—</b>                      | <b>6,958</b>     |
| Japanese government bond .....                              | <b>10,003</b>   | <b>—</b>                    | <b>—</b>                     | <b>—</b>                     | <b>—</b>                      | <b>6,958</b>     |
| Corporate bonds .....                                       | <b>300</b>      | <b>2,140</b>                | <b>1,700</b>                 | <b>—</b>                     | <b>—</b>                      | <b>—</b>         |
| Available-for-sale securities<br>that have maturities ..... | <b>71,136</b>   | <b>81,714</b>               | <b>99,386</b>                | <b>55,633</b>                | <b>18,385</b>                 | <b>916</b>       |
| Japanese government bond .....                              | <b>—</b>        | <b>17,022</b>               | <b>27,526</b>                | <b>502</b>                   | <b>7,262</b>                  | <b>—</b>         |
| Local government bonds .....                                | <b>46,759</b>   | <b>26,648</b>               | <b>57,114</b>                | <b>51,933</b>                | <b>6,299</b>                  | <b>916</b>       |
| Corporate bonds .....                                       | <b>627</b>      | <b>4,996</b>                | <b>4,359</b>                 | <b>199</b>                   | <b>399</b>                    | <b>—</b>         |
| Other .....   | <b>23,749</b>   | <b>33,046</b>               | <b>10,386</b>                | <b>2,997</b>                 | <b>4,423</b>                  | <b>—</b>         |
| Loans and bills discounted (*) .....                        | <b>218,658</b>  | <b>234,102</b>              | <b>203,404</b>               | <b>146,771</b>               | <b>179,779</b>                | <b>667,873</b>   |
| Total .....   | <b>¥300,616</b> | <b>¥317,957</b>             | <b>¥304,491</b>              | <b>¥202,405</b>              | <b>¥198,165</b>               | <b>¥675,749</b>  |

|   | Thousands of U.S. Dollars |                             |                              |                              |                               |                    |
|---|---------------------------|-----------------------------|------------------------------|------------------------------|-------------------------------|--------------------|
|   | Within 1 year             | Over 1 year<br>less 3 years | Over 3 years<br>less 5 years | Over 5 years<br>less 7 years | Over 7 years<br>less 10 years | Over 10<br>years   |
| Money held in trust   | <b>\$ 4,232</b>           | <b>\$ —</b>                 | <b>\$ —</b>                  | <b>\$ —</b>                  | <b>\$ —</b>                   | <b>\$ —</b>        |
| Securities:   |                           |                             |                              |                              |                               |                    |
| Held-to-maturities: .....                                   | <b>84,182</b>             | <b>17,485</b>               | <b>13,890</b>                | <b>—</b>                     | <b>—</b>                      | <b>56,851</b>      |
| Japanese government bond .....                              | <b>81,731</b>             | <b>—</b>                    | <b>—</b>                     | <b>—</b>                     | <b>—</b>                      | <b>56,851</b>      |
| Corporate bonds .....                                       | <b>2,451</b>              | <b>17,485</b>               | <b>13,890</b>                | <b>—</b>                     | <b>—</b>                      | <b>—</b>           |
| Available-for-sale securities<br>that have maturities ..... | <b>581,224</b>            | <b>667,653</b>              | <b>812,043</b>               | <b>454,555</b>               | <b>150,217</b>                | <b>7,484</b>       |
| Japanese government bond .....                              | <b>—</b>                  | <b>139,080</b>              | <b>224,904</b>               | <b>4,102</b>                 | <b>59,335</b>                 | <b>—</b>           |
| Local government bonds .....                                | <b>382,049</b>            | <b>217,730</b>              | <b>466,656</b>               | <b>424,324</b>               | <b>51,467</b>                 | <b>7,484</b>       |
| Corporate bonds .....                                       | <b>5,123</b>              | <b>40,820</b>               | <b>35,616</b>                | <b>1,626</b>                 | <b>3,260</b>                  | <b>—</b>           |
| Other .....   | <b>194,044</b>            | <b>270,006</b>              | <b>84,860</b>                | <b>24,487</b>                | <b>36,139</b>                 | <b>—</b>           |
| Loans and bills discounted (*) .....                        | <b>1,786,568</b>          | <b>1,912,754</b>            | <b>1,661,933</b>             | <b>1,199,207</b>             | <b>1,468,903</b>              | <b>5,456,925</b>   |
| Total .....   | <b>\$2,456,214</b>        | <b>\$2,597,900</b>          | <b>\$2,487,875</b>           | <b>\$1,653,771</b>           | <b>\$1,619,127</b>            | <b>\$5,521,276</b> |

(\*) The amount of loans and bills discounted for "possible bankruptcy" and "legal bankruptcy," excluding those without due dates, were ¥26,096 million (US\$213,220 thousand) and ¥127,726 million (US\$1,043,598 thousand), respectively.

**Notes to Consolidated Financial Statements**

For the years ended March 31, 2022 and 2021

**(Note 3) Maturity analysis for corporate bonds, borrowed money and other interest-bearing debt**

|  | Millions of yen   |                             |                              |                              |                               |                  |
|--|-------------------|-----------------------------|------------------------------|------------------------------|-------------------------------|------------------|
|  | Within 1 year     | Over 1 year<br>less 3 years | Over 3 years<br>less 5 years | Over 5 years<br>less 7 years | Over 7 years<br>less 10 years | Over 10<br>years |
| Deposits (*) .....                       | <b>¥2,470,710</b> | <b>¥108,554</b>             | <b>¥ 7,781</b>               | <b>¥—</b>                    | <b>¥—</b>                     | <b>¥—</b>        |
| Negotiable certificate of deposits ..... | <b>11,213</b>     | <b>—</b>                    | <b>—</b>                     | <b>—</b>                     | <b>—</b>                      | <b>—</b>         |
| Borrowed money .....                     | <b>287,444</b>    | <b>8,193</b>                | <b>2,228</b>                 | <b>1</b>                     | <b>3</b>                      | <b>—</b>         |
| Total .....                              | <b>¥2,769,368</b> | <b>¥116,747</b>             | <b>¥10,009</b>               | <b>¥ 1</b>                   | <b>¥ 3</b>                    | <b>¥—</b>        |

|  | Thousands of U.S. Dollars |                             |                              |                              |                               |                  |
|--|---------------------------|-----------------------------|------------------------------|------------------------------|-------------------------------|------------------|
|  | Within 1 year             | Over 1 year<br>less 3 years | Over 3 years<br>less 5 years | Over 5 years<br>less 7 years | Over 7 years<br>less 10 years | Over 10<br>years |
| Deposits (*) .....                       | <b>\$20,187,188</b>       | <b>\$886,952</b>            | <b>\$63,575</b>              | <b>\$—</b>                   | <b>\$—</b>                    | <b>\$—</b>       |
| Negotiable certificate of deposits ..... | <b>91,617</b>             | <b>—</b>                    | <b>—</b>                     | <b>—</b>                     | <b>—</b>                      | <b>—</b>         |
| Borrowed money .....                     | <b>2,348,591</b>          | <b>66,942</b>               | <b>18,204</b>                | <b>8</b>                     | <b>25</b>                     | <b>—</b>         |
| Total .....                              | <b>\$22,627,404</b>       | <b>\$953,893</b>            | <b>\$81,780</b>              | <b>\$ 8</b>                  | <b>\$25</b>                   | <b>\$—</b>       |

(\*) The amount of demand deposits, were ¥1,868,127 million (US\$15,263,723 thousand) were included in "Within 1 year."

**(2) Breakdown of Financial Instruments by Fair Value Level**

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

Level 1: Fair value calculated based on quoted market prices for the asset or liability for which the fair value is calculated that are quoted in an active market among the inputs used to calculate the observable fair value.

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

Level 3: Fair value calculated using inputs related to the calculation of unobservable fair value

When more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified as the level that has the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

**i. Financial Instruments Recorded in the Consolidated Balance Sheets at Fair Value**

|                                | Millions of Yen |                 |           |                 |
|--------------------------------|-----------------|-----------------|-----------|-----------------|
|                                | Level 1         | Level 2         | Level 3   | Toal            |
| Money held in trust .....      | <b>¥ —</b>      | <b>¥ 15</b>     | <b>¥—</b> | <b>¥ 15</b>     |
| Available-for-sale securities  |                 |                 |           |                 |
| Japanese government bond ..... | <b>52,240</b>   | <b>—</b>        | <b>—</b>  | <b>52,240</b>   |
| Local government bonds .....   | <b>—</b>        | <b>189,170</b>  | <b>—</b>  | <b>189,170</b>  |
| Corporate bonds .....          | <b>—</b>        | <b>10,563</b>   | <b>—</b>  | <b>10,563</b>   |
| Stocks .....                   | <b>1,786</b>    | <b>—</b>        | <b>—</b>  | <b>1,786</b>    |
| Other .....                    | <b>8,970</b>    | <b>58,442</b>   | <b>—</b>  | <b>67,412</b>   |
| Derivative transactions        |                 |                 |           |                 |
| Currency transactions .....    | <b>—</b>        | <b>20</b>       | <b>—</b>  | <b>20</b>       |
| Total .....                    | <b>¥62,997</b>  | <b>¥258,212</b> | <b>¥—</b> | <b>¥321,209</b> |
| Derivative transactions        |                 |                 |           |                 |
| Currency transactions .....    | <b>—</b>        | <b>1,054</b>    | <b>—</b>  | <b>1,054</b>    |
| Total .....                    | <b>¥ —</b>      | <b>¥ 1,054</b>  | <b>¥—</b> | <b>¥ 1,054</b>  |

Bank of The Ryukyus, Limited and consolidated subsidiaries

## Notes to Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

|                                | Thousands of U.S. Dollars |             |         |             |
|--------------------------------|---------------------------|-------------|---------|-------------|
|                                | Level 1                   | Level 2     | Level 3 | Toal        |
| Money held in trust .....      | \$ —                      | \$ 123      | \$—     | \$ 123      |
| Available-for-sale securities  |                           |             |         |             |
| Japanese government bond ..... | 426,832                   | —           | —       | 426,832     |
| Local government bonds .....   | —                         | 1,545,633   | —       | 1,545,633   |
| Corporate bonds .....          | —                         | 86,306      | —       | 86,306      |
| Stocks .....                   | 14,593                    | —           | —       | 14,593      |
| Other .....                    | 73,290                    | 477,506     | —       | 550,797     |
| Derivative transactions        |                           |             |         |             |
| Currency transactions .....    | —                         | 163         | —       | 163         |
| Total .....                    | \$514,723                 | \$2,109,748 | \$—     | \$2,624,471 |
| Derivative transactions        |                           |             |         |             |
| Currency transactions .....    | —                         | 8,612       | —       | 8,612       |
| Total .....                    | \$ —                      | \$ 8,612    | \$—     | \$ 8,612    |

The fair value of privately placed REITs among investment trusts and money held in trust is not included in the above table. The amount of privately placed REITs among investment trusts and money held in trust on the consolidated balance sheet is ¥19,190 million (US\$156,794 thousand).

### ii. Financial Instruments Other Than Those Recorded in the Consolidated Balance Sheets at Fair Value

|  | Millions of Yen |            |            |            |
|--|-----------------|------------|------------|------------|
|  | Level 1         | Level 2    | Level 3    | Toal       |
| Securities                               |                 |            |            |            |
| Held-to-maturities debt securities ..... |                 |            |            |            |
| Japanese government bond .....           | ¥17,214         | ¥ —        | ¥ —        | ¥ 17,214   |
| Local government bonds .....             | —               | —          | —          | —          |
| Corporate bonds .....                    | —               | —          | 4,224      | 4,224      |
| Loans and bills discounted .....         | —               | —          | 1,809,692  | 1,809,692  |
| Total .....                              | ¥17,214         | ¥ —        | ¥1,813,916 | ¥1,831,130 |
| Deposits .....                           | —               | 2,587,064  | —          | 2,587,064  |
| Negotiable certificate of deposit .....  | —               | 11,213     | —          | 11,213     |
| Borrowed money .....                     | —               | 297,875    | —          | 297,875    |
| Total .....                              | ¥ —             | ¥2,896,153 | ¥ —        | ¥2,896,153 |

|  | Thousands of U.S. Dollars |              |              |              |
|--|---------------------------|--------------|--------------|--------------|
|  | Level 1                   | Level 2      | Level 3      | Toal         |
| Securities                               |                           |              |              |              |
| Held-to-maturities debt securities ..... |                           |              |              |              |
| Japanese government bond .....           | \$140,649                 | \$ —         | \$ —         | \$ 140,649   |
| Local government bonds .....             | —                         | —            | —            | —            |
| Corporate bonds .....                    | —                         | —            | 34,513       | 34,513       |
| Loans and bills discounted .....         | —                         | —            | 14,786,273   | 14,786,273   |
| Total .....                              | \$140,649                 | \$ —         | \$14,820,786 | \$14,961,435 |
| Deposits .....                           | —                         | 21,137,871   | —            | 21,137,871   |
| Negotiable certificate of deposit .....  | —                         | 91,617       | —            | 91,617       |
| Borrowed money .....                     | —                         | 2,433,818    | —            | 2,433,818    |
| Total .....                              | \$ —                      | \$23,663,314 | \$ —         | \$23,663,314 |

**Notes to Consolidated Financial Statements**

For the years ended March 31, 2022 and 2021

**7. Market Value Information for Available-for-Sale Securities**

Market values and valuation difference on available-for-sale securities with fair value as of March 31, 2022 were as follows:

|  | Millions of Yen                            |                      |            | Thousands of U.S. Dollars                  |                      |            |
|--|--|----------------------|------------|--|----------------------|------------|
|  | Consolidated<br>balance<br>sheet<br>amount | Acquisition<br>costs | Difference | Consolidated<br>balance<br>sheet<br>amount | Acquisition<br>costs | Difference |
| Fair value exceeded consolidated balance sheet amount:     |  |                      |            |  |                      |            |
| Equity stocks .....  | ¥ 1,566                                    | ¥ 1,005              | ¥ 561      | \$ 12,795                                  | \$ 8,211             | \$ 4,584   |
| Bonds: .....   | 31,137                                     | 31,106               | 31         | 254,408                                    | 254,155              | 253        |
| Japanese government bond .....                             | 17,512                                     | 17,508               | 3          | 143,084                                    | 143,051              | 25         |
| Municipal bonds .....                                      | 9,821                                      | 9,798                | 22         | 80,243                                     | 80,056               | 180        |
| Corporate bonds .....                                      | 3,804                                      | 3,798                | 5          | 31,081                                     | 31,032               | 41         |
| Other .....  | 30,872                                     | 30,643               | 228        | 252,243                                    | 250,372              | 1,863      |
| Sub-total .....  | ¥ 63,576                                   | ¥ 62,755             | ¥ 821      | \$ 519,454                                 | \$ 512,746           | \$ 6,708   |
| Fair value not exceeded consolidated balance sheet amount: |  |                      |            |  |                      |            |
| Equity stocks .....  | ¥ 219                                      | ¥ 241                | ¥ (22)     | \$ 1,789                                   | \$ 1,969             | \$ (180)   |
| Bonds: .....   | 220,836                                    | 221,464              | (628)      | 1,804,363                                  | 1,809,494            | (5,131)    |
| Japanese government bond .....                             | 34,728                                     | 34,806               | (78)       | 283,749                                    | 284,386              | (637)      |
| Municipal bonds .....                                      | 179,349                                    | 179,874              | (524)      | 1,465,389                                  | 1,469,679            | (4,281)    |
| Corporate bonds .....                                      | 6,759                                      | 6,784                | (25)       | 55,225                                     | 55,429               | (204)      |
| Other .....  | 55,228                                     | 56,560               | (1,331)    | 451,246                                    | 462,129              | (10,875)   |
| Sub-total .....  | 276,284                                    | 278,266              | (1,982)    | 2,257,407                                  | 2,273,601            | (16,194)   |
| Total .....  | ¥339,861                                   | ¥341,021             | ¥(1,160)   | \$2,776,869                                | \$2,786,347          | \$ (9,478) |

**8. Loans and Bills Discounted**

Of loans on which accrual of interest is suspended due to delayed or unpaid state of repayment of principal and interest or to other reasons, loans to borrowers regarded as being bankrupt by the Bank amount to ¥10,276 million (US\$83,961 thousand) as of March 31, 2022.

Loans on which accrual of interest is suspended but the borrowers of which are not regarded as being bankrupt or the bank intends to assist for restructuring or to support amount to ¥17,770 million (US\$145,192 thousand) as of March 31, 2022.

Loans, repayment of which is delinquent for three months or more but which do not come under the aforementioned categories, amount to ¥711 million (US\$5,809 thousand) as of March 31, 2022.

Besides these loans, there are loans, conditions of which have been moderated like exemption of interest, lowering of interest rate, deferment of repayment of principal etc., in order to assist the borrowers in restructuring or for other purposes, totaling ¥17,937 million (US\$146,556 thousand) as of March 31, 2022.

**9. Pledged Assets**

Assets pledged as collateral as of March 31, 2022 were as follows:

|   | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Loans and bills discounted .....                    | ¥179,523        | \$1,466,811               |
| Securities .....                                    | 121,372         | 991,682                   |
| Lease receivables and lease investment assets ..... | 13,672          | 111,708                   |
| Other assets .....                                  | 8,893           | 72,661                    |
| Due from banks .....                                | 10              | 82                        |



Bank of The Ryukyus, Limited and consolidated subsidiaries

## Notes to Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

Liabilities secured by assets pledged as collateral were as follows:

|                      | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| Borrowed money ..... | <b>¥297,859</b> | <b>\$2,433,687</b>        |
| Deposits .....       | <b>16,345</b>   | <b>133,548</b>            |

In addition, marketable securities, other assets and due from banks amounting to ¥1,014 million (US\$8,285 thousand), ¥37 million (US\$302 thousand) and ¥15 million (US\$123 thousand), respectively, were pledged as collateral relating to exchange settlements, guarantee deposits for future transactions, etc., as of March 31, 2002. No securities are pledged as collateral for loans payable by affiliates. Other assets included initial clearing margin for CCP of ¥20,000 million (US\$163,412 thousand), initial margins of futures markets of ¥1,246 million (US\$10,181 thousand) and guarantee money of ¥863 million (US\$7,051 thousand) as of March 31, 2002.

### 10. Property, Plant and Equipment

The accumulated depreciation amounted to ¥19,813 million (US\$161,884 thousand) as of March 31, 2022.

Write-off permitted by the Japanese Tax Law on the property, plant and equipment amount to ¥253 million (US\$2,067 thousand) as of March 31, 2002.

### 11. Customers' Liabilities for Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions and for letters of credit. As a contra account, "customers' liabilities for acceptances and guarantees" is shown on the assets side, indicating the Bank's right of indemnity from the applicants.

### 12. Revaluation Reserve for Land

In accordance with the Law concerning the Revaluation of Land, which took effect March 31, 1998, the Bank revalued land held for its operations on that date.

Unrealized gain is shown in shareholders' equity net of applicable income taxes as "revaluation reserve for land."

Unrealized loss incurred after revaluation amounted to ¥1,778 million (US\$14,527 thousand) as of March 31, 2022.

### 13. Net Assets

#### (a) Common Stock

The Bank has 65,000 thousand authorized shares of common stock, of which 43,108 thousand shares were issued and outstanding as of March 31, 2022.

#### (b) Legal Reserve

The Japanese Banking Law provides that an amount equivalent to at least 20 percent of cash payments, which are made as an appropriation of retained earnings, be appropriated as a legal reserve until a total of such reserve and capital surplus equals 100 percent of stated capital. The reserve is, in principle, not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The reserve is included in retained earnings on the balance sheets.

#### (c) Cash Dividends

Year-end dividends are authorized after the close of each period to which they relate and are reflected in the statements of income when declared and paid.



Bank of The Ryukyus, Limited and consolidated subsidiaries

## Notes to Consolidated Financial Statements

For the years ended March 31, 2022 and 2021

### 14. Other Expenses

"Other expenses" for the fiscal year ended March 31, 2021, includes the following:

|                                  | Millions of Yen | Thousands of U.S. Dollars |
|----------------------------------|-----------------|---------------------------|
| Direct charge-off of loans ..... | <b>¥527</b>     | <b>\$4,306</b>            |
| Loss on sales of securities..... | <b>206</b>      | <b>1,683</b>              |

### 15. Subsequent Events

#### Appropriation of Retained Earnings

The general shareholders' meeting of the Bank, held on June 28, 2022, duly approved the following appropriation of the retained earnings existing as of March 31, 2022.

|                                     | Millions of Yen | Thousands of U.S. Dollars |
|-------------------------------------|-----------------|---------------------------|
| Cash dividends:                     |                 |                           |
| Common stock (¥17.5 per share) .... | <b>¥742</b>     | <b>\$6,063</b>            |

Bank of The Ryukyus, Limited

# Non-Consolidated Balance Sheets

As of March 31, 2022 and 2021

|   | Millions of Yen (Note 1) |            | Thousands of<br>U.S. Dollars (Note 2) |
|---|--------------------------|------------|---------------------------------------|
|   | 2022                     | 2021       | 2022                                  |
| <b>Assets</b>   |                          |            |                                       |
| Cash and due from banks .....                               | ¥ 770,281                | ¥ 524,904  | \$ 6,293,660                          |
| Call loans and bills bought .....                           | —                        | 506        | —                                     |
| Monetary claims bought .....                                | —                        | 9          | —                                     |
| Money held in trust .....                                   | 518                      | 533        | 4,233                                 |
| Securities .....  | 367,133                  | 336,001    | 2,999,703                             |
| Loans and bills discounted .....                            | 1,822,200                | 1,798,768  | 14,888,473                            |
| Foreign exchanges .....                                     | 6,208                    | 7,636      | 50,726                                |
| Other assets .....  | 31,193                   | 38,929     | 254,871                               |
| Property, plant and equipment .....                         | 20,295                   | 20,321     | 165,823                               |
| Intangible fixed assets .....                               | 4,310                    | 4,902      | 35,216                                |
| Prepaid pension cost .....                                  | 1,473                    | 790        | 12,039                                |
| Deferred tax assets .....                                   | 4,713                    | 4,811      | 38,510                                |
| Customers' liabilities for acceptances and guarantees ..... | 7,809                    | 10,617     | 63,812                                |
| Allowance for loan losses .....                             | (8,405)                  | (9,258)    | (68,674)                              |
| Total assets .....  | ¥3,027,731               | ¥2,739,475 | \$24,738,392                          |
| <b>Liabilities</b>  |                          |            |                                       |
| Deposits .....  | ¥2,590,292               | ¥2,457,386 | \$21,164,248                          |
| Negotiable certificate of deposits .....                    | 19,213                   | 33,807     | 156,984                               |
| Payables under repurchase agreements .....                  | —                        | 1,093      | —                                     |
| Borrowed money .....  | 280,012                  | 110,027    | 2,287,869                             |
| Foreign exchanges .....                                     | 78                       | 154        | 642                                   |
| Other liabilities .....                                     | 8,449                    | 7,261      | 69,037                                |
| Reserve for bonuses .....                                   | 615                      | 628        | 5,029                                 |
| Reserve for directors' bonuses .....                        | 12                       | —          | 99                                    |
| Reserve for retirement benefits .....                       | 420                      | 126        | 3,439                                 |
| Reserve for reimbursement of dormant deposits .....         | 22                       | 35         | 183                                   |
| Reserve for contingent losses .....                         | 99                       | 112        | 814                                   |
| Deferred tax liabilities for land revaluation .....         | 1,947                    | 1,947      | 15,916                                |
| Acceptances and guarantees .....                            | 7,809                    | 10,617     | 63,812                                |
| Total liabilities .....                                     | 2,908,974                | 2,623,197  | 23,768,072                            |
| <b>Net assets</b>   |                          |            |                                       |
| Capital stock .....   | 56,967                   | 56,967     | 465,458                               |
| Capital surplus .....                                       | 12,840                   | 12,840     | 104,912                               |
| Other capital surplus .....                                 | 42                       | 72         | 345                                   |
| Retained earnings:  |                          |            |                                       |
| Legal retained earnings .....                               | 3,462                    | 3,206      | 28,294                                |
| Other retained earnings .....                               | 45,841                   | 42,219     | 374,555                               |
| Treasury stock .....  | (575)                    | (170)      | (4,700)                               |
| Total shareholders' equity .....                            | 118,579                  | 115,135    | 968,864                               |
| Valuation difference on available-for-sale securities ..... | (777)                    | 171        | (6,351)                               |
| Revaluation reserve for land .....                          | 776                      | 751        | 6,343                                 |
| Total valuation and translation adjustments .....           | (1)                      | 922        | (8)                                   |
| Stock acquisition rights .....                              | 179                      | 219        | 1,464                                 |
| Total net assets .....                                      | 118,757                  | 116,277    | 970,320                               |
| Total liabilities and net assets .....                      | ¥3,027,731               | ¥2,739,475 | \$24,738,392                          |

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥122.39 per US\$1.00, the rate prevailing on March 31, 2022.

Bank of The Ryukyus, Limited

## Non-Consolidated Statements of Income

For the years ended March 31, 2022 and 2021

|  | Millions of yen (Note 1) |         | Thousands of<br>U.S. Dollars (Note 2) |
|--|--------------------------|---------|---------------------------------------|
|  | 2022                     | 2021    | 2022                                  |
| <b>Income</b>                              |                          |         |                                       |
| Interest income:                           |                          |         |                                       |
| Interest on loans and discounts .....      | ¥26,194                  | ¥26,350 | \$214,026                             |
| Interest and dividends on securities ..... | 1,858                    | 1,709   | 15,182                                |
| Other interest income .....                | 272                      | 137     | 2,229                                 |
| Fees and commissions .....                 | 8,225                    | 7,661   | 67,210                                |
| Other operating income .....               | 450                      | 635     | 3,681                                 |
| Other income .....                         | 2,234                    | 925     | 18,258                                |
| Total income .....                         | 39,236                   | 37,420  | 320,586                               |
| <b>Expenses</b>                            |                          |         |                                       |
| Interest expenses:                         |                          |         |                                       |
| Interest on deposits .....                 | 109                      | 345     | 891                                   |
| Other interest expenses .....              | (0)                      | 2       | (1)                                   |
| Fees and commissions .....                 | 4,591                    | 4,669   | 37,519                                |
| General and administrative expenses .....  | 24,623                   | 25,189  | 201,192                               |
| Other expenses .....                       | 2,726                    | 5,030   | 22,277                                |
| Total expenses .....                       | 32,051                   | 35,237  | 261,878                               |
| Income before income taxes .....           | 7,185                    | 2,182   | 58,708                                |
| Income taxes:                              |                          |         |                                       |
| Current .....                              | 1,477                    | 1,459   | 12,069                                |
| Deferred .....                             | 512                      | (893)   | 4,187                                 |
| Total income taxes .....                   | 1,989                    | 566     | 16,256                                |
| Net income .....                           | ¥5,195                   | ¥1,616  | \$42,452                              |

|   | Yen     |        | U.S. Dollars (Note 2) |
|---|---------|--------|-----------------------|
| Net income — basic .....                    | ¥121.92 | ¥37.62 | \$1.00                |
| Net income — diluted .....                  | 121.51  | 37.47  | 0.99                  |
| Cash dividends applicable to the year ..... | 35.00   | 25.00  | 0.29                  |

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥122.39 per US\$1.00, the rate prevailing on March 31, 2022.

Bank of The Ryukyus, Limited

# Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2022 and 2021

|  | Millions of Yen (Note 1) |          | Thousands of<br>U.S. Dollars (Note 2) |
|--|--------------------------|----------|---------------------------------------|
|  | 2022                     | 2021     | 2022                                  |
| <b>Shareholders' equity</b>                                |                          |          |                                       |
| <b>Capital stock:</b>                                      |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 56,967                 | ¥ 56,967 | \$465,457                             |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1.....                           | 56,967                   | 56,967   | 465,457                               |
| Changes during the period.....                             | —                        | —        | —                                     |
| Total changes during the period.....                       | —                        | —        | —                                     |
| Balance at end of the period.....                          | ¥ 56,967                 | ¥ 56,967 | \$465,457                             |
| <b>Capital surplus:</b>                                    |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 12,840                 | ¥ 12,840 | \$104,912                             |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1.....                           | 12,840                   | 12,840   | 104,912                               |
| Changes during the period.....                             | —                        | —        | —                                     |
| Total changes during the period.....                       | —                        | —        | —                                     |
| Balance at end of the period.....                          | ¥ 12,840                 | ¥ 12,840 | \$104,912                             |
| <b>Other capital surplus:</b>                              |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 72                     | ¥ 86     | \$ 590                                |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1.....                           | 72                       | 86       | 590                                   |
| Changes during the period.....                             | —                        | —        | —                                     |
| Sales of treasury stock.....                               | (29)                     | (14)     | (245)                                 |
| Total changes during the period.....                       | (29)                     | (14)     | (245)                                 |
| Balance at end of the period.....                          | ¥ 42                     | ¥ 72     | \$ 345                                |
| <b>Total capital surplus:</b>                              |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 12,912                 | ¥ 12,926 | \$105,502                             |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1.....                           | 12,912                   | 12,926   | 105,502                               |
| Changes during the period.....                             | —                        | —        | —                                     |
| Sales of treasury stock.....                               | (29)                     | (14)     | (244)                                 |
| Total changes during the period.....                       | (29)                     | (14)     | (244)                                 |
| Balance at end of the period.....                          | ¥ 12,882                 | ¥ 12,912 | \$105,258                             |
| <b>Retained earnings:</b>                                  |                          |          |                                       |
| <b>Legal retained earnings:</b>                            |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 3,206                  | ¥ 2,949  | \$ 26,203                             |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1.....                           | 3,206                    | 2,949    | 26,203                                |
| Changes during the period:                                 |                          |          |                                       |
| Cash dividends.....  | 255                      | 257      | 2,091                                 |
| Total changes during the period.....                       | 255                      | 257      | 2,091                                 |
| Balance at end of the period.....                          | ¥ 3,462                  | ¥ 3,206  | \$ 28,294                             |
| <b>Retained earnings brought forward:</b>                  |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 42,219                 | ¥ 42,061 | \$344,957                             |
| Cumulative effect of a change in accounting principle..... | (12)                     | —        | (100)                                 |
| Restated balance at April 1.....                           | 42,206                   | 42,061   | 344,856                               |
| Changes during the period:                                 |                          |          |                                       |
| Cash dividends.....  | (1,535)                  | (1,546)  | (12,547)                              |
| Net income.....  | 5,195                    | 1,616    | 42,452                                |
| Reversal of revaluation reserve for land.....              | (25)                     | 87       | (207)                                 |
| Total changes during the period.....                       | 3,634                    | 157      | 29,699                                |
| Balance at end of the period.....                          | ¥ 45,841                 | ¥ 42,219 | \$374,555                             |

Bank of The Ryukyus, Limited

**Non-Consolidated Statements of Changes in Net Assets**

For the years ended March 31, 2022 and 2021

|   | Millions of Yen (Note 1) |          | Thousands of<br>U.S. Dollars (Note 2) |
|---|--------------------------|----------|---------------------------------------|
|   | 2022                     | 2021     | 2022                                  |
| <b>Total retained earnings:</b>                               |                          |          |                                       |
| Balance at end of the previous period.....                    | ¥ 45,426                 | ¥ 45,010 | \$371,159                             |
| Cumulative effect of a change in accounting principle.....    | (12)                     | —        | (100)                                 |
| Restated balance at April 1 .....                             | 45,413                   | 45,010   | 371,059                               |
| Changes during the year:                                      |                          |          |                                       |
| Cash dividends .....  | (1,279)                  | (1,288)  | (10,455)                              |
| Net income.....   | 5,195                    | 1,616    | 42,452                                |
| Reversal of revaluation reserve for land .....                | (25)                     | 87       | (207)                                 |
| Total changes during the period .....                         | 3,890                    | 415      | 31,790                                |
| Balance at end of the period.....                             | ¥ 49,304                 | ¥ 45,426 | \$402,849                             |
| <b>Treasury stock:</b>  |                          |          |                                       |
| Balance at end of the previous period.....                    | ¥ (170)                  | ¥ (250)  | \$ (1,392)                            |
| Cumulative effect of a change in accounting principle.....    | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | (170)                    | (250)    | (1,392)                               |
| Changes during the year:                                      |                          |          |                                       |
| Purchase of treasury stock .....                              | (501)                    | 0        | (4,094)                               |
| Sales of treasury stock .....                                 | 96                       | 80       | 786                                   |
| Total changes during the period .....                         | (404)                    | 80       | (3,308)                               |
| Balance at end of the period.....                             | ¥ (575)                  | ¥ (170)  | \$ (4,700)                            |
| <b>Total shareholders' equity:</b>                            |                          |          |                                       |
| Balance at end of the previous period.....                    | ¥115,135                 | ¥114,654 | \$940,728                             |
| Cumulative effect of a change in accounting principle.....    | (12)                     | —        | (100)                                 |
| Restated balance at April 1 .....                             | 115,123                  | 114,654  | 940,627                               |
| Changes during the year:                                      |                          |          |                                       |
| Cash dividends .....  | (1,279)                  | (1,288)  | (10,455)                              |
| Net income.....   | 5,195                    | 1,616    | 42,452                                |
| Purchase of treasury stock .....                              | (501)                    | 0        | (4,094)                               |
| Sales of treasury stock .....                                 | 66                       | 66       | 541                                   |
| Reversal of revaluation reserve for land .....                | (25)                     | 87       | (207)                                 |
| Total changes during the period .....                         | 3,455                    | 481      | 28,237                                |
| Balance at end of the period.....                             | ¥118,579                 | ¥115,135 | \$968,864                             |
| <b>Valuation and translation adjustments:</b>                 |                          |          |                                       |
| <b>Valuation difference on available-for-sale securities:</b> |                          |          |                                       |
| Balance at end of the previous period.....                    | ¥ 171                    | ¥ 163    | \$ 1,401                              |
| Cumulative effect of a change in accounting principle.....    | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | 171                      | 163      | 1,401                                 |
| Changes during the year:                                      |                          |          |                                       |
| Net changes in items other than shareholders' equity.....     | (948)                    | 8        | (7,752)                               |
| Total changes during the period .....                         | (948)                    | 8        | (7,752)                               |
| Balance at end of the period.....                             | ¥ (777)                  | ¥ 171    | \$ (6,351)                            |
| <b>Deferred gains on hedges:</b>                              |                          |          |                                       |
| Balance at end of the previous period.....                    | ¥ —                      | ¥ 1      | \$ —                                  |
| Cumulative effect of a change in accounting principle.....    | —                        | —        | —                                     |
| Restated balance at April 1 .....                             | —                        | 1        | —                                     |
| Changes during the year:                                      |                          |          |                                       |
| Net changes in items other than shareholders' equity.....     | —                        | (1)      | —                                     |
| Total changes during the period .....                         | —                        | (1)      | —                                     |
| Balance at end of the period.....                             | ¥ —                      | ¥ —      | \$ —                                  |

Bank of The Ryukyus, Limited

**Non-Consolidated Statements of Changes in Net Assets**

For the years ended March 31, 2022 and 2021

|  | Millions of Yen (Note 1) |          | Thousands of<br>U.S. Dollars (Note 2) |
|--|--------------------------|----------|---------------------------------------|
|  | 2022                     | 2021     | 2022                                  |
| <b>Revaluation reserve for land:</b>                       |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 751                    | ¥ 838    | \$ 6,136                              |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1 .....                          | 751                      | 838      | 6,136                                 |
| Changes during the year:                                   |                          |          |                                       |
| Net changes in items other than shareholders' equity.....  | 25                       | (87)     | 207                                   |
| Total changes during the period .....                      | 25                       | (87)     | 207                                   |
| Balance at end of the period.....                          | ¥ 776                    | ¥ 751    | \$ 6,343                              |
| <b>Total valuation and translation adjustments:</b>        |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 922                    | ¥ 1,003  | \$ 7,537                              |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1 .....                          | 922                      | 1,003    | 7,537                                 |
| Changes during the year:                                   |                          |          |                                       |
| Net changes in items other than shareholders' equity.....  | (923)                    | (87)     | (7,545)                               |
| Total changes during the period .....                      | (923)                    | (80)     | (7,545)                               |
| Balance at end of the period.....                          | ¥ (1)                    | ¥ 922    | \$ (8)                                |
| <b>Stock acquisition rights:</b>                           |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥ 219                    | ¥ 250    | \$ 1,794                              |
| Cumulative effect of a change in accounting principle..... | —                        | —        | —                                     |
| Restated balance at April 1 .....                          | 219                      | 250      | 1,794                                 |
| Changes during the year:                                   |                          |          |                                       |
| Net changes in items other than shareholders' equity.....  | (40)                     | (87)     | (330)                                 |
| Total changes during the period .....                      | (40)                     | (31)     | (330)                                 |
| Balance at end of the period.....                          | ¥ 179                    | ¥ 219    | \$ 1,464                              |
| <b>Total net assets</b>                                    |                          |          |                                       |
| Balance at end of the previous period.....                 | ¥116,277                 | ¥115,908 | \$950,058                             |
| Cumulative effect of a change in accounting principle..... | (12)                     | —        | (100)                                 |
| Restated balance at April 1 .....                          | 116,265                  | 115,908  | 949,958                               |
| Changes during the year:                                   |                          |          |                                       |
| Cash dividends .....                                       | (1,279)                  | (1,288)  | (10,455)                              |
| Net income.....  | 5,195                    | 1,616    | 42,452                                |
| Purchase of treasury stock .....                           | (501)                    | 0        | (4,094)                               |
| Sales of treasury stock .....                              | 66                       | 66       | 541                                   |
| Reversal of revaluation reserve for land.....              | (25)                     | 87       | (207)                                 |
| Net changes in items other than shareholders' equity.....  | (963)                    | (112)    | (7,875)                               |
| Total changes during the period .....                      | 2,492                    | 369      | 20,362                                |
| Balance at end of the period.....                          | ¥118,757                 | ¥116,277 | \$970,320                             |

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥122.39 per US\$1.00, the rate prevailing on March 31, 2022.

# Corporate Governance

## Basic Concept and Basic Policies

Toward the realization of its corporate philosophy, the Bank of the Ryukyus fully recognizes its responsibilities to a range of stakeholders—its customers, including shareholders, employees and local communities—while building the mechanisms to carry out transparent, fair, quick and confident decision making. The Bank also regards the basic concept of corporate governance as working toward its sustainable growth and improvements in its corporate value. In fulfilling its responsibilities with regard to corporate governance, the Bank regards the following as its basic policies.

1. Respecting the rights of its shareholders, the Bank develops an environment in which its shareholders can exercise their rights appropriately and effectively and works to ensure the substantive equality of its shareholders.
2. By cooperating with its wide-ranging stakeholders, who include its shareholders, customers, employees and local communities, the Bank works to foster a corporate culture and climate that respects sound business ethics.
3. In addition to the appropriate disclosure of company information, including that of a non-financial nature, and working to ensure the transparency and fairness of management, the Bank works on constructive dialogue with shareholders so that its sustainable growth and corporate value increase over the medium to long term.
4. Given the fiduciary responsibilities and accountability that its Board of Directors and Board of Corporate Auditors have toward shareholders, the Bank devises plans for its sustainable growth and increase in its corporate value, while endeavoring to supervise business execution and ensure audit effectiveness.

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