Annual Report 2022

The Bank of Iwate,Ltd. Annual Report

THE BANK OF IWATE, LTD.

1. Management Policy

Since its establishment in May 1932, The Bank of Iwate, Ltd. (the “Bank”) has been maintaining its two basic positions of contributing to the development of the regional community and ensuring financial soundness of the Bank under all circumstances as its fundamental mission objectives.

When the business environment surrounding the Bank changed drastically due to the impact of the Great East Japan Earthquake which occurred in March 2011, we came up with the new long-term vision for the next 10 years of “demonstrating a dominant presence as a driving force in the region, while establishing our position as a top quality bank,” along with the medium-term management plan formulated in April 2013. As such, it allows us to transform ourselves from a backstage player to a proactive driving force demonstrating our dominant presence, while at the same time, strive to establish the No.1 position in terms of quality by improving and reinforcing our intangibles, including our customer service capabilities.

2. Medium-term Management Plan

(1) Overview of the Medium-term Management Plan

We are implementing our medium-term management plan “Iwagin Frontier Plan – To the Next” (the “Plan”) (April 2019 to March 2023) to translate our goal of realizing co-prosperity with the region into concrete action. “To the Next” embodies our desire of paving a path for the next generation of the regional community and the Bank to move on “to the next” phase through various initiatives to solve issues facing the region. The theme of the Plan is “pursuing CSV to build a future with the region.” CSV stands for “Creating Shared Value,” and represents the creation of common values. In other words, as the Bank’s CSV, it means “by making efforts to strengthen our relationships with customers, confronting issues facing our region head-on, and endeavoring to resolve them, we can enhance social and economic values for both the region and the Bank.” Under the Plan, we will fulfill our ideal of co-prosperity with the region—our main base of operations—by giving shape to this theme.

The Plan contains four basic policies. The first is “Provision of high-quality added value to realize regional and customer growth.” The aim of this policy is to provide high-quality added value to the region and customers through highly specialized and convenient services such as the creation of business domains and digital transformation, in addition to our conventional finance functions. The second is “Improved operational efficiency through the promotion of BPR and optimization of resource allocation.” This aims to leverage digital technology and other means to increase productivity, shift corporate resources such as people and time to our customer-facing business, and cut costs. The third is “Establishment of market operation/risk management/revenue management frameworks that can respond flexibly to changes in the environment.” The aim of this is to consolidate and streamline bank operations, define the scope of risk-taking, target revenue, and other elements, and upgrade risk management and revenue management, with the ultimate goal of increasing revenue compared to risks. The fourth is “Fostering of an organizational culture in which each person can proactively tackle issues using his or her knowledge and actions.” This aims to develop human resources that will proactively tackle issues, and create an environment that enables employees to demonstrate their full potential.

By taking measures in accordance with these four basic policies under the Plan, we will strive to realize the plan’s theme of “pursuing CSV to build a future with the region.”

Medium-term Management Plan

Iwagin Frontier Plan – To the Next –

April 2019 to March 2023

Theme

Pursuing CSV to build a future with the region

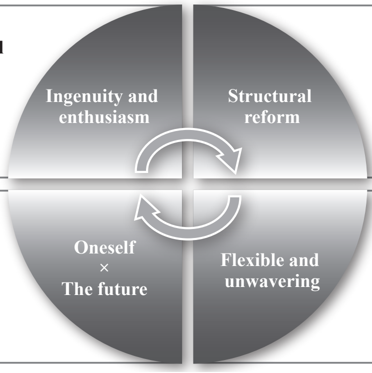
Creating Shared Value: By making efforts to strengthen our relationships with customers, confronting issues facing our region head-on, and endeavoring to resolve them, we can enhance social and economic values for both the region and the Bank.

Four Basic Policies

Basic Policy I

Provision of high-quality added value to realize regional and customer growth

- Create new business domains • Upgrade sales activities
- Drive loan business • Improve service quality
- Drive asset management business • Strengthen partnerships with local governments
- Upgrade supports to improve customers' business • Upgrade CS promotion activities



Basic Policy II

Improved operational efficiency through promotion of BPR and optimization of resource allocation

- Improve operational efficiency
- Optimize placement of branches and ATMs
- Improve working environment
- Cost management

Basic Policy IV

Fostering of an organizational culture in which each person can proactively tackle issues using his or her knowledge and actions

- Initiatives to develop human resources
- Develop an environment in which every employee can play an active role

Basic Policy III

Establishment of market operation/risk management/revenue management frameworks that can respond flexibly to changes in the environment

- Upgrade lending examination systems, securities management systems, risk management systems, and internal audit systems
- Upgrade compliance and risk management

(2) Progress of the Medium-term Management Plan

During the first two years of the Medium-term Management Plan, we have engaged in "transformation of the earnings structure and rebuilding of the system" and "proactive investments in new businesses, digital fields, etc." We have designated the latter two years of the Plan as a period to bring about full-fledged results. In the first two years, we have established two new subsidiaries and a new division responsible for digital strategy, with the aim of expanding our business domains. We also moved ahead with the Management Structure Reinforcement Project, strengthening the revenue base. In the third year, we have entered the phase where we link the results of measures implemented in the first half of the Plan to revenue. We have enhanced the collaboration and cooperation between the different components of the Iwagin combined financial group—banking, leasing, card, and consulting businesses, regional trading company, etc.—and promoted initiatives for digitalization. We also provided a broad range of measures, not limited to cash flow assistance, to support the core businesses of our corporate customers under stress due to the prolonged novel coronavirus (COVID-19) pandemic. In addition, we actively engaged in activities aimed at achieving decarbonization, amid growing public awareness of this issue. Moreover, we further reinforced the management structure in view of the need to respond to new changes in the environment in the future, implemented measures focused on cost structure reforms, such as the reconstruction of Group companies and Head Office consolidation, and began working on operational reforms aimed at improving the profitability of banking operations in each division. As a result of these initiatives, we made progress on our four principal target indicators in the year ended 31 March 2022, achieving our targets for "consolidated net income," "OHR," "capital ratio," and "business succession/M&A support recipients."

Indicator	Calculation method	FY2021 targets	FY2021 results	FY2022 (final year of the Plan) targets
Consolidated net income	Figures stated in financial statements	¥3.3 billion	¥4.1 billion	¥5.0 billion
OHR	Expenses (excluding non-recurring items) / core gross business profit	84.6%	75.0%	70% levels
Consolidated capital ratio	Equity capital / risk assets, etc.	Over 10%	11.62%	Over 10%
Business succession/ M&A support recipients	No. of customers we support for business succession or M&As	1,800	1,856	2,400 *Accumulated total plan period

3. Business Environment

In the business environment surrounding regional financial institutions, the traditional business model that depends on deposits and loans has declined because of prolonged low interest rates. Competition has become more intense due to factors such as companies from other industries entering banking.

Iwate Prefecture, the Bank's main base of operations, faces a rapid decrease in population as many young people move to other prefectures. The lack of successors has led to an increase in businesses closing and a decrease in the number of business establishments. These factors are causing the region to gradually lose vitality. Thanks to its thriving manufacturing industry, however, Iwate Prefecture is growing as an industrial hub with a focus on the auto and semiconductor industries. In addition, the prefecture has a wide variety of foods and crafts that are appreciated worldwide, features three World Heritage sites, and boasts tourism resources including sea and mountains. Moreover, it is one of the prefectures with the highest potential for renewable energy in Japan due to its abundant natural resources. Furthermore, with the full opening of the Sanriku Coast Expressway (Restoration Road) in December 2021, access has been improved substantially, not only between inland and coastal areas, but also to other prefectures. This can be expected to boost the development of industry and tourism.

As stated above, the region where the Bank is located faces a variety of challenges, but also has many strengths and great potential. We hope to achieve co-prosperity with the region by helping it overcome such challenges and spurring further growth and development through initiatives to bring out its strengths and potential.

4. Issues to be Addressed

We are at the stage of ensuring that we reap the benefits of our efforts to create new business domains and of the business foundation we have established towards achieving the final goals of our medium-term management plan. However, the business environment surrounding the Bank is recently changing ever more dramatically, and it has become difficult to forecast even a few years into the future. We must further strengthen the Bank's revenue base to respond to any changes that may occur. To this end, we will focus on strengthening the following efforts.

(1) Establishing a sustainable revenue structure

a. Operational reforms

Since October 2017, we have engaged in initiatives to reinforce the management structure, focusing on Head Office and business branch BPR and the reorganization of branches, under the Management Structure Reinforcement Project. Head Office and business branch BPR consists of adjusting the number of personnel and redeploying personnel in accordance with business operations. The initiatives under the Project, including BPR, branch reorganization, and cost structure reform, are aimed at increasing customer contact points and strengthening earning capacity by improving the efficiency and productivity of operations and freeing-up sales personnel, while also optimizing the cost structure and building a management structure that can support the region, in any environment, into the future.

In order to advance these initiatives, we are presently engaged in operational reforms aimed at improving revenue, based on the classification of banking operations and the analysis of revenue for each operation. We have especially designated "corporate sales activities based on an understanding of business feasibility" as a domain where we will strengthen revenue in the future, and we will prioritize the allocation of personnel to this domain. To this end, we will move ahead with the digitalization of personal loan and face-to-face services, including the introduction of online-only services and tablet devices. At the same time, we will consolidate a range of different operations presently carried out by business branches at the Head Office. We also aim to achieve an efficient assets management structure for assets under management by consolidating sales personnel at the controlling office.

b. Active investment in digital domains

At the DX Lab, our section dedicated to promoting digital transformation, we will continue to move ahead with initiatives such as 1) reinforcing digital contact points, 2) omnichannel, 3) data utilization, and 4) supporting sales activities by employees with an aim of creating a customer-oriented digital environment.

We will also engage in digitalization efforts in various areas, including further expansion of the range of online-only loan products, asset management public relations activities targeting the mass demographic, and promotion of the use of smart passbooks through the Iwagin app, actively investing in these areas.

c. Alliance with The Akita Bank, Ltd.

In October 2021, we announced our agreement with The Akita Bank, Ltd. regarding a comprehensive business partnership (alliance). The two banks have hitherto engaged in multi-faceted collaboration through Netbix, etc., and built a cooperative relationship. Together, we considered how to use our respective sales bases and management resources to the maximum effect, including how to share and accumulate know-how in new domains for the future, to actively reap the benefits of deregulation and contribute to the development of each region. As a result, we came to the conclusion that this alliance, which further deepens the cooperative relationship that currently exists, would lead to even greater synergies, expanding top-line revenue and reducing costs through shared back-office operations, etc., and contribute to achieving the financial group vision to which each bank aspires, while maintaining management independence and a sound competitive relationship. At present, our efforts are focused on seven subcommittees: (1) corporate and regional revitalization, (2) clerical work and systems, (3) cost structure reform, (4) digital transformation, (5) retail sales activities, (6) credit control, and (7) regional trading companies. We are engaged in extensive discussions and consideration of specific measures, which we will proceed to implement after setting quantitative goals and targets.

*Netbix: an abbreviation of Network For Business Information Exchange, a collaborative organization launched in April 2003 by three banks in northern Tohoku—the Bank, The Aomori Bank, Ltd., and The Akita Bank, Ltd.—to leverage their mutual branch networks and information-gathering capacity to enhance services for corporate customers.

(2) Developing an environment in which every employee can play an active role, and developing human resources

Regarding the development of an environment in which every employee can play an active role, we introduced a flextime system in April 2020, aiming to improve productivity, reduce working hours, and further encourage “work-life balance,” including the time for child-rearing, nursing and receiving medical treatment, through the autonomous and effective allocation of working hours by employees. From April 2021, we have also diversified dress requirements during working times, allowing employees to engage in sales activities in clothing that is clean, functional, appropriate to their duties, and appropriate to each time, place, and occasion. This step is aimed at cultivating a frank, vigorous, and open organizational culture, and generating even more flexible ideas. Moreover, the Bank is driving diversity and inclusion initiatives with the aim of creating a diverse and comfortable workplace in which every employee respects one another and can play an active role and grow. We have established two KPIs for FY2030: 40% or more females among new executive promotions (from FY2025 onward) and a usage ratio of 80% or more for childcare leave, etc. among eligible male employees. By engaging more fully in these initiatives, we will proceed to build an organization with diverse career paths and working styles, where everyone can play an active role.

To utilize human resources, we consider training and retention of young employees who will lead the future of the Bank as an essential task. We are also considering career design for specialized human resources, given the increasing diversity of business operations in recent years and the need for human resources who possess a deep level of specialist knowledge and know-how in areas such as customer life planning, consulting, and fintech. Furthermore, we are actively seconding young employees to other companies in the Group to encourage them to acquire specialized knowledge and demonstrate their abilities. By enabling them to experience a broad range of duties not limited to banking, we aim to expand their horizons and advance their level of knowledge.

(3) Responses to the impact of the prolonged COVID-19 pandemic and soaring crude oil prices

The COVID-19 pandemic is having a protracted impact, with no sign of an end in sight. At the same time, shortages and soaring prices of crude oil and other raw materials are exerting a growing impact, and the scale of this impact is also increasingly unclear, compounded by Russia’s invasion of Ukraine. We plan to continue working diligently to fulfill our responsibility as a regional financial institution—maintaining the financial infrastructure and ensuring the stable and smooth provision of funds.

We have now established a cross-organizational Regional Support Team at the Head Office, as well as management consultation points at each business branch. As well as continuing to support the cash flow of customers affected by these issues, we will work to strengthen support for their core operations, including assistance in rebuilding businesses and digitalization.

Recently, the business environment surrounding our customers is changing dramatically, and they face various challenges. In this context, we will provide our customers with swift and appropriate support, including core business support, management improvement support, and financial support, based on an understanding of their actual conditions. The entire Group will strive together, working even harder to help them solve the various challenges they face.

Toru Iwayama, *President*

Analysis of the Financial Position and Business Performance of the Bank
(on a consolidated basis)

Financial Position
Principal Accounts
Deposits (including negotiable certificate of deposit) and Asset Under Management

Deposits (including negotiable certificate of deposit) at the fiscal year-end increased by ¥29.1 billion from the previous fiscal year-end to ¥3,444.1 billion (US$28,140.3 million). This was due in large part to the impact of voluntary restraints on consumption due to the spread of COVID-19, resulting in an increase in deposits by individuals.

The fiscal year-end balance of assets under management posted an increase of ¥26.7 billion from the previous fiscal year-end to ¥379.3 billion (US$3,099.1 million). This was due to an increase in sales and the outstanding balance of investment trusts, on the back of market conditions recovering from the impact of COVID-19, as well as an increase in insurance sales thanks to the partial resumption of sales of yen-denominated insurance and a rise in the interest rate on savings associated with the rise in overseas interest rates.

Loans

The fiscal year-end balance of loans increased by ¥44.6 billion from the previous fiscal year-end to ¥1,943.2 billion (US$15,876.9 million). This was attributable to an increase in loans to individuals, mainly housing loans, in the context of continuing growth in housing investment in Iwate Prefecture, despite a reactionary decline in loans to SMEs after an increase in COVID-19-related loans in the previous fiscal year.

Securities

The value of total securities decreased by ¥37.8 billion from the previous fiscal year-end to ¥1,150.0 billion (US$9,396.2 million). The Bank has aimed to build a portfolio with a high expected return compared to risk through diversified investments in assets with high investment efficiency, including overseas assets, in the context of a continuing decline in interest income from bonds amid the prolonged low interest rate environment. Based on this policy, the Bank has been reinvesting funds from the redemption of Japanese bonds to carefully include and rotate overseas assets in its portfolio, with a focus on diversified duration and risk balance.

Cash Flow Analysis

Net cash provided by operating activities was a net inflow of ¥43.2 billion (US$353.3 million) in the current fiscal year, while net cash of ¥240.0 billion was provided in the previous fiscal year. This was because the increase in funds from the inflow of deposits, etc. and borrowed money was lower than in the previous fiscal year.

Net cash provided by investing activities was a net inflow of ¥22.6 billion (US$184.6 million) in the current fiscal year, while net cash of ¥27.7 billion was provided in the previous fiscal year. This was due to proceeds from sale and redemption of securities exceeding the acquisition of securities in both the previous fiscal year and the current fiscal year.

Net cash used in financing activities was a net outflow of ¥1.6 billion (US$12.8 million) in the current fiscal year, while net cash of ¥1.2 billion was used in the previous fiscal year. This was due to the payment of cash dividends, and the acquisition of treasury stock in the current fiscal year.

As a result of the above, the fiscal year-end balance of cash and cash equivalents increased by ¥64.3 billion from the previous fiscal year-end to ¥700.6 billion (US$5,724.3 million).

Business Performance

Earnings

Total income decreased by ¥1.1 billion from the previous fiscal year to ¥44.3 billion (US$361.8 million). This was mainly attributable to a decrease in interest income including interest and dividends on securities mainly due to redemption of bonds, as well as a decline in gain on sale of securities such as shares, impacted by the rise in overseas interest rates and the soaring price of crude oil. This was despite an increase in fees and commissions related to assets under management.

Total expenses decreased by ¥2.5 billion from the previous fiscal year to ¥37.3 billion (US$304.5 million). Provision of allowance for doubtful accounts saw a reactionary decrease after increasing in the previous fiscal year as a result of recording provisions that took into account future estimates including the impact of COVID-19, while general and administrative expenses decreased due to the effect of cost structure reforms such as reorganizing Group companies and revising the number of internal mails sent inside the Bank.

As a result, income before income taxes increased by ¥1.5 billion from the previous fiscal year to ¥7.0 billion (US$57.3 million) and net income attributable to owners of parent increased by ¥1.2 billion from the previous fiscal year to ¥4.1 billion (US$33.7 million).

Capital Ratio

The capital ratio declined 0.21 percentage points from the previous fiscal year-end to 11.62% on a consolidated capital adequacy basis and by 0.14 percentage points from the previous fiscal year-end to 11.30% on a non-consolidated capital adequacy basis, as a result of an increase in risk assets reflecting an increase in risk-taking by loans divisions.

Under its fundamental mission objective of ensuring the financial soundness of the Bank under all circumstances, the Bank sees the consolidated capital ratio as one of the key indicators of the Medium-term Management Plan. The Bank maintains an ample capital ratio compared with the capital ratio of over 10%, a target for the final year (FY2022) of the Medium-term Management Plan.

■ Basic approach

Ever since its establishment, the management of the Bank has been based on the fundamental mission objectives of contributing to the development of the regional community and ensuring the financial soundness of the Bank under all circumstances. Even in today's rapidly changing business environment, in order to fulfill the duties expected of us as the leading bank in our region, by all stakeholders including our business partners and shareholders, we take complete responsibility for our management decisions and aim to establish the highest standard of corporate governance that includes improved management transparency and strengthened oversight functions.

■ Corporate governance structure

The Bank, pursuant to the resolution on the partial amendments to the Articles of Incorporation at the General Meeting of Shareholders held on June 22, 2018, transitioned to a company with Audit & Supervisory Committee. By transitioning to a company with Audit & Supervisory Committee, the Bank shall strive to further improve its corporate value through the enhancement of its corporate governance system by installing an Audit & Supervisory Committee, over half of whose members are Outside Directors, and strengthening oversight functions through the voting rights on the Board of Directors and the right to voice opinions on executive appointments and dismissals held by the Directors serving as Audit & Supervisory Committee Members.

■ Board of Directors

The Board of Directors comprises a total of fifteen Directors, including ten Directors who are not serving as Audit & Supervisory Committee Members, three of whom are Outside Directors, and five Directors serving as Audit & Supervisory Committee Members, three of whom are Outside Directors. Outside Directors currently account for 40.0% of the Board of Directors. Additionally, two female Outside Directors have been appointed.

■ Audit & Supervisory Committee

Directors serving as Audit & Supervisory Committee Members hold voting rights on the Board of Directors and are delegated certain business execution responsibilities, in addition to the auditing authority. The Audit & Supervisory Committee collaborates closely with the internal audit division and the Accounting Auditors to maintain and enhance audit quality, as well as conducts effective and efficient audits by appointing Standing Audit & Supervisory Committee Members and assigning support staff.

■ Assessment of the effectiveness of the Board of Directors

Each year, the Bank carries out an analysis and assessment of the effectiveness of the Board of Directors, based on information such as a self-assessment by all Directors and Audit & Supervisory Committee Members, with the aim of enhancing the function of the Board of Directors and further ensuring its effectiveness. The self-assessment is implemented in the form of an anonymous survey, and an external agency is commissioned to compile and analyze the survey results, to obtain the frank and unreserved opinions of respondents.

An overview of the results is reported to the Board of Directors, and measures are implemented accordingly.

■ Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee has been established as an advisory body to the Board of Directors to improve the transparency and objectivity regarding decisions on the nomination and compensation of Directors. The Bank stipulates that the Nomination and Compensation Advisory Committee comprises a total of five members, including two Representative Directors and three Outside Directors (Directors who are not serving as Audit & Supervisory Committee Members), so that the majority is made up of Outside Directors, and that an Outside Director serves as chairman.

■ **Executive Committee and Compliance Committee**

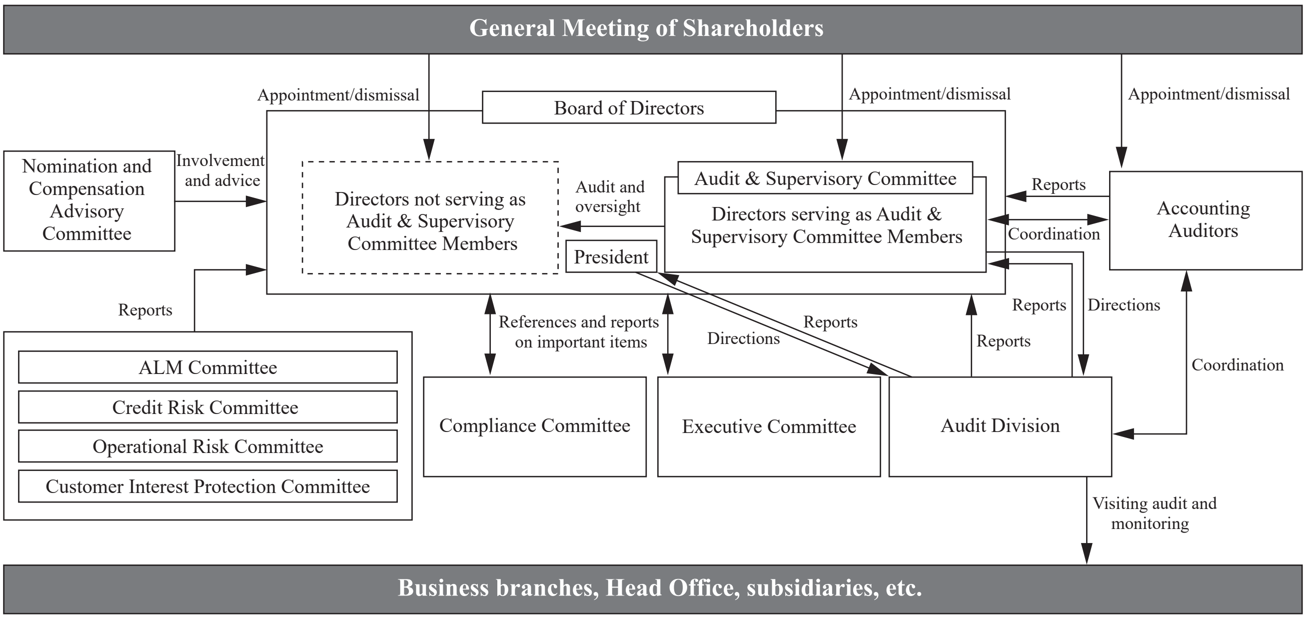
The Bank has established the Executive Committee and the Compliance Committee as mechanisms that discuss and decide the matters referred by the Board of Directors. The Bank is planning to reinforce its organization with a greater emphasis on compliance by having the Compliance Committee, rather than the Executive Committee, discuss important matters relating to compliance.

■ **Enrichment of information disclosure activities**

In compliance with relevant laws and regulations, the Bank strives to disclose accurate management information in a timely manner and to enrich the content of the information that it discloses so that valuable information can be viewed in a timely manner via the Bank's website.

The Bank also actively makes efforts on investor relations to earn the confidence of business partners and the market and corporate responsibility aimed at customers of the community.

[Corporate governance structure]



・Board of Directors (As of July 1, 2022)

Inside Directors

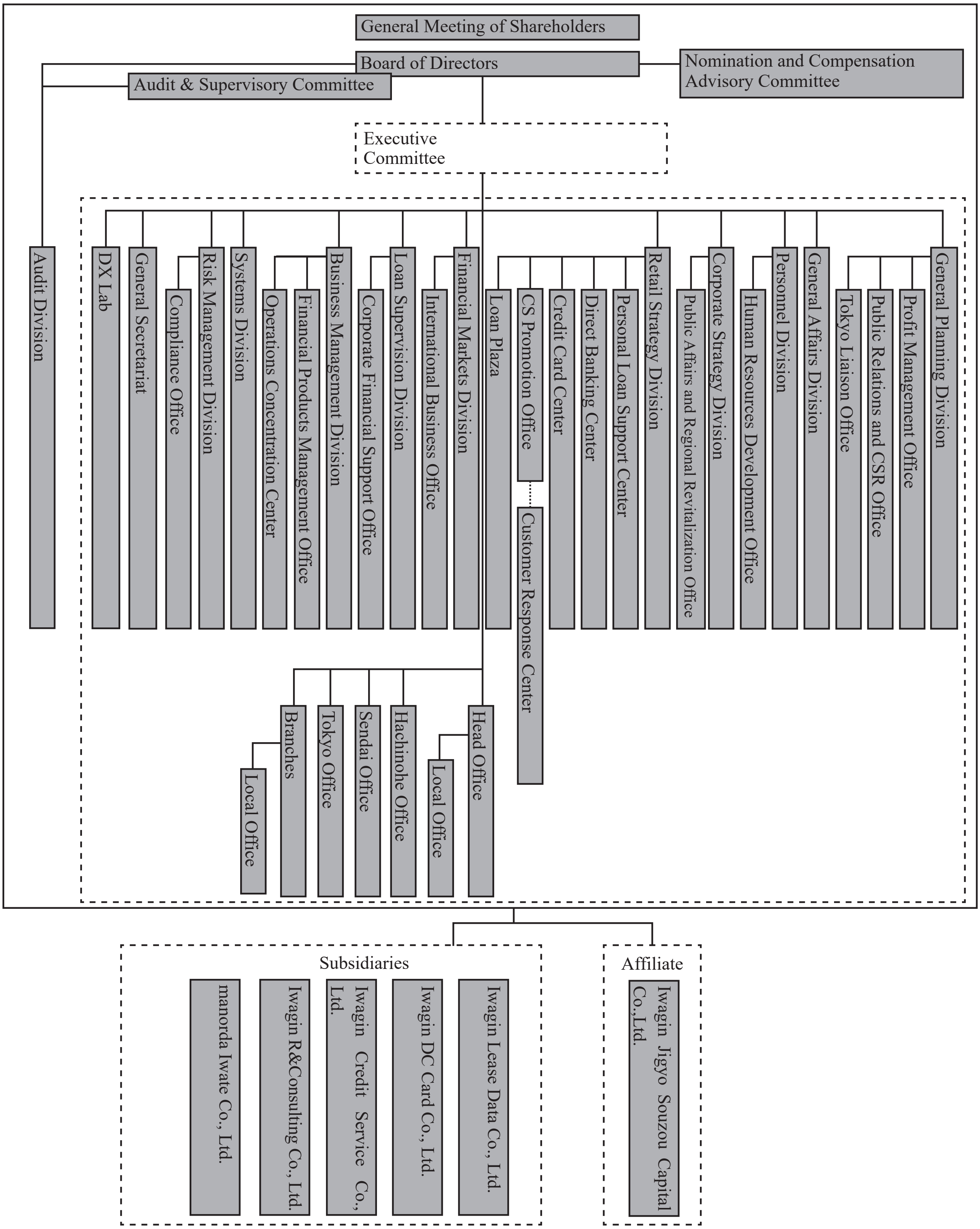
Chairman	Sachio Taguchi	**President**	Toru Iwayama
Director / Managing Executive Officer	Kensei Ishikawa	**Director / Managing Executive Officer**	Shinji Niisato
Director / Managing Executive Officer	Shinei Kishi	**Director / Managing Executive Officer**	Fumihiko Kikuchi
Director serving as an Audit & Supervisory Committee Member	Yuji Chiba	**Director serving as an Audit & Supervisory Committee Member**	Shuichi Fujisawa

Outside Directors

Director (Outside Director)	Fumio Ube	**Director (Outside Director)**	Atsushi Miyanoya
Director (Outside Director)	Yutaka Takahashi	**Director serving as an Audit & Supervisory Committee Member (Outside Director)**	Etsuko Sugawara
Director serving as an Audit & Supervisory Committee Member (Outside Director)	Masakazu Watanabe	**Director serving as an Audit & Supervisory Committee Member (Outside Director)**	Chikako Maeda

Managing Executive Officer / General Manager of Sendai Office	Katsuhiro Kawamura	**Executive Officer / General Manager of Head Office**	Manabu Fujiwara
Executive Officer / General Manager of Tokyo Office	Shinichi Matsumoto	**Executive Officer / General Manager of Business Management Division**	Shigeo Takano
Executive Officer / General Manager of Personnel Division	Kazuhiro Sugawara	**Executive Officer / General Manager of Kitakami Branch**	Katsumi Yamazaki
Executive Officer / General Manager of Corporate Strategy Division	Toshiaki Nagase	**Executive Officer / General Manager of General Planning Division**	Toru Obara
Executive Officer / General Manager of Systems Division	Junya Sekimura		

・Organization (As of July 1, 2022)



・The Bank of Iwate Group

Name/Address	Capital (Millions of yen)	Main Business	Date of Establishment	The Bank's Voting Rights	Voting Rights of Subsidiaries, etc. Other than Said Subsidiaries, etc.
Iwagin Lease Data Co., Ltd. 1-5-31 Nakanohashi Dori, Morioka City, Iwate Prefecture	30	Computerized accounting services, leasing	April 1, 1972	100%	0%
Iwagin DC Card Co., Ltd. 1-2-14 Nakanohashi Dori, Morioka City, Iwate Prefecture	20	Credit cards and consumer loans	August 1, 1989	100%	0%
Iwagin Credit Service Co., Ltd. 14-10-301 Morioka Ekimae Dori, Morioka City, Iwate Prefecture	20	Credit cards and consumer loans	August 1, 1989	100%	0%
Iwagin consulting Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	100	Consulting Services, Regional Economic Research	April 1, 2020	100%	0%
manorda Iwate Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	70	Sales channel expansion support, Regional revitalization support	April 1, 2020	100%	0%
Iwagin Jigyo Souzou Capital Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	50	Investment fund management	April 1, 2015	40%	0%

The company name of Iwagin consulting Co., Ltd. was changed to Iwagin R&Consulting Co., Ltd., effective April 1, 2022.

Consolidated Balance Sheets

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2022	2021	2022
Cash and due from banks (Notes 3 and 6)	¥701,403	¥637,337	$5,730,885
Call loans and bills bought (Note 6)	36,000	23,000	294,142
Monetary claims bought (Note 6)	5,832	5,607	47,651
Money held in trust (Notes 5 and 6)	10,571	10,707	86,371
Securities (Notes 4, 6, 8 and 15)	1,149,998	1,187,839	9,396,176
Loans and bills discounted (Notes 6, 7 and 9)	1,943,178	1,898,553	15,876,934
Foreign exchange assets	3,947	2,074	32,249
Premises and equipment (Notes 11 and 23)	15,763	16,179	128,793
Intangible assets (Notes 12 and 23)	2,239	1,506	18,294
Net defined benefit asset (Note 16)	5,521	5,812	45,110
Deferred tax assets (Note 17)	265	353	2,165
Customers' liabilities for acceptances and guarantees (Note 15)	4,583	4,963	37,446
Other assets (Notes 6, 8 and 10)	56,535	62,103	461,925
Allowance for doubtful accounts (Note 6)	(15,575)	(15,071)	(127,256)
Total assets	¥3,920,260	¥3,840,962	$32,030,885
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 6, 8 and 13)	¥3,444,092	¥3,414,900	$28,140,306
Call money and bills sold (Note 6)	–	7,750	–
Payables under securities lending transactions (Notes 6 and 8)	10,054	–	82,147
Borrowed money (Notes 6 and 8)	236,935	171,938	1,935,902
Foreign exchange liabilities	48	15	392
Accrued bonuses for directors and corporate auditors	20	23	163
Net defined benefit liability (Note 16)	799	1,812	6,528
Retirement benefits for directors and corporate auditors	20	20	163
Provision for losses on reimbursement of dormant deposits	286	373	2,337
Provision for contingent losses	174	202	1,422
Deferred tax liabilities (Note 17)	3,071	7,296	25,092
Acceptances and guarantees (Note 15)	4,583	4,963	37,446
Other liabilities (Notes 6, 14 and 23)	26,613	30,039	217,444
Total liabilities	3,726,695	3,639,331	30,449,342
Net assets (Note 18):			
Common stock:			
Authorized — 49,450 thousand shares as at 31 March 2022 and 2021			
Issued and outstanding —18,498 thousand shares as at 31 March 2022 and 2021	12,090	12,090	98,783
Capital surplus	5,667	5,667	46,303
Retained earnings	161,506	158,440	1,319,601
Treasury stock, at cost	(4,354)	(3,885)	(35,575)
Total shareholders' equity	174,909	172,312	1,429,112
Net unrealized holding gains on available-for-sale securities (Note 4)	22,100	32,859	180,570
Net unrealized losses on hedging derivatives (Note 6)	(2,505)	(3,304)	(20,467)
Remeasurements of defined benefit plans (Note 16)	(1,232)	(488)	(10,066)
Total accumulated other comprehensive income	18,363	29,067	150,037
Stock acquisition rights (Note 19)	293	252	2,394
Total net assets	193,565	201,631	1,581,543
Total liabilities and net assets	¥3,920,260	¥3,840,962	$32,030,885

	Yen		U.S. dollars
	2022	2021	2022
Per share data:			
Net assets (Note 25)	¥11,166.80	¥11,445.57	$91.24

See accompanying notes.

Consolidated Statements of Income

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥17,290	¥17,358	$141,270
Interest and dividends on securities	9,536	10,627	77,915
Other interest income	448	69	3,660
Fees and commissions	8,780	8,237	71,738
Other operating income (Note 20)	4,717	4,601	38,541
Other income (Note 22)	3,513	4,451	28,703
Total income	44,284	45,343	361,827
Expenses:			
Interest expenses:			
Interest on deposits	246	334	2,010
Interest on borrowings	11	8	90
Other interest expenses	520	534	4,249
Fees and commissions	3,418	3,395	27,927
Other operating expenses (Note 20)	5,220	4,831	42,651
General and administrative expenses (Note 21)	24,853	25,473	203,064
Other expenses (Note 22)	3,004	5,229	24,544
Total expenses	37,272	39,804	304,535
Income before income taxes	7,012	5,539	57,292
Provision for income taxes (Note 17)			
Current	2,369	2,790	19,356
Deferred	517	(147)	4,224
	2,886	2,643	23,580
Net income	4,126	2,896	33,712
Net income attributable to owners of parent	¥4,126	¥2,896	$33,712

	Yen		U.S. dollars
	2022	2021	2022
Per share data:			
Net income (Note 25)	¥235.91	¥164.64	$1.93
Diluted net income (Note 25)	234.74	164.03	1.92
Cash dividends applicable to the year (Note 28)	80.00	60.00	0.65

See accompanying notes.

Consolidated Statements of Comprehensive Income

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥4,126	¥2,896	$33,712
Other comprehensive income (losses) (Note 24):			
Net unrealized holding gains (losses) on available-for-sale securities	(10,759)	9,775	(87,908)
Net unrealized gains on hedging derivatives (Note 6)	799	799	6,529
Remeasurements of defined benefit plans (Note 16)	(744)	1,801	(6,079)
Total other comprehensive income (losses)	(10,704)	12,375	(87,458)
Comprehensive income (losses)	¥(6,578)	¥15,271	$(53,746)
Total comprehensive income (losses)	¥(6,578)	¥15,271	$(53,746)
Attributable to:			
Owners of parent	(6,578)	15,271	(53,746)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2022 and 2021

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding losses on available-for-sale securities	Net unrealized losses on hedging derivatives	Remeasurements of defined benefit plans	Total accumulated other comprehensive losses	Stock acquisition rights	Total net assets
BALANCE, 1 April 2020	¥12,090	¥5,667	¥156,688	¥(3,906)	¥170,539	¥23,084	¥(4,103)	¥(2,289)	¥16,692	¥225	¥187,456
Change during the year											
Cash dividends	—	—	(1,143)	—	(1,143)	—	—	—	—	—	(1,143)
Net income attributable to owners of parent	—	—	2,896	—	2,896	—	—	—	—	—	2,896
Acquisition of treasury stock	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	(1)	22	21	—	—	—	—	—	21
Net changes in items other than shareholders' equity during the year	—	—	—	—	—	9,775	799	1,801	12,375	27	12,402
Total change during the year	—	—	1,752	21	1,773	9,775	799	1,801	12,375	27	14,175
BALANCE, 1 April 2021	12,090	5,667	158,440	(3,885)	172,312	32,859	(3,304)	(488)	29,067	252	201,631
Change during the year											
Cash dividends	—	—	(1,056)	—	(1,056)	—	—	—	—	—	(1,056)
Net income attributable to owners of parent	—	—	4,126	—	4,126	—	—	—	—	—	4,126
Acquisition of treasury stock	—	—	—	(480)	(480)	—	—	—	—	—	(480)
Disposal of treasury stock	—	—	(4)	11	7	—	—	—	—	—	7
Net changes in items other than shareholders' equity during the year	—	—	—	—	—	(10,759)	799	(744)	(10,704)	41	(10,663)
Total change during the year	—	—	3,066	(469)	2,597	(10,759)	799	(744)	(10,704)	41	(8,066)
BALANCE, 31 March 2022	¥12,090	¥5,667	¥161,506	¥(4,354)	¥174,909	¥22,100	¥(2,505)	¥(1,232)	¥18,363	¥293	¥193,565

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding losses on available-for-sale securities	Net unrealized losses on hedging derivatives	Remeasurements of defined benefit plans	Total accumulated other comprehensive losses	Stock acquisition rights	Total net assets
BALANCE, 1 April 2021	$98,783	$46,303	$1,294,550	$(31,743)	$1,407,893	$268,478	$ (26,996)	$(3,987)	$237,495	$2,059	$1,647,447
Change during the year											
Cash dividends	—	—	(8,628)	—	(8,628)	—	—	—	—	—	(8,628)
Net income attributable to owners of parent	—	—	33,712	—	33,712	—	—	—	—	—	33,712
Acquisition of treasury stock	—	—	—	(3,922)	(3,922)	—	—	—	—	—	(3,922)
Disposal of treasury stock	—	—	(33)	90	57	—	—	—	—	—	57
Net changes in items other than shareholders' equity during the year	—	—	—	—	—	(87,908)	6,529	(6,079)	(87,458)	335	(87,123)
Total change during the year	—	—	25,051	(3,832)	21,219	(87,908)	6,529	(6,079)	(87,458)	335	(65,904)
BALANCE, 31 March 2022	$98,783	$46,303	$1,319,601	$(35,575)	$1,429,112	$180,570	$(20,467)	$(10,066)	$150,037	$2,394	$1,581,543

See accompanying notes.

Consolidated Statements of Cash Flows

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥7,012	¥5,539	$57,292
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation	2,004	1,722	16,374
Impairment losses	645	537	5,270
Increase (decrease) in allowance for doubtful accounts	504	3,111	4,118
Increase (decrease) in provision for contingent losses	(28)	(26)	(229)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(2)	(2)	(16)
(Increase) decrease in net defined benefit asset	(262)	30	(2,141)
Increase (decrease) in net defined benefit liability	(1,528)	(228)	(12,485)
Increase (decrease) in retirement benefits for directors and corporate auditors	(0)	(5)	(0)
Increase (decrease) in provision for losses on reimbursement of dormant deposits	(88)	(47)	(719)
Interest income	(27,274)	(28,054)	(222,845)
Interest expenses	777	876	6,349
Investment securities (gains) losses, net	(1,544)	(2,658)	(12,615)
(Increase) decrease in money held in trust	132	(145)	1,079
Foreign exchange (gains) losses, net	(2,853)	(657)	(23,311)
(Gains) losses on disposal of premises and equipment	112	80	915
Net (increase) decrease in loans and bills discounted	(44,625)	(83,469)	(364,613)
Net increase (decrease) in deposits	(40,688)	236,846	(332,445)
Net increase (decrease) in negotiable certificates of deposit	69,880	(23,330)	570,962
Net increase (decrease) in borrowed money	64,997	115,386	531,065
Net (increase) decrease in due from banks, excluding the Bank of Japan	205	14	1,675
Net (increase) decrease in call loans and others	(13,225)	(23,767)	(108,056)
Net increase (decrease) in call money and others	(7,750)	7,750	(63,322)
Net increase (decrease) in payables under securities lending transactions	10,054	—	82,147
Net (increase) decrease in foreign exchange assets	(1,873)	1,860	(15,304)
Net increase (decrease) in foreign exchange liabilities	33	11	269
Interest received	27,489	27,940	224,602
Interest paid	(835)	(936)	(6,822)
Other, net	5,697	1,878	46,547
Subtotal	46,966	240,256	383,741
Income taxes paid	(3,735)	(1,044)	(30,517)
Income taxes refunded	4	806	32
Net cash provided by operating activities	43,235	240,018	353,256
Cash flows from investing activities:			
Acquisition of securities	(285,997)	(508,350)	(2,336,768)
Proceeds from sale of securities	22,688	30,025	185,375
Proceeds from redemption of securities	288,956	507,831	2,360,944
Increase in money held in trust	—	(4,900)	—
Decrease in money held in trust	—	4,900	—
Acquisition of premises and equipment	(1,565)	(1,197)	(12,787)
Proceeds from sale of premises and equipment	25	69	204
Payment for retirement of premises and equipment	(102)	(79)	(833)
Acquisition of intangible assets	(1,306)	(571)	(10,671)
Payment for asset retirement obligations	(108)	(63)	(882)
Net cash provided by investing activities	22,591	27,665	184,582

Consolidated Statements of Cash Flows (Continued)

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from financing activities:			
Repayments of lease obligations	(30)	(30)	(245)
Cash dividends paid	(1,056)	(1,143)	(8,628)
Payment for acquisition of treasury stock	(480)	(1)	(3,922)
Proceeds from sale of treasury stock	0	0	0
Net cash used in financing activities	(1,566)	(1,174)	(12,795)
Effect of exchange rate changes on cash and cash equivalents	11	20	90
Net increase (decrease) in cash and cash equivalents	64,271	266,529	525,133
Cash and cash equivalents at the beginning of the year	636,321	369,792	5,199,126
Cash and cash equivalents at the end of the year (Note 3)	¥700,592	¥636,321	$5,724,259

See accompanying notes.

Notes to Consolidated Financial Statements

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2022 and 2021

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Bank of Iwate, Ltd. (the "Bank") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan, its related accounting regulations and the Banking Act of Japan, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects, such as application and disclosure requirements, from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not necessarily required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers, using the prevailing exchange rate as at 31 March 2022, which was ¥122.39 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The consolidated financial statements include the accounts of the Bank and its significant subsidiaries. Japanese GAAP on consolidated financial statements requires the consolidation of all significant investees that are controlled through substantial ownership of majority voting rights or existence of certain conditions. All significant intercompany transactions and account balances are eliminated.

Iwagin Business Service Co., Ltd. was excluded from the scope of consolidation of the Bank from the year ended 31 March 2022 due to the completion of its liquidation.

A non-consolidated subsidiary is excluded from the scope of consolidation because in terms of its total assets, ordinary income, net income or loss (amount corresponding to equity), retained earnings (amount corresponding to equity) and accumulated other comprehensive income or loss (amount corresponding to equity), it has minor impact on the consolidated financial statements even if it is excluded from the scope of consolidation.

Investments in affiliates over which the Bank has the ability to exercise significant influence in terms of operating and financial policies of the investees are accounted for by the equity method.

There are no investments in affiliates that are accounted for by the equity method.

A non-consolidated subsidiary and investments in affiliates that are not accounted for by the equity method are excluded from the scope of the equity method because in terms of their net income or loss (amount corresponding to equity), retained earnings (amount corresponding to equity) and accumulated other comprehensive income or loss (amount corresponding to equity), they have minor impact on the consolidated financial statements even if they are excluded from the scope of the equity method.

Trading account securities and other securities

Securities are classified as follows based on the purpose: (a) securities held for trading purposes ("trading account securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by unconsolidated subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the categories above ("available-for-sale securities").

(a) Trading account securities — National government bonds held for trading purpose are presented as trading account securities. Trading account securities are stated at fair value (cost of securities sold is calculated using the moving-average method). Gains and losses realized on disposal and unrealized gains and losses from fair value fluctuations are recognized as gains or losses in the period of the change.

(b) Held-to-maturity debt securities are carried at amortized cost (straight-line method) using the moving-average method.

(c) Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for by the equity method, are carried at cost using the moving-average method.

(d) Available-for-sale securities with available fair values are primarily carried at the market prices (cost of securities sold is calculated using the moving-average method).

Shares, etc. that do not have a market price are stated at the moving-average cost.

Net unrealized holding gains (losses) on these securities, net of applicable income taxes, are reported in a separate component of net assets.

Available-for-sale securities with available fair values are written down when a significant decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss.

Money held in trust

Securities invested as part of trust assets in independently managed money trusts that invest primarily in securities are stated at fair value.

Derivatives and hedge accounting

The Bank employs forward exchange contracts, currency swaps and interest rate swaps to meet customers' needs and mitigate interest rate risks and foreign exchange risks. Derivative financial instruments are stated at fair value.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Bank defers recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until the related gains or losses on the hedged items are recognized (deferral method).

Transactions to hedge against interest rate risks affecting the financial assets and liabilities of the Bank are accounted for using deferred hedge accounting in accordance with the provisions of "Treatment of Accounting and Auditing of Application of Accounting Standards for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guideline No. 24, 17 March 2022).

Regarding the effectiveness of a hedge, a hedge that is intended to offset the effects of market fluctuations is assessed based on a group-by-group comparison of hedged items and hedging instruments. Both hedged items, including deposits and loans, and hedging instruments, including interest rate swaps, are classified into groups by the remaining maturity period. The effectiveness of a cash flow hedge is assessed on the basis of the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

Among the hedging relationships above, those included in the scope of application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, 17 March 2022) are subject to the special treatment stipulated in the Practical Solution. The details of hedging relationships to which the Practical Solution is applied are as follows.

a. Method of hedge accounting: deferred hedging and special treatment of interest rate swaps

b. Hedging instruments: interest rate swaps

c. Hedged items: government bonds, municipal bonds and loans

d. Types of hedging transactions: those that offset market fluctuations

As for the hedging transactions against currency exchange risks arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting in accordance with the provisions of "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 25, 8 October 2020). The Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for offsetting the risks of changes in currency exchange rates by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Certain interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap contracts is recognized as interest expense or income (exceptional method).

Depreciation and amortization methods

(1) Premises and equipment (excluding leased assets)

Premises and equipment are stated at cost less accumulated depreciation. The Bank depreciates its premises and equipment under the declining-balance method over their estimated useful lives. Depreciation of buildings acquired on and after 1 April 1998 (excluding installed facilities) and installed facilities and structures acquired on and after 1 April 2016 by the Bank is computed under the straight-line method. Estimated useful lives are as follows:

Buildings: 3-30 years

Equipment and furniture: 2-20 years

Consolidated subsidiaries depreciate their premises and equipment primarily under the declining-balance method over their estimated useful lives.

(2) Intangible assets (excluding leased assets)

The Bank and its consolidated subsidiaries (the "Group") amortize intangible assets under the straight-line method over their estimated useful lives. Costs of computer software developed or obtained for internal use are amortized using the straight-line method over estimated useful lives of five years.

(3) Leased assets

Depreciation and amortization of leased assets pertaining to finance lease transactions other than those that transfer the ownership of the leased assets to the Group, which are included in "Premises and equipment" and "Intangible assets," are computed under the straight-line method. The lease term is equal to the useful life and there is no residual value except where residual value guarantees are stipulated in lease contracts.

Depreciation of leased assets pertaining to finance lease transactions that transfer the ownership of the leased assets to the Group is computed by the same method used for fixed assets owned by the Group.

Allowance for doubtful accounts

The reserve for loans to borrowers that are classified as legally bankrupt or substantially bankrupt is calculated by deducting the estimated disposal value of collateral and the amount deemed collectible from guarantees from the book value.

The Bank also provides specific reserves for potentially bankrupt borrowers by calculating the amount of loss expected during the three-year period subsequent to the balance sheet date on the loan balance ("unsecured amount"), less expected collection from disposal of collateral, guarantees and repayment on the uncovered portion of the loan from historical experiences. The amount of expected loss is calculated based on the average loan loss ratio derived from the actual loan loss during the past three years with necessary amendments such as future prospects.

For loans to large borrowers whose unsecured amount exceeds a certain level, cash flows related to the collection of loan principal and the receipt of interest are estimated using a reasonable method, and the difference between the amount of cash flows discounted at the initial contracted interest rate and the book value of the loans is recorded as allowance for doubtful accounts (cash flow estimation method ["DCF method"]).

The reserve for loans to borrowers that are classified as requiring supervision but are substantially equivalent to requiring attention is calculated based on the amount of expected loss during the three-year period subsequent to the balance sheet date. The amount of expected loss is calculated based on the average loan loss ratio derived from the actual loan loss during the past three years with necessary amendments such as future prospects.

For loans to large borrowers whose credit amount exceeds a certain level, cash flows related to the collection of loan principal and the receipt of interest are estimated using a reasonable method, and the difference between the amount of cash flows discounted at the initial contracted interest rate and the book value of the loans is recorded as allowance for doubtful accounts (cash flow estimation method ["DCF method"]).

The reserve for loans to borrowers that are not classified as any of the above are calculated based on the amount of expected loss during the one-year period subsequent to the balance sheet date. The amount of expected loss is calculated based on the average loan loss ratio derived from the actual loan loss during the past year with necessary amendments such as future prospects.

Allowance for doubtful accounts mentioned above is made on the basis of the results of a strict assessment of the quality of all the Bank's loan assets, using its internally established rules for self-assessment.

Allowance for doubtful accounts recorded in consolidated subsidiaries is calculated as follows:

General reserves are provided at an amount deemed necessary considering the historical ratio of loan losses. Specific reserves for doubtful borrowers are provided at an amount expected to be uncollectable, considering collectability on an individual basis.

Accrued bonuses for directors and corporate auditors

Accrued bonuses for directors and corporate auditors are provided in the amount of the estimated bonuses that are attributable to each fiscal year.

Retirement benefits for directors and corporate auditors

Retirement benefits for directors and corporate auditors are provided for the future payments of directors' and corporate auditors' retirement benefits incurred up to the end of the fiscal year based on the approved internal rules.

Provision for losses on reimbursement of dormant deposits

Provision for losses on reimbursement of dormant deposits that were recorded as profit is provided for the future reimbursement based on the historical reimbursement experience.

Provision for contingent losses

Provision for contingent losses is provided for estimated future payments related to a risk-sharing agreement with public credit guarantee associations for the Bank's loans guaranteed by the associations. The provision is calculated using the expected loss ratios computed based on the historical foreclosure ratio of each borrower category.

Accounting for retirement benefits

Upon the calculation of projected benefit obligation, the estimated amount of all retirement benefits to be paid at future retirement dates is allocated using the benefit formula. The Bank has also set up retirement benefit trusts.

Actuarial differences are amortized as income or expenses commencing from the following year under the straight-line method over 10 years, which is determined as the amortization period within a range of estimated remaining service years of the eligible employees at the time the actuarial differences occur.

The consolidated subsidiaries adopt a simplified method, as allowed for small companies, which is to record retirement benefit liabilities for an amount assuming all employees would retire at the end of the fiscal year on a voluntary basis.

Income taxes

Income taxes consist of corporation, enterprise and inhabitant taxes. The provision for income taxes is computed based on the pretax income of the Bank and each of its consolidated subsidiaries with certain adjustments required for tax purposes.

Deferred tax assets and liabilities are recorded based on the temporary differences between the financial statements and tax bases of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the end of each year.

Revenue recognition

The Bank and its consolidated subsidiaries apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, 31 March 2020) and other standards, and recognize revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration expected to be received in exchange for those good and services.

Appropriations of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period, therefore, do not reflect such appropriations. See Note 28.

Amounts per share

Net income per share of common stock is computed based on the weighted-average number of shares outstanding, excluding treasury stock, during each year. Diluted net income per share reflects the potential dilution that could occur if stock options to issue common stock were exercised. Cash dividends per share represent the amounts applicable to the corresponding years and consist of interim dividends for the current year and year-end dividends declared after the end of the year.

Significant accounting estimates

Allowance for doubtful accounts

(1) Carrying amounts in the consolidated financial statements for the current fiscal year

Allowance for doubtful accounts ¥15,575 million ($127,256 thousand)

(2) Information on the nature of significant accounting estimates for identified items

a. Calculation method

The calculation method of allowance for doubtful accounts is described in "Allowance for doubtful accounts" under "2. SIGNIFICANT ACCOUNTING POLICIES." In the current fiscal year, in light of the lingering uncertainty over when the novel coronavirus disease (COVID-19) will be contained, the Bank has made the following changes to the method of calculating allowance for doubtful accounts for large borrowers whose business performance deterioration caused by COVID-19 will increase uncertainty in the Bank's financial results.

・ The scope of borrowers to which the DCF method is applicable has been expanded. In addition to loans related to large borrowers that require supervision and whose credit amount exceeds a certain level, to which the DCF method had been applicable, loans related to large potentially bankrupt borrowers whose unsecured amount exceeds a certain level are now subject to the method.

Of the allowance for doubtful accounts recorded in the consolidated financial statements for the current fiscal year, the amount of allowance for doubtful accounts recorded due to the change in the scope of the DCF method was ¥1,756 million ($14,348 thousand).

There were no borrowers requiring supervision in the previous and current fiscal years.

b. Key assumptions used in making accounting estimates

i. Categorization of receivables (self-assessment)

The Bank categorizes its outstanding receivables according to the degree of risk of recovery or impairment of value ("self-assessment"). The self-assessment is conducted by comprehensively considering the details of the use of funds and the status of the collateral or guarantees in place, after determining the borrowers' category based on the credit ratings in accordance with their level of credit risk.

The borrowers' category is determined based on their financial information and other quantitative information, in addition to qualitative factors. Specifically, the Bank assesses the borrowers' solvency based on their substantive financial condition, cash flows and profitability. The Bank also comprehensively takes into account the borrowers' business sustainability, future profitability, ability to repay debts based on their cash flows, the reasonableness and feasibility of their business improvement plans and support from other financial institutions to determine the borrowers' category in light of their industry/sector-specific characteristics. Such determination is made at the discretion of management.

ii. Expected loss rate

Allowance for doubtful accounts is provided for receivables classified according to the self-assessment based on the expected loss rate for each classification. The expected loss rate is calculated based on the historical loan loss for each classification, with necessary adjustments made to account for future prospects and other factors.

iii. Future cash flows used in the discounted cash flow method (DCF method)

The expected loss under the discounted cash flow method (DCF method) is calculated by multiplying future cash flows based on the debtor's repayment plan, etc. by the probability of occurrence premised on the debtor's rating transition forecasts, and discounting this at the contracted interest rate before the easing of loan terms.

The rating transition forecasts are based on the situation of the debtor in addition to the historical rating transition rate.

We do not expect a significant increase in bad debts due to the impact of COVID-19, on account of economic measures taken by the national and local governments and funding support provided by financial institutions. However, in light of the lingering uncertainty over when COVID-19 will be contained, as described in calculation method a. above, we have recorded an additional allowance for doubtful accounts under the DCF method for large borrowers whose COVID-19-related decline in business performance will increase uncertainty in the Bank's financial results.

c. Impact on the consolidated financial statements for the year ending 31 March 2023

If the assumption applied to the initial estimate changes due to changes in the business condition of individual borrowers or the actual loan loss rate, there is a possibility that there will be a significant impact on the allowance for doubtful accounts recorded in the consolidated financial statements for the year ending 31 March 2023.

It is very difficult to estimate to what extent COVID-19 will spread or when it will be contained in the future. Accordingly, there is a high degree of uncertainty in the assumption above and if there is a change in the circumstances of COVID-19 or its effects on the economic environment, there is a possibility that additional losses may be incurred in the consolidated financial statements for the following fiscal year.

Changes in accounting policies

(1) Application of the accounting standards for revenue recognition

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

This change has no impact on the profit and loss of the current fiscal year and the beginning balance of retained earnings.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, the Bank does not include notes on revenue recognition for the previous fiscal year.

(2) Application of the accounting standards for fair value measurement

The Bank has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, 4 July 2019; the "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, 4 July 2019), the Bank will prospectively apply the new accounting policy stipulated in the Fair Value Measurement Standard, etc.

The impact of this change on the consolidated financial statements for the current fiscal year is immaterial.

In addition, the Bank has included notes on fair value information by level within the fair value hierarchy in Note "6. FINANCIAL INSTRUMENTS." However, in accordance with the transitional treatment set forth in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, 4 July 2019), notes pertaining to the previous fiscal year are not presented.

Accounting standards that have not been applicable yet

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

(1) Overview

The implementation guidance defines the treatment regarding fair value measurement of investment trusts and notes thereof as well as the treatment regarding notes on the fair value of investments in partnerships in which the net amount of equity interests is recorded on the balance sheet.

(2) Application date

The Group will apply these accounting standards and guidance from the beginning of the fiscal year ending 31 March 2023.

(3) Effects of the application of the standards

The Group is currently assessing the effects of these standards.

Additional information

Additional contributions to retirement benefit trusts

In the current fiscal year, the Bank made an additional contribution of ¥1,400 million ($11,439 thousand) in cash to the retirement benefit trust for the purpose of further improving the soundness of the retirement benefit system. As a result, liabilities related to retirement benefits have decreased by the same amount.

3. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents. As at 31 March 2022 and 2021, the reconciliation of cash and cash equivalents in the consolidated statements of cash flows with cash and due from banks in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥701,403	¥637,337	$5,730,885
Less: Deposits in banks other than the Bank of Japan	(811)	(1,016)	(6,626)
Cash and cash equivalents	¥700,592	¥636,321	$5,724,259

4. SECURITIES

Securities held by the Group as at 31 March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
National government bonds	¥184,567	¥182,536	$1,508,023
Local government bonds	325,480	356,571	2,659,368
Corporate bonds	323,276	335,680	2,641,360
Corporate stocks	37,384	40,310	305,450
Other securities	279,291	272,742	2,281,975
	¥1,149,998	¥1,187,839	$9,396,176

The securities placed under unsecured lending agreements, which borrowers have the right to sell or pledge in the amount of ¥72,100 million ($589,100 thousand) and ¥67,100 million as at 31 March 2022 and 2021, respectively, were included in national government bonds.

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values as at 31 March 2022 and 2021:

(a) Held-to-maturity debt securities

	Millions of yen				
	Book value	Fair value	Difference	Gain	Loss
As at 31 March 2022:	¥21,971	¥24,966	¥2,995	¥2,995	¥–
As at 31 March 2021:	¥25,996	¥29,508	¥3,512	¥3,512	¥–

	Thousands of U.S. dollars				
	Book value	Fair value	Difference	Gain	Loss
As at 31 March 2022:	$179,516	$203,987	$24,471	$24,471	$–

(b) Available-for-sale securities

Securities below include negotiable certificates of deposit classified as cash and due from banks.

	Millions of yen				
	Acquisition cost	Book value	Difference	Gain	Loss
As at 31 March 2022:					
Corporate stocks	¥16,067	¥35,876	¥19,809	¥20,117	¥(308)
Bonds	800,873	811,352	10,479	13,668	(3,189)
Other	264,442	265,426	984	9,105	(8,121)
	¥1,081,382	¥1,112,654	¥31,272	¥42,890	¥(11,618)
As at 31 March 2021:					
Corporate stocks	¥17,428	¥38,975	¥21,547	¥22,085	¥(538)
Bonds	835,201	852,821	17,620	19,015	(1,395)
Other	252,863	260,479	7,616	10,320	(2,704)
	¥1,105,492	¥1,152,275	¥46,783	¥51,420	¥(4,637)

	Thousands of U.S. dollars				
	Acquisition cost	Book value	Difference	Gain	Loss
As at 31 March 2022:					
Corporate stocks	$131,277	$293,129	$161,852	$164,368	$(2,516)
Bonds	6,543,615	6,629,234	85,619	111,676	(26,057)
Other	2,160,650	2,168,690	8,040	74,393	(66,353)
	$8,835,542	$9,091,053	$255,511	$350,437	$(94,926)

B. There were no sales of held-to-maturity debt securities for the years ended 31 March 2022 and 2021.

Total sales of available-for-sale securities in the years ended 31 March 2022 and 2021 amounted to ¥22,687 million ($185,366 thousand) and ¥30,025 million, respectively. The related gains and losses amounted to ¥3,180 million ($25,983 thousand) and ¥511 million ($4,175 thousand), respectively, in the year ended 31 March 2022, and ¥3,804 million and ¥318 million, respectively, in the year ended 31 March 2021.

C. Available-for-sale securities written down for the years ended 31 March 2022 and 2021 amounted to ¥308 million ($2,517 thousand) and ¥189 million, respectively.

D. Net unrealized holding gains on available-for-sale securities on the consolidated balance sheets as at 31 March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized holding gains before deferred tax on:			
Available-for-sale securities (Note)	¥31,513	¥46,949	$257,480
Deferred tax liabilities	(9,413)	(14,090)	(76,910)
Net unrealized holding gains before interest adjustment	22,100	32,859	180,570
Amount equivalent to non-controlling interests	—	—	—
Net unrealized holding gains on available-for-sale securities	¥22,100	¥32,859	$180,570

Note: The balance as at 31 March 2022 includes ¥241 million ($1,969 thousand) of net unrealized holding gains on available-for-sale securities, which are component assets of investment limited partnerships classified as securities whose fair value is not stated on the balance sheet. The balance as of 31 March 2021 includes ¥166 million of net unrealized holding gains on available-for-sale securities, which are component assets of investment limited partnerships classified as securities for which it is extremely difficult to determine fair values.

E. Equity securities issued by unconsolidated subsidiaries and affiliated companies are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Shares	¥20	¥20	$163
Investments	1,375	1,324	11,235

5. MONEY HELD IN TRUST

Money held in trust as at 31 March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Money held in trust for trading purposes:			
Carrying amount	¥10,571	¥10,707	$86,371
Realized gains (losses) included in earnings	(80)	68	(654)

6. FINANCIAL INSTRUMENTS

(1) Overview

a. Policy for financial instruments

The Group provides financial services, mainly focusing on banking businesses such as deposit-taking, grant of loans, trading of securities and investment in securities, as well as lease operation and credit card operation.

For its main operations, the Group raises funds through deposits, call money, etc. and applies them to loans receivable and investment in securities. Therefore, the financial assets and liabilities of the Group tend to be affected by interest rate fluctuations, and are exposed to risks stemming from changes in financial market environments (interest rate risks and price fluctuation risks), as well as to risks arising from fund shortage.

The Group manages those risks using the asset liability management (ALM) method in order to appropriately control the balance between revenues and risks in consideration of the status of the financial assets and liabilities, trend of financial markets, policies for fund management and investment policies. The Group uses derivatives for the purpose of reducing risks, but not for speculative purposes.

b. Types of financial instruments and related risks

The financial assets of the Bank consist mainly of loans for domestic enterprises and individuals and investment securities.

Loans are exposed to credit risks stemming from defaults of borrowers. The largest industrial category of loans as of the current fiscal year end was individuals, followed by local governments, real estate industries, leasing industries, financial industries and insurance industries, and loans are mostly distributed in each industry.

Securities fundamentally constitute bonds, stocks and investment trusts, which are held for investing purposes, held-to-maturity purposes and maintaining business relationships, while trading account securities are held for trading purposes. These are exposed to credit risks of issuers, interest rate risks and risks stemming from fluctuation of market prices.

Liabilities, such as deposits, corporate bonds and call money, are exposed to risks arising from fluctuation of interest rates stemming from mismatch between interests or periods of assets and liabilities. In addition, these are exposed to risks of fund shortage where the Bank fails to control cash receipts and disbursement due to unexpected fund outflow and suffers losses from imposed unusual high interest rates, as well as market liquidity risks where the Bank fails to raise funds owing to market shrinkage and is obliged to enter into unusual unfavorable transactions.

Regarding derivative transactions, the Bank enters into interest rate swap contracts in terms of the ALM control and applies hedge accounting to them as hedging instruments for interest rate risks on loans and bonds as hedged items. The Bank evaluates the effectiveness of the hedge based on accumulated fluctuation of cash flows of hedging instruments and hedged items for the periods beginning from the implementation of the hedging to the date of the evaluation and analysis on them.

Furthermore, there are other interest rate swap contracts (hedging instruments) and loans and bonds (hedged items), which are treated under the exceptional method.

c. Monitoring of credit risks

In accordance with the internal policies of the Bank for managing credit risks arising from loans, each related division monitors credit worthiness of its customers periodically and due dates and outstanding balances by individual customer. In addition, the Bank makes efforts to identify and mitigate risks of bad debts from customers who face financial difficulties.

The results of the monitoring above are regularly reported to the board of directors, and the results of monitoring internal rating, loan portfolios and quantification of credit risks are reported to the credit risk committee on a quarterly basis. The Audit Division strictly reviews the results to ensure that the monitoring procedures function properly.

Credit risks of issuers of securities and counterparty risks of derivative transactions are controlled through periodic reviews on credit information and fair value of securities by the Financial Markets Division.

d. Monitoring of market risks

(Interest rate risks)

The risks arising from fluctuations in interest rates are controlled using the ALM by the ALM committee, with reference to the discussion at the fund management meeting and interest rate analysis group meeting, through monitoring and analysis of the execution of the ALM and the discussion of future actions. Concretely, the results of the monitoring above are reported on a monthly basis to the ALM committee using gap analysis or interest rate sensitivity analysis such as BPV and VaR. Derivative instruments such as interest rate swap contracts to hedge interest rate risks are used in terms of the ALM.

(Foreign currency exchange risks)

Foreign currency swap contracts and foreign currency exchange swap contracts are used in order to control the foreign currency exchange risks.

(Price fluctuation risks)

In accordance with the internal policies of the Bank on managing market related risks, the risks arising from fluctuation of market price of investment securities are controlled through a daily VaR based on certain holding periods and confidence intervals by confirming whether the quantities of the Bank's risk fall under a certain portion of equity capital or not. Upper limits on losses on an aggregate or a realization basis are defined to control losses on a daily basis. These results are reported by the Risk Management Division to the management on a daily basis.

Investments in securities by the Financial Markets Division are executed in accordance with the investable items and investing guidelines prescribed in the market business operation standards, the market risk management standards and the primary polices on investing, and controlled through continuous monitoring. The information related to the market environment and the investment status is reported to the management on a regular basis.

(Derivative transactions)

In conducting derivative transactions, each division responsible for the execution of transactions, and evaluation of effectiveness of the hedging and related administration is clearly identified, following the hedge transaction guidelines, the market business operation standards and the market risk management standards, with setting up segregation of duties and checking systems.

(Information on volume of market risk)

The Bank employs the variance-covariance method (confidence interval of 99%, observation period of one year) in calculating VaR of deposits, loans receivable and securities (investments in bond, investments in stock, shares held for policy reasons, investments in trust). The holding period used as a parameter for the calculation is set as six months for deposits, loans receivable and shares held for policy reasons, and three months for investments in bond, investments in stock and investments in trust.

The volume of market risk, which is supposed to be estimated losses, as at 31 March 2022 was ¥21,128 million ($172,628 thousand).

For securities, the Bank periodically verifies the effectiveness of risk measurement by a back-testing protocol that compares the volume under VaR with the amount of actual gains or losses. As a result of conducting the back-testing protocol, the Group believes that the method undertaken provides a reliable indicator of the market risks. The method of variance and covariance that the Bank uses to measure the volume under VaR assumes that changes in the market follow a normal distribution. Accordingly, under conditions subject to changes in the market exceeding the assumption, risks may be underestimated.

e. Monitoring of liquidity risks

The Bank adequately manages its liquidity risks based on various internal quantitative standards prescribed in liquidity risks management regulations, monitoring its liquidity position on a daily basis with minimum fund reserve established twice a year.

f. Supplementary explanation of the estimated fair value of financial instruments

Since various assumptions and factors are used in estimating the fair value of financial instruments, different assumptions and factors could result in different fair values.

(2) Fair value of financial instruments

The carrying amounts and the fair value of financial instruments as at 31 March 2022 and 2021 are as follows.

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		2022	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets:						
Monetary claims bought	¥5,832	¥5,809	¥5,477	¥5,496	$47,651	$47,463
Money held in trust	10,571	10,571	10,707	10,707	86,371	86,371
Securities						
Held-to-maturity debt securities	21,971	24,965	21,967	25,460	179,516	203,979
Available-for-sale securities	1,112,654	1,112,654	1,152,275	1,152,275	9,091,053	9,091,053
Loans and bills discounted	1,943,178		1,898,553		15,876,934	
Allowance for doubtful accounts	(13,940)		(13,878)		(113,898)	
	1,929,238	1,930,472	1,884,675	1,887,558	15,763,036	15,773,119
Liabilities:						
Deposits	3,444,092	3,444,126	3,414,900	3,414,975	28,140,306	28,140,583
Borrowed money	236,935	236,932	171,938	171,937	1,935,902	1,935,877
Derivative transactions:						
Derivative instruments not qualifying for hedge accounting	(1,073)	(1,073)	(829)	(829)	(8,767)	(8,767)
Derivative instruments qualifying for hedge accounting	(3,600)	(6,075)	(4,747)	(7,992)	(29,414)	(49,636)

Note 1: Book values of shares, etc. that do not have a market price and investments in partnerships as at 31 March 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Available-for-sale securities	¥15,373	¥13,597	$125,607
Monetary claims bought	–	130	–

Note 2: Redemption schedule for monetary receivables and securities with maturity dates after the balance sheet date:

	Millions of yen					
	2022					
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years and within ten years	Over ten years
Due from banks (*1)	¥598,475	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	36,000	—	—	—	—	—
Monetary claims bought	1,505	—	—	—	—	4,327
Securities						
Held-to-maturity debt securities	—	—	1,991	—	—	19,980
Mainly consist of the following:						
National bonds	—	—	1,991	—	—	19,980
Corporate bonds	—	—	—	—	—	—
Available-for-sale securities	83,529	166,273	152,495	218,002	290,869	108,189
Mainly consist of the following:						
National bonds	6,063	10,587	9,055	18,044	56,258	62,589
Local government bonds	—	12,479	27,601	141,182	132,029	12,189
Corporate bonds	43,608	78,533	67,063	22,921	75,331	21,965
Loans and bills discounted	281,883	451,790	354,267	146,838	158,671	379,286
Deposits	3,337,226	100,066	6,650	27	123	—
Call money and bills sold	—	—	—	—	—	—
Payables under securities lending transactions	10,054	—	—	—	—	—
Borrowed money (*2)	3	12	12	12	18	43

	Millions of yen					
	2021					
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years and within ten years	Over ten years
Due from banks (*1)	¥598,475	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	23,000	—	—	—	—	—
Monetary claims bought	1,448	—	—	—	—	4,159
Securities						
Held-to-maturity debt securities	—	—	—	1,989	—	19,978
Mainly consist of the following:						
National bonds	—	—	—	1,989	—	19,978
Corporate bonds	—	—	—	—	—	—
Available-for-sale securities	85,905	141,766	188,919	203,584	320,999	122,648
Mainly consist of the following:						
National bonds	8,025	9,236	10,305	24,227	48,762	60,014
Local government bonds	7,389	—	35,052	122,029	158,141	33,960
Corporate bonds	46,415	68,782	92,882	24,397	70,554	18,848
Loans and bills discounted	238,326	427,556	400,549	155,194	148,083	359,007
Deposits	3,304,090	103,979	6,681	10	140	—
Call money and bills sold	7,750	—	—	—	—	—
Payables under securities lending transactions	—	—	—	—	—	—
Borrowed money (*2)	—	9	12	12	18	49

	Thousands of U.S. dollars					
	2022					
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years and within ten years	Over ten years
Due from banks (*1)	$4,889,901	$—	$—	$—	$—	$—
Call loans and bills bought	294,142	—	—	—	—	—
Monetary claims bought	12,297	—	—	—	—	35,354
Securities						
Held-to-maturity debt securities	—	—	16,268	—	—	163,248
Mainly consist of the following:						
National bonds	—	—	16,268	—	—	163,248
Corporate bonds	—	—	—	—	—	—
Available-for-sale securities	682,482	1,358,551	1,245,976	1,781,208	2,376,575	883,969
Mainly consist of the following:						
National bonds	49,538	86,502	73,985	147,430	459,662	511,390
Local government bonds	—	101,961	225,517	1,153,542	1,078,756	99,592
Corporate bonds	356,304	641,662	547,945	187,278	615,500	179,467
Loans and bills discounted	2,303,154	3,691,396	2,894,575	1,199,755	1,296,438	3,098,995
Deposits	27,267,146	817,599	54,335	221	1,005	—
Call money and bills sold	—	—	—	—	—	—
Payables under securities lending transactions	82,147	—	—	—	—	—
Borrowed money (*2)	25	98	98	98	147	351

Notes:*1 Due from banks with no maturity date is included in "Within one year."

*2 Borrowed money is stated for those that bear interest.

(3) Fair value information by level within the fair value hierarchy

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

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

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

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the measurement.

a. Financial instruments measured at fair value

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥—	¥—
Money held in trust	—	10,571	—	10,571
Securities				
Available-for-sale securities	198,741	711,672	48,345	958,758
Mainly consist of the followings:				—
National bonds and municipal bonds	154,030	334,046	—	488,076
Corporate bonds	—	307,463	15,813	323,276
Corporate stocks	35,876	—	—	35,876
Other securities (*1)	8,835	70,163	32,532	111,530
Derivative transactions:				
Forward foreign exchange	—	0	—	0
Others	—	—	21	21
Derivative transactions:				
Interest rate	—	6,075	—	6.075
Forward foreign exchange	—	1,072	—	1,072
Others	—	1	21	22

Note: *1 Investment trusts, etc. to which the transitional measures set forth in Article 5, Paragraph 6 of the Supplementary Provisions of the "Cabinet Office Order Partially Amending the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Cabinet Office Order No. 9, 6 March 2020), are applied are not included in the above table. The amount of such investment trusts, etc. in the consolidated balance sheet is ¥153,897 million ($1,257,431 thousand).

	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$—	$—	$—	$—
Money held in trust	—	86,371	—	86,371
Securities				
Available-for-sale securities	1,623,834	5,814,789	395,008	7,833,631
Mainly consist of the followings:				
National bonds and municipal bonds	1,258,518	2,729,357	—	3,987,875
Corporate bonds	—	2,512,158	129,202	2,641,360
Corporate stocks	293,129	—	—	293,129
Other securities	72,187	573,274	265,806	911,267
Derivative transactions:				
Forward foreign exchange	—	0	—	0
Others	—	—	172	172
Derivative transactions:				
Interest rate	—	49,636	—	49,636
Forward foreign exchange	—	8,759	—	8,759
Others	—	8	172	180

b. Financial instruments other than those measured at fair value

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥5,809	¥5,809
Securities				
Bonds held for maturity	24,965	—	—	24,965
Mainly consist of the followings:				—
National bonds and municipal bonds	24,965	—	—	24,965
Corporate bonds	—	—	—	—
Other securities	—	—	—	—
Loans and bills discounted	—	9,005	1,921,467	1,930,472
Deposits		3,444,126		3,444,126
Borrowed money	—	236,932	—	236,932

	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$—	$—	$47,463	$47,463
Securities				
Bonds held for maturity	203,979	—	—	203,979
Mainly consist of the followings:				—
National bonds and municipal bonds	203,979	—	—	203,979
Corporate bonds	—	—	—	—
Other securities	—	—	—	—
Loans and bills discounted	—	73,576	15,699,542	15,773,118
Deposits		28,140,583		28,140,583
Borrowed money	—	1,935,877	—	1,935,877

Note 1: Description of the valuation techniques and inputs used in fair value measurements

a. Monetary claims bought

For securitized instruments within the monetary claims bought, the fair value is the price obtained from brokers and other sources and is classified as Level 3 fair value based on the input used. Fair value of other transactions with short remaining terms is assumed to approximate book value, and therefore book value is used as fair value and classified as the Level 3 fair value.

b. Money held in trust

For money held in trust, in principle, the fair value is the amount of securities held in trust calculated by the same method as that for "securities" and is classified as Level 2 fair value.

Notes regarding money held in trust by purpose of holding are described in Note "5. MONEY HELD IN TRUST."

c. Held-to-maturity debt securities and available-for-sale securities

Securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 fair value. This mainly includes listed stocks and government bonds. Even if a quoted market price is used, if the market is not active, the item is classified as Level 2 fair value. This mainly includes municipal bonds and corporate bonds. For corporate bonds, etc. for which the market price is not available, the fair value is the price obtained from the broker and other sources and is classified as Level 3 fair value based on the input used.

For privately placed bonds without a market price, the fair value is calculated by discounting the total amount of principal and interest at a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors, for each category based on the internal rating of the counterparty and the private placement period. However, for private-placement bonds of potentially bankrupt borrowers, effectively bankrupt borrowers, and bankrupt borrowers, the fair value is the amount obtained by deducting the estimated amount of doubtful accounts from the book value, as with loans and bills discounted. These transactions are classified as Level 3 fair value.

d. Loans and bills discounted

The fair value of loans and bills discounted is calculated by discounting the total amount of principal and interest at a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors, for each category based on the type of loans and bills discounted, internal rating, and loan terms. For loans and bills with floating interest rates, which reflect market interest rates in a short period of time, the book value is used as the fair value because they approximate each other as long as the borrower’s credit status has not largely changed since the execution of the loan. As for loans and bills with short-term settlement (within a year), their carrying amounts approximate the fair value.

The estimated uncollectable amount of loans to potentially bankrupt borrowers, effectively bankrupt borrowers, and bankrupt borrowers is calculated based on the estimated disposal value of collateral, the amount deemed collectible from guarantees, or the present value of estimated future cash flows. Therefore, the fair value approximates the carrying amount less estimated bad debts at the closing date, and such amount is used as the fair value. For loans containing credit derivatives, the fair value of such derivatives is reflected. If the effect of unobservable inputs on fair value is significant, the fair value is classified as Level 3 fair value; otherwise, the fair value is classified as Level 2 fair value.

e. Deposits

The fair value of demand deposits that are payable immediately on demand on the balance sheet date is based on the amount of such deposits. The fair value of deposits is based on the present value of the total of principal and interest discounted by an interest rate to be applied if similar new deposits were entered into at the consolidated closing date. These transactions are classified as Level 2 fair value.

f. Call money and bills sold

Call money and bills sold are short-term in nature, and therefore their carrying amounts approximate the fair value.

g. Borrowed money

Among borrowings, for transactions with variable interest rates and short-term remaining maturities, which reflect market interest rates in a short period of time, the book value is used as the fair value because they approximate each other. For other transactions, the fair value is calculated based on the discounted present value discounted on the estimated future cash flow. As for the discount rate, the replacement rate up to the remaining period of the same kind of product in the market is used. These transactions are classified as Level 2 fair value.

h. Derivative transactions

Since derivative transactions are mainly over-the-counter transactions and there is no quoted market price, the fair value is calculated using valuation methods such as present value techniques according to the type of transaction and the period until maturity. The main inputs used in these valuation techniques are interest rates, exchange rates, etc., and if unobservable inputs are not used or their effects are not significant, they are classified as Level 2 fair value (e.g., in cases of interest rate swap transactions, exchange contract transactions, etc.). In addition, when important non-observable inputs are used, they are classified as Level 3 fair value (e.g., in cases of earthquake derivatives, etc.).

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

(1) Quantitative information on significant unobservable inputs

The quantitative information on significant unobservable inputs at 31 March 2022 is as follows.

	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value technique	Probability of bankruptcy	0.000% - 17.647%	0.314%

(2) Reconciliation of beginning balance and ending balance and valuation gains/losses recognized in profit or loss for the year

A reconciliation of beginning balance and ending balance and valuation gains/losses recognized in profit or loss for the year ended 31 March 2022 is as follows.

	Millions of yen							
	2022							
		Profit/loss or other comprehensive income for the period						
	Beginning balance	Recorded in profit/ loss (*1)	Recorded in other comprehensive income (*2)	Net amount of purchase, sales, issuances and settlements	Transfer into Level 3 (*3)	Transfer out of Level 3 (*4)	Ending balance	Valuation gains (losses) on financial assets and financial liabilities held at the balance sheet date recognized in profit/loss for the period (*1)
Securities:								
Other securities	¥50,192	¥8	¥(185)	¥(1,670)	¥—	¥—	¥48,345	¥—
Derivative transactions:								
Other (assets)	34	(47)	—	34	—	—	21	(13)
Other (liabilities)	(34)	47	—	(34)	—	—	(21)	13

Notes: *1 Included in “other operating income” and “other operating expenses” in the consolidated statements of income.

*2 Included in “net unrealized holding gains (losses) on available-for-sale securities” under “other comprehensive income in the consolidated statements of comprehensive income.

*3 There was no transfer from Level 2 fair value to Level 3 fair value.

*4 There was no transfer from Level 3 fair value to Level 2 fair value.

	Thousands of U.S. dollars							
	2022							
		Profit/loss or other comprehensive income for the period						
	Beginning balance	Recorded in profit/loss (*1)	Recorded in other comprehensive income (*2)	Net amount of purchase, sales, issuances and settlements	Transfer into Level 3 (*3)	Transfer out of Level 3 (*4)	Ending balance	Valuation gains (losses) on financial assets and financial liabilities held at the balance sheet date recognized in profit/loss for the period (*1)
Securities:								
Other securities	$410,099	$65	$(1512)	$(13,644)	$—	$—	$395,008	$—
Derivative transactions:								
Other (assets)	278	(384)	—	278	—	—	172	(106)
Other (liabilities)	(278)	384	—	(278)	—	—	(172)	106

(3) Description of valuation process used for fair value measurements

The Risk Management Division of the Group has established policies and procedures for measuring fair value, and each division in charge measures fair value accordingly. An independent valuation division verifies whether the fair value obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy.

In the market valuation model, we make use of observable data as much as possible. When using quoted prices obtained from third parties, the Group verified whether the prices are valid comparing with the results of recalculation by the Group.

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

The bankruptcy probability indicates the possibility of bankruptcy occurring, and is an estimate calculated based on past bankruptcy experience of borrowers. A significant increase (decrease) in the loss rate at the time of bankruptcy will cause a significant decline (rise) in fair value.

Derivatives

As stated under "2. SIGNIFICANT ACCOUNTING POLICIES," the Bank deals in interest rate swaps, currency swaps, and forward exchange contracts.

a. Derivative instruments not qualifying for hedge accounting

Notional amounts, fair value and unrealized gains (losses) as at 31 March 2022 and 2021 were as follows:

(Currency-related transactions)

	Millions of yen						Thousands of U.S. dollars		
	2022			2021			2022		
	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)
Forward foreign exchange:									
Sell	¥17,038	¥(1,068)	¥(1,068)	¥14,132	¥(808)	¥(808)	$139,211	$(8,726)	$(8,726)
Buy	616	(5)	(5)	16	0	0	5,033	(41)	(41)

Note: Transactions in the table above are revalued at fair value. Unrealized gains (losses) are included in the consolidated statements of income.

(Credit derivative transactions)

	Millions of yen								Thousands of U.S. dollars			
	2022				2021				2022			
	Notional amounts	Over one year	Fair value	Unrealized gains (losses)	Notional amounts	Over one year	Fair value	Unrealized gains (losses)	Notional amounts	Over one year	Fair value	Unrealized gains (losses)
Credit default swap:												
Sell	¥1,000	—	¥(0)	¥(0)	¥1,000	¥1,000	¥(21)	¥(21)	$8,171	—	$(0)	$(0)
Buy	—	—	—	—	—	—	—	—	—	—	—	—

Notes: 1. Transactions in the table above are revalued at fair value. Unrealized gains (losses) are included in the consolidated statements of income.

2. "Sell" transaction represents undertaking of credit risk.

(Earthquake derivatives)

	Millions of yen						Thousands of U.S. dollars		
	2022			2021			2022		
	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)
Earthquake derivatives:									
Sell	¥2,680	¥(21)	—	¥2,610	¥(34)	—	$21,897	$(172)	—
Buy	2,680	21	—	2,610	34	—	21,897	172	—

b. Derivative instruments qualifying for hedge accounting

Notional amounts and fair value as at 31 March 2022 and 2021 were as follows:

(Interest-related transactions)

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		2022	
	Notional amounts	Fair value	Notional amounts	Fair value	Notional amounts	Fair value
Interest rate swap:						
Receive floating rate/Pay fixed rate (Deferral method)	¥37,032	¥(3,600)	¥38,002	¥(4,747)	$302,574	$(29,414)
Receive floating rate/Pay fixed rate (Exceptional method)	22,048	(2,475)	22,143	(3,245)	180,145	(20,222)

7. LOANS AND BILLS DISCOUNTED

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bills discounted	¥1,643	¥2,119	$13,424
Loans on notes	43,311	47,239	353,877
Loans on deeds	1,728,119	1,680,010	14,119,773
Overdrafts	170,105	169,185	1,389,860
	¥1,943,178	¥1,898,553	$15,876,934

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guideline No. 24. The Group has the right to sell or pledge commercial bills discounted without restrictions. The total face values as at 31 March 2022 and 2021 were ¥1,643 million ($13,424 thousand) and ¥2,119 million, respectively.

The Group is required to disclose loans to customers who meet specific criteria in accordance with the Banking Act. Doubtful loans as at 31 March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bankrupt and quasi-bankrupt loans	¥4,734	¥5,743	$38,680
Doubtful loans	37,127	35,268	303,350
Loans past due three months or more	1	5	8
Restructured loans, including loans to borrowers financially assisted by the Bank	4,285	5,317	35,011
Total	¥46,147	¥46,333	$377,049

Following the enforcement of the "Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act, etc." (Cabinet Office Ordinance No. 3, January 24, 2020) on March 31, 2022, the classification of "risk management loans" and others required to be disclosed under the Banking Act are presented in accordance with the classification of loans to be disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions.

8. PLEDGED ASSETS

As at 31 March 2022, deposits of ¥17,601 million ($143,811 thousand), payables under securities lending transactions of ¥10,054 million ($82,147 thousand) and borrowed money of ¥236,500 million ($1,932,347 thousand) were secured by a pledge of securities in the amount of ¥336,843 million ($2,752,210 thousand) and guarantee money deposits in the amount of ¥72 million ($588 thousand), respectively. As at 31 March 2021, deposits of ¥39,650 million and borrowed money of ¥171,500 million were secured by a pledge of securities in the amount of ¥252,012 million and guarantee money deposits in the amount of ¥73 million, respectively. In addition to the abovementioned assets pledged as collateral, the Group provided other assets in the amount of ¥30,003 million ($245,143 thousand) and ¥35,003 million as collateral for transactions such as exchange settlement transactions as at 31 March 2022 and 2021, respectively.

Other assets include cash collateral paid for financial instruments, guarantee deposits and lease deposits in the amount of ¥6,758 million ($55,217 thousand) and ¥8,581 million, ¥88 million ($719 thousand) and ¥89 million, and ¥123 million ($1,005 thousand) and ¥155 million as at 31 March 2022 and 2021, respectively.

9. COMMITMENT LINE AGREEMENTS

Commitment line agreements are agreements to lend customers a prescribed amount when they apply for borrowing, unless there is violation of the conditions of the agreements. The amounts of unused commitment line related to such agreements as at 31 March 2022 and 2021 were ¥693,736 million ($5,668,241 thousand) and ¥700,263 million, respectively. The amounts of commitment line agreements, having a condition that the original agreement period would be less than one year or unconditionally cancelable at any time, were ¥648,375 million ($5,297,614 thousand) and ¥658,043 million as at 31 March 2022 and 2021, respectively. The amount of unused commitment line does not necessarily affect the future cash flows of the Group because most of such agreements were terminated without being used. The majority of these agreements contain provisions that stipulate that the Group may refuse to make loans or may decrease the commitment line for reasons including certain changes in financial conditions or security for the loans. When entering into loan agreements with the customers, the Group requests pledges of collateral in the form of premises or securities if necessary. After entering into loan agreements, the Bank periodically checks the financial condition of the customers based on its internal rules and performs certain actions relating to the security of the loans if necessary.

10. OTHER ASSETS

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accrued income	¥3,110	¥3,079	$25,411
Other	53,425	59,024	436,514
	¥56,535	¥62,103	$461,925

11. PREMISES AND EQUIPMENT

Premises and equipment as at 31 March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Land	¥8,319	¥8,670	$67,971
Buildings	35,177	35,425	287,417
Equipment	9,214	8,301	75,284
Leased assets	80	80	654
Other	542	959	4,429
	53,332	53,435	435,755
Accumulated depreciation	37,569	37,256	306,962
	¥15,763	¥16,179	$128,793

To conform with the Companies Act of Japan, deferred gains on sale of real estate in the amount of ¥788 million ($6,438 thousand) and ¥805 million as at 31 March 2022 and 2021, respectively, were deducted from the acquisition cost of premises and equipment.

12. INTANGIBLE ASSETS

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Software	¥2,077	¥1,256	$16,970
Leased assets	44	60	360
Other	118	190	964
	¥2,239	¥1,506	$18,294

13. DEPOSITS

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits	¥55,812	¥56,518	$456,018
Ordinary deposits	2,100,109	2,079,462	17,159,155
Deposits at notice	1,179	2,473	9,633
Time deposits	960,939	996,537	7,851,450
Other deposits	43,527	67,264	355,642
Negotiable certificates of deposit	282,526	212,646	2,308,408
	¥3,444,092	¥3,414,900	$28,140,306

14. OTHER LIABILITIES

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accrued income taxes	¥617	¥2,032	$5,041
Accrued expenses	1,771	1,905	14,470
Unearned income	657	597	5,368
Lease obligations	1,462	1,359	11,945
Other	22,106	24,146	180,620
	¥26,613	¥30,039	$217,444

15. CONTINGENT LIABILITIES, ACCEPTANCES AND GUARANTEES

All contingent liabilities including letters of credit, acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown on the asset side, which represent the Group's right of indemnity from customers.

The amount of guarantee obligation for privately placed bonds (Financial Instruments and Exchange Act, Article 2, Paragraph 3), out of bonds included in securities, stood at ¥15,807 million ($129,153 thousand) as at 31 March 2022 compared with ¥11,316 million as at 31 March 2021.

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Group has adopted funded and unfunded defined benefit plans to prepare for the employees' retirement benefits. In addition, as of 1 April 2016, the Bank transferred part of the defined benefit plans (excluding the portion for vested pensioners in a waiting period and current pensioners) to defined contribution plans.

Under the defined benefit pension plan, which is a funded plan, employees receive lump-sum payments or pensions based on salaries and service periods; additionally, under this plan, a cash balance plan has been introduced. Each beneficiary has a hypothetical individual account under the defined benefit pension plan, where contributions by the Bank and source of pension payments for each beneficiary are accumulated. In hypothetical individual accounts, interest credits based on trends in market interest rates and benefit credits based on the salary level are accumulated. In addition, the Bank has set up retirement benefit trusts related to the defined benefit pension plan.

Under the lump-sum retirement benefit plan (an unfunded plan that has become a funded plan as a result of setting up retirement benefit trusts.), predetermined points based on years of service and ability-based grade / job title are given to each beneficiary annually, and employees receive lump-sum payments, which are calculated by multiplying the unit price of points with the accumulated points at the time of retirement, as retirement benefits.

A consolidated subsidiary adopts the simplified method in calculating net defined benefit liability and retirement benefit expenses.

Defined benefit plans

(i) Change in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥24,594	¥25,132	$200,948
Service costs (including the amount of employee contributions)	683	685	5,581
Interest costs	106	108	866
Actuarial differences	864	70	7,059
Retirement benefits paid	(1,217)	(1,401)	(9,944)
Balance at the end of the year	¥25,030	¥24,594	$204,510

Note: Since the consolidated subsidiaries, which adopt the simplified method, are insignificant, the net defined benefit liability, retirement benefit expenses and retirement benefits paid are included in the accounts above. All retirement benefit expenses are included in service costs.

(ii) Change in plan assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥28,594	¥26,346	$233,630
Expected return on plan assets	732	659	5,981
Actuarial differences	(358)	2,212	(2,925)
Employer contributions	1,512	112	12,354
Employee contributions	52	52	425
Retirement benefits paid	(780)	(787)	(6,373)
Balance at the end of the year	¥29,752	¥28,594	$243,092

(iii) Reconciliation of projected benefit obligation and plan assets with net defined benefit liability (asset)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded projected benefit obligation	¥24,746	¥24,306	$202,190
Plan assets	(29,752)	(28,594)	(243,092)
	(5,006)	(4,288)	(40,902)
Unfunded projected benefit obligation	284	288	2,320
Net liability (asset) recognized in consolidated balance sheets	¥(4,722)	¥(4,000)	$(38,582)
Net defined benefit liability	799	1,812	6,528
Net defined benefit asset	(5,521)	(5,812)	(45,110)
Net liability (asset) recognized in consolidated balance sheets	¥(4,722)	¥(4,000)	$(38,582)

Note: The table above includes the plans to which the simplified method is applied.

(iv) Retirement benefit expenses and their breakdown

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service costs (excluding the amount of employee contributions)	¥631	¥634	$5,156
Interest costs	106	108	866
Expected return on plan assets	(732)	(659)	(5,981)
Amortization of actuarial differences	154	445	1,258
Retirement benefit expenses	¥159	¥528	$1,299

Note: The retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are included in service costs.

(v) Remeasurements of defined benefit plans in other comprehensive income

The component of items recognized in remeasurements of defined benefit plans (pretax) in other comprehensive income was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial differences	¥(1,068)	¥2,587	$(8,726)
Total	¥(1,068)	¥2,587	$(8,726)

(vi) Remeasurements of defined benefit plans in accumulated other comprehensive income

The component of items recognized in remeasurements of defined benefit plans (pretax) in accumulated other comprehensive income was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial differences	¥ (1,770)	¥ (702)	$(14,462)
Total	¥ (1,770)	¥ (702)	$(14,462)

(vii) Plan assets

(a) Percentage by major category of plan assets are as follows:

	2022	2021
Bonds	56%	55%
Equities	17%	29%
General account	13%	13%
Cash and deposits	14%	3%
Total	100%	100%

Retirement benefit trusts set up for defined benefit pension plans accounted for 19% and 20% of total plan assets for the years ended 31 March 2022 and 2021, respectively. In addition, retirement benefit trusts set up for the lump-sum retirement benefit plans accounted for 27% and 24% of total plan assets for the years ended 31 March 2022 and 2021, respectively.

(b) Procedure for determining long-term expected rate of return on plan assets

In determining a long-term expected rate of return on plan assets, the Bank considers the current and projected asset allocations, as well as a current and future long-term expected rate of return for various categories of the plan assets.

(viii) Basis for calculation of actuarial assumptions

The basis for calculation of actuarial assumptions (presented as a weighted-average rate for discount rate and long-term expected rate of return on plan assets) for the years ended 31 March 2022 and 2021 is as follows:

	2022	2021
Discount rate	0.4%	0.4%
Long-term expected rate of return on plan assets	2.5%	2.5%
Expected salary increase rate in defined benefit plans	3.9%	3.9%
Expected salary increase rate in lump-sum retirement benefit plans	7.8%	7.4%

The contributions made by the Bank to defined contribution plans were ¥124 million ($1,013 thousand) and ¥124 million for the years ended 31 March 2022 and 2021, respectively.

17. INCOME TAXES

The Group is subject to a number of taxes based on income such as corporation, inhabitant and enterprise taxes, which, in the aggregate, indicated a statutory tax rate in Japan of approximately 30.4% and 30.4% for the years ended 31 March 2022 and 2021, respectively.

Significant components of the Group's deferred tax assets and liabilities as at 31 March 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for doubtful accounts	¥4,402	¥4,219	$35,967
Net defined benefit liability	2,495	2,292	20,386
Accumulated depreciation	1,248	1,246	10,197
Securities	424	369	3,464
Deferred hedge	1,094	1,443	8,939
Other	1,410	1,282	11,520
Subtotal	11,073	10,851	90,473
Valuation allowance (*)	(3,964)	(3,204)	(32,388)
Total deferred tax assets	7,109	7,647	58,085
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(9,514)	(14,182)	(77,735)
Deferred gains on sale of real estate	(395)	(407)	(3,227)
Other	(6)	(1)	(50)
Total deferred tax liabilities	(9,915)	(14,590)	(81,012)
Net deferred tax liabilities	¥(2,806)	¥(6,943)	$(22,927)

(*) Valuation allowance increased by ¥760 million ($6,210 thousand) in the year ended 31 March 2022. The main reason of this increase was the recognition of valuation allowance for the portion of deductible temporary differences related to allowance for doubtful accounts incurred in the current fiscal year at the Bank and its consolidated subsidiaries that was not expected to be realized in the reasonably estimated period in the future.

The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the years ended 31 March 2022 and 2021.

	2022	2021
Statutory tax rate	30.4%	30.4%
Non-deductible expenses	0.3	0.4
Non-taxable income	(1.0)	(1.3)
Per capita inhabitant taxes	0.6	0.7
Valuation allowance	10.9	16.6
Other, net	0.0	0.9
Effective tax rate	41.2%	47.7%

18. NET ASSETS

Under the Companies Act and the Banking Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by a resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Companies Act and the Banking Act provide that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the board of directors. On the condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or exceeds 100% of common stock, it is available for distribution by a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Companies Act.

The number of treasury stock held by the Group was 1,190 thousand shares as at 31 March 2022 and 903 thousand shares as at 31 March 2021.

19. STOCK OPTIONS

1. Share-based compensation expenses accounted for as general and administrative expenses

The balances of stock acquisition rights granted for the stock option plan were ¥293 million ($2,394 thousand) and ¥252 million as at 31 March 2022 and 2021, respectively.

Share-based compensation expenses accounted for as general and administrative expenses for the years ended 31 March 2022 and 2021 amounted to ¥47 million ($384 thousand) and ¥48 million, respectively.

2. Details of stock options, volume and activity

(a) Details of stock options

	2013 stock option plan	2014 stock option plan	2015 stock option plan	2016 stock option plan
Title and number of grantees	Directors of the Bank: 9	Directors of the Bank: 9	Directors of the Bank: 9	Directors of the Bank: 9
Number of stock options by type of shares	Common stock: 13,400 shares	Common stock: 10,400 shares	Common stock: 9,100 shares	Common stock: 12,100 shares
Grant date	24 July 2013	24 July 2014	23 July 2015	25 July 2016
Condition for vesting	Not applicable	Not applicable	Not applicable	Not applicable
Requisite service period	Not applicable	Not applicable	Not applicable	Not applicable
Exercise period	From 25 July 2013 to 24 July 2043	From 25 July 2014 to 24 July 2044	From 24 July 2015 to 23 July 2045	From 26 July 2016 to 25 July 2046

	2017 stock option plan	2018 stock option plan	2019 stock option plan	2020 stock option plan
Title and number of grantees	Directors of the Bank: 9	Directors of the Bank: 7	Directors of the Bank: 7	Directors of the Bank: 7
Number of stock options by type of shares	Common stock: 11,100 shares	Common stock: 10,200 shares	Common stock: 14,500 shares	Common stock: 18,600 shares
Grant date	26 July 2017	25 July 2018	25 July 2019	27 July 2020
Condition for vesting	Not applicable	Not applicable	Not applicable	Not applicable
Requisite service period	Not applicable	Not applicable	Not applicable	Not applicable
Exercise period	From 27 July 2017 to 26 July 2047	From 26 July 2018 to 25 July 2048	From 26 July 2019 to 25 July 2049	From 28 July 2020 to 27 July 2050

	2021 stock option plan
Title and number of grantees	Directors of the Bank: 7
Number of stock options by type of shares	Common stock: 28,000 shares
Grant date	27 July 2021
Condition for vesting	Not applicable
Requisite service period	Not applicable
Exercise period	From 28 July 2021 to 27 July 2051

Note: Reported in terms of shares of stock.

(b) Volume and activity

The following describes volume and activity that existed during the year ended 31 March 2022. The number of stock options is reported in terms of shares of stock.

(i) Number of stock options

	2013 stock option plan	2014 stock option plan	2015 stock option plan	2016 stock option plan
Before vesting (shares):				
As at 31 March 2021	6,400	5,600	4,800	7,200
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	6,400	5,600	4,800	7,200
After vesting (shares):				
As at 31 March 2021	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding	—	—	—	—

	2017 stock option plan	2018 stock option plan	2019 stock option plan	2020 stock option plan
Before vesting (shares):				
As at 31 March 2021	6,800	7,800	13,400	18,600
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	1,100	1,300
Outstanding	6,800	7,800	12,300	17,300
After vesting (shares):	—	—	—	—
As at 31 March 2021	—	—	—	—
Vested	—	—	1,100	1,300
Exercised	—	—	1,100	1,300
Forfeited	—	—	—	—
Outstanding	—	—	—	—

	2021 stock option plan
Before vesting (shares):	
As at 31 March 2021	—
Granted	28,000
Forfeited	—
Vested	—
Outstanding	28,000
After vesting (shares):	—
As at 31 March 2021	—
Vested	—
Exercised	—
Forfeited	—
Outstanding	—

(ii) Price information

	2013 stock option plan	2014 stock option plan	2015 stock option plan	2016 stock option plan
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average exercise price	¥— ($—)	¥— ($—)	¥— ($—)	¥— ($—)
Fair value at the grant	¥4,119 ($33.65)	¥4,437 ($36.25)	¥5,287 ($43.20)	¥4,032 ($32.94)

	2017 stock option plan	2018 stock option plan	2019 stock option plan	2020 stock option plan
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average exercise price	¥— ($—)	¥— ($—)	¥1,697 ($13.87)	¥1,697 ($13.87)
Fair value at the grant	¥4,178 ($34.14)	¥4,439 ($36.27)	¥2,693 ($22.00)	¥2,578 ($21.06)

	2021 stock option plan
Exercise price	¥1 ($0.01)
Average exercise price	¥— ($—)
Fair value at the grant	¥1,664 ($13.60)

3. Valuation method for fair value of stock options

The valuation methods for fair value of stock options granted in the year ended 31 March 2022 were as follows:

(a) Valuation method: Black-Scholes formula

(b) Major basic numerical values and valuation method

	2021 stock option plan
Stock price volatility (*1)	32.6%
Expected years to expiration (*2)	0.7 years
Expected dividends (*3)	¥60 ($0.49) per share
Risk-free interest rate (*4)	(0.13)%

Notes:*1. Stock price volatility is calculated based on the actual stock prices from 9 November 2020 to 19 July 2021.

*2. As a rational estimation is difficult due to the insufficient amount of historical data, expected years to expiration are determined by the estimated average remaining service period.

*3. Expected dividends are determined based on actual dividends for the year ended 31 March 2021.

*4. Risk-free interest rate is the Japanese government bond yield corresponding to the expected years to expiration.

4. Estimation method for the number of vested stock options

Since it is difficult to make a reasonable estimate on the number of stock options that will be forfeited in the future, the actual number of forfeited stock options is reflected in the estimation.

20. OTHER OPERATING INCOME AND EXPENSES

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Other operating income:			
Gain on trading account securities transactions	¥0	¥0	$0
Gain on sale of bonds	39	145	319
Gain on financial instruments	21	161	172
Other	4,657	4,295	38,050
	¥4,717	¥4,601	$38,541

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Other operating expenses:			
Loss on sale of bonds	¥185	¥136	$1,512
Loss on redemption of bonds	817	639	6,675
Other	4,218	4,056	34,464
	¥5,220	¥4,831	$42,651

21. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Salaries and allowances	¥10,476	¥10,578	$85,595
Fringe benefits and welfare	2,861	2,880	23,376
Retirement benefit expenses	283	650	2,312
Depreciation for premises and equipment	1,992	1,695	16,276
Rental expenses	748	780	6,112
Taxes other than income taxes	1,316	1,526	10,753
Deposit insurance premium	917	929	7,492
Other expenses	6,260	6,435	51,148
	¥24,853	¥25,473	$203,064

22. OTHER INCOME AND EXPENSES

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Other income:			
Gain on sale of stocks and other securities	¥3,141	¥3,659	$25,664
Gain on disposal of premises and equipment	4	25	33
Other	368	767	3,006
	¥3,513	¥4,451	$28,703

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Other expenses:			
Provision for allowance for doubtful accounts	¥1,187	¥3,975	$9,699
Loss on disposal of premises and equipment	116	105	948
Loss on devaluation of stocks and other securities	308	189	2,516
Loss on sale of stocks and other securities	326	182	2,664
Impairment losses	645	537	5,270
Loss on money held in trust	132	41	1,078
Loss on transfer of receivables	212	20	1,732
Other	78	180	637
	¥3,004	¥5,229	$24,544

23. LEASE TRANSACTIONS

A. Finance leases

(a) As lessee

(1) Finance leases that transfer the ownership

(i) Details of leased assets

Premises and equipment:

Not applicable

Intangible assets:

Mainly consist of software for the branch operating system

(ii) Depreciation and amortization methods of leased assets

Depreciation and amortization methods of leased assets are described in Note 2. Depreciation and amortization methods, (3) Leased assets.

(2) Finance leases other than those that transfer the ownership

(i) Details of leased assets

Premises and equipment:

Mainly consist of equipment for the branch operating system

Intangible assets:

Mainly consists of software for the branch operating system

(ii) Depreciation and amortization methods of leased assets

Depreciation and amortization methods of leased assets are described in Note 2. Depreciation and amortization methods, (3) Leased assets.

(3) Current portion of lease obligations and lease obligations (excluding current portion) as at 31 March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)
	2022	2021	2022	2022
Current portion of lease obligations	¥499	¥476	$4,077	2.37%
Lease obligations (excluding current portion)	963	883	7,868	2.42%
	¥1,462	¥1,359	$11,945	

Note: The average interest rate represents the weighted-average rate applicable to the year-end balance.

The aggregate annual maturities of lease obligations are summarized as follows:

Year ending 31 March	Millions of yen	Thousands of U.S. dollars
	2022	2022
2023	¥499	$4,077
2024	383	3,129
2025	273	2,231
2026	170	1,389
2027 and thereafter	137	1,119

Year ending 31 March	Millions of yen
	2021
2022	¥476
2023	350
2024	265
2025	168
2026 and thereafter	100

B. Operating leases

(a) As lessee

There were no future lease payments under non-cancelable operating leases as at 31 March 2022 and 2021.

(b) As lessor

Future lease receivables under non-cancelable operating leases as at 31 March 2022 were ¥230 million ($1,879 thousand) including ¥24 million ($196 thousand) due within one year.

Future lease receivables under non-cancelable operating leases as at 31 March 2021 were ¥257 million including ¥27 million due within one year.

24. COMPREHENSIVE INCOME

Reclassification adjustments and tax effect amounts of other comprehensive income (losses) for the years ended 31 March 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized holding gains (losses) on available-for-sale securities:			
Amount for the year	¥(13,028)	¥17,523	$(106,446)
Reclassification adjustment	(2,408)	(3,656)	(19,675)
Amount before tax effect	(15,436)	13,867	(126,121)
Tax effect amount	4,677	(4,092)	38,213
Net unrealized holding gains (losses) on available-for-sale securities	(10,759)	9,775	(87,908)
Net unrealized gains (losses) on hedging derivatives:			
Amount for the year	631	619	5,156
Reclassification adjustment	516	529	4,216
Amount before tax effect	1,147	1,148	9,372
Tax effect amount	(348)	(349)	(2,843)
Net unrealized gains (losses) on hedging derivatives	799	799	6,529
Remeasurements of defined benefit plans:			
Amount for the year	(1,222)	2,142	(9,984)
Reclassification adjustment	154	445	1,258
Amount before tax effect	(1,068)	2,587	(8,726)
Tax effect amount	324	(786)	2,647
Remeasurements of defined benefit plans	(744)	1,801	(6,079)
Total other comprehensive income (losses)	¥ (10,704)	¥ 12,375	$(87,458)

25. PER SHARE DATA

Amounts per share as at 31 March 2022 and 2021 and for the years then ended are as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥11,166.80	¥11,445.57	$91.24
Net income per share	235.91	164.64	1.93
Diluted net income per share	234.74	164.03	1.92

Amounts per share were calculated based on the following:

	Millions of yen or thousands of shares		Thousands of U.S. dollars
	2022	2021	2022
Net assets per share:			
Total net assets	¥193,565	¥201,631	$1,581,543
Amount to be deducted from total net assets	293	252	2,394
Stock acquisition rights	293	252	2,394
Net assets at the end of the fiscal year attributed to common stock	193,272	201,379	1,579,149
Number of shares of common stock at the end of the fiscal year used in computing net assets per share attributed to common stock	17,308	17,594	
Net income per share:			
Net income attributable to owners of parent	4,126	2,896	33,712
Net income attributable to owners of parent attributed to common stock	4,126	2,896	33,712
Average number of shares of common stock during the year	17,490	17,594	
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share	88	66	
Compensation-type stock options	88	66	

26. SEGMENT INFORMATION

(1) Reportable segment information

a. Description of reportable segments

The Group’s reportable segments are those components of the Group for which separate financial information is available and whose operating results are regularly reviewed by the board of directors to decide on the allocation of resources and assess business performance.

The principal business of the Group is financial services primarily focused on domestic commercial banking business. The Group has three reportable segments — “Commercial banking business,” “Leasing business” and “Credit card and credit guarantee business” — classified by type of financial services.

“Commercial banking business” consists of deposits, loans, securities investment and foreign exchange operations.

“Leasing business” consists of leasing and computer processing contracted business.

“Credit card and credit guarantee business” consists of credit card and guarantee business.

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

The accounting policies for each reportable segment are consistent with those disclosed under "2. SIGNIFICANT ACCOUNTING POLICIES."

Segment profit is adjusted with ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest.

Intersegment income is based on the prevailing market price.

c. Revenue recognition

Information on disaggregation of revenue from contracts with customers is as presented in the table in d. below.

d. Information about income, profit (loss), assets, liabilities and other items, and information on disaggregation of revenue for each reportable segment

	2022							
	Millions of yen							
	Reportable segment							
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total	Adjustments	Consolidated
Ordinary income:								
Revenue from contracts with customers	¥6,958	¥420	¥103	¥7,481	¥277	¥7,758	¥ -	¥7,758
Revenue from other sources	31,430	4,225	1,015	36,670	37	36,707	(186)	36,521
Income from external customers	38,388	4,645	1,118	44,151	314	44,465	(186)	44,279
Intersegment income	736	94	440	1,270	64	1,334	(1,334)	-
Total	39,124	4,739	1,558	45,421	378	45,799	(1,520)	44,279
Segment profit (loss)	8,124	(463)	716	8,377	43	8,420	(651)	7,769
Segment assets	3,918,950	13,307	9,697	3,941,954	246	3,942,200	(21,940)	3,920,260
Segment liabilities	3,729,841	9,947	3,585	3,743,373	54	3,743,427	(16,732)	3,726,695
Other items:								
Depreciation	1,987	15	1	2,003	1	2,004	-	2,004
Interest income	27,929	0	40	27,969	0	27,969	(695)	27,274
Interest expense	777	42	1	820	-	820	(43)	777
Provision for income taxes	2,673	2	192	2,867	19	2,886	-	2,886
Increase in premises and equipment and intangible assets	2,951	0	1	2,952	3	2,955	1	2,956

Notes 1. Ordinary income is stated instead of net sales of non-banking industries. Ordinary income other than revenue arising from contracts with customers includes revenue based on the "Accounting Standards for Financial Instruments" (ASBJ Standard No. 10), such as loans and securities investment operations.

2. "Others" are business segments not included in the reportable segments, and include the consulting business and regional trading company business.

3. "Adjustments" are as follows.

(1) The adjustments for income from external customers are primarily adjustments for provision for allowance for doubtful accounts.

(2) The adjustments for segment profit (loss) are primarily elimination of intersegment transactions.

(3) The adjustments for segment assets are primarily elimination of intersegment transactions and adjustments for net defined benefit assets.

(4) The adjustments for segment liabilities are primarily elimination of intersegment transactions and adjustments for net defined benefit liability.

(5) The adjustments for interest income are primarily elimination of intersegment transactions.

4. Segment profit (loss) is adjusted with ordinary profit in the consolidated statements of income.

	2021							
	Millions of yen							
	Reportable segment							
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total	Adjustments	Consolidated
Ordinary income:								
Income from external customers	¥39,870	¥4,301	¥1,318	¥45,489	¥152	¥45,641	¥(323)	¥45,318
Intersegment income	337	263	454	1,054	46	1,100	(1,100)	—
Total	¥40,207	¥4,564	¥1,772	¥46,543	¥198	¥46,741	¥(1,423)	¥45,318
Segment profit (loss)	5,542	(32)	879	6,389	0	6,389	(233)	6,156
Segment assets	3,838,826	12,794	9,963	3,861,583	199	3,861,782	(20,820)	3,840,962
Segment liabilities	3,643,048	8,810	3,797	3,655,655	30	3,655,685	(16,354)	3,639,331
Other items:								
Depreciation	1,682	39	1	1,722	-	1,722	-	1,722
Interest income	28,298	0	44	28,342	0	28,342	(288)	28,054
Interest expense	875	37	1	913	-	913	(37)	876
Provision for income taxes	2,404	4	232	2,640	3	2,643	-	2,643
Increase in premises and equipment and intangible assets	1,700	4	0	1,704	-	1,704	1	1,705

Notes 1. Ordinary income is stated instead of net sales of non-banking industries.

2. “Others” are business segments not included in the reportable segments, and include the consulting business and regional trading company business.

3. “Adjustments” are as follows.

(1) The adjustments for income from external customers are primarily adjustments for provision for allowance for doubtful accounts.

(2) The adjustments for segment profit (loss) are primarily elimination of intersegment transactions.

(3) The adjustments for segment assets are primarily elimination of intersegment transactions and adjustments for net defined benefit assets.

(4) The adjustments for segment liabilities are primarily elimination of intersegment transactions and adjustments for net defined benefit liability.

(5) The adjustments for interest income are primarily elimination of intersegment transactions.

4. Segment profit (loss) is adjusted with ordinary profit in the consolidated statements of income.

	2022							
	Thousands of U.S. dollars							
	Reportable segment							
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total	Adjustments	Consolidated
Ordinary income:								
Revenue from contracts with customers	$56,851	$3,431	$842	$61,124	$2,264	$63,388	$ -	$63,388
Revenue from other sources	256,802	34,521	8,293	299,616	302	299,918	(1,520)	298,398
Income from external customers	313,653	37,952	9,135	360,740	2,566	363,306	(1,520)	361,786
Intersegment income	6,014	768	3,595	10,377	523	10,900	(10,900)	-
Total	319,667	38,720	12,730	371,117	3,089	374,206	(12,420)	361,786
Segment profit (loss)	66,378	(3,783)	5,850	68,445	351	68,796	(5,319)	63,477
Segment assets	32,020,181	108,726	79,231	32,208,138	2,010	32,210,148	(179,263)	32,030,885
Segment liabilities	30,475,047	81,273	29,292	30,585,612	441	30,586,053	(136,711)	30,449,342
Other items:								
Depreciation	16,235	123	8	16,366	8	16,374	-	16,374
Interest income	228,197	0	327	228,524	0	228,524	(5,679)	222,845
Interest expense	6,349	343	8	6,700	-	6,700	(351)	6,349
Provision for income taxes	21,840	16	1,569	23,425	155	23,580	-	23,580
Increase in premises and equipment and intangible assets	24,111	0	8	24,119	25	24,144	8	24,152

(2) Other segment-related information

a. Information by service

Information by service for the years ended 31 March 2022 and 2021 is as follows:

	2022			
	Millions of yen			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	¥17,259	¥12,715	¥14,305	¥44,279

	2021			
	Millions of yen			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	¥17,338	¥14,431	¥13,549	¥45,318

	2022			
	Thousands of U.S. dollars			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	$141,016	$103,889	$116,881	$361,786

Note: Ordinary income is stated instead of net sales of non-banking industries.

b. Information by geographic region

i. Ordinary income

Information on ordinary income from domestic customers for the years ended 31 March 2022 and 2021 was omitted, because the amount of ordinary income from domestic customers was more than 90% of consolidated ordinary income.

ii. Premises and equipment

Information on premises and equipment for the years ended 31 March 2022 and 2021 was omitted, because there were no premises and equipment located abroad.

c. Major customers' segment information

Segment information on major customers was not shown for the years ended 31 March 2022 and 2021, since no customer accounted for more than 10% of ordinary income in the consolidated statements of income.

d. Information on impairment of fixed assets for each reportable segment

	2022					
	Millions of yen					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	¥485	¥154	¥6	¥645	¥—	¥645

	2021					
	Millions of yen					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	¥537	¥—	¥—	¥537	¥—	¥537

	2022					
	Thousands of U.S. dollars					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	$3,963	$1,258	$49	$5,270	$—	$5,270

e. Segment information on amortization of goodwill and its remaining balance

There is no information to be reported on amortization of goodwill and its remaining balance for the years ended 31 March 2022 and 2021.

f. Information on gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill for the years ended 31 March 2022 and 2021.

27. RELATED PARTY TRANSACTIONS

(1) Related party transactions

a. Transactions between the Bank and related parties

Transactions with executive officers of the Bank and major shareholders (limited to individuals) and others

There is no significant transaction with executive officers of the Bank and major shareholders to be disclosed for the years ended 31 March 2022 and 2021.

b. Transactions between the Bank's consolidated subsidiaries and related parties

There is no significant transaction to be disclosed between the Bank's consolidated subsidiaries and related parties for the years ended 31 March 2022 and 2021.

(2) Notes to the Bank's parent company and significant affiliates

There is no information to be reported on the notes to the Bank's parent company and significant affiliates for the years ended 31 March 2022 and 2021.

28. SUBSEQUENT EVENTS

Cash dividends

On 22 June 2022, the shareholders of the Bank authorized the following appropriation of retained earnings as at 31 March 2022:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥50 ($0.41) per share for year end)	¥865	$7,068

Note: The dividends per share includes a commemorative dividend of ¥10 in celebration of the 90th anniversary of the Bank's founding.

KPMG

Independent auditor’s report

To the Board of Directors of The Bank of Iwate, Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of The Bank of Iwate, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the determination of the borrower category of corporate customers and the reasonableness of the estimate of cash flows used in the DCF method

The key audit matter	How the matter was addressed in our audit
The Group recognized loans and bills discounted of ¥1, 943,177 million (49.6% of total assets) and allowance for doubtful accounts of ¥15, 574 million in the current consolidated balance sheet. Of these amounts, loans and bills discounted of ¥1,	The primary procedures we performed to assess the appropriateness of the determination of the borrower category of corporate customers and the reasonableness

950,020 million and allowance for doubtful accounts of ¥11, 845 million (both include intra-group loans to consolidated subsidiaries and allowance for doubtful accounts for consolidated subsidiaries) were recognized by the Company, the parent company. The majority of the allowance for doubtful accounts was for loans to corporate customers. As described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, Allowance for doubtful accounts" to the consolidated financial statements, the Company reviews the loan assets based on its internally established rules for self-assessment of assets, and recognizes an allowance for doubtful accounts based on the category of borrowers determined in accordance with its criteria for write-offs and reserves, which include the estimate using the discounted cash flow (DCF) method. As described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, Significant accounting estimates" the corporate customers of the Company are categorized based on quantitative information such as the borrowers' financial information, as well as taking into account qualitative factors. Specifically, the Company assesses the borrowers' solvency based on their substantive financial condition, cash flows and profitability. The Company also comprehensively takes into account the borrowers' business sustainability, future profitability, ability to repay debts based on their cash flows, the reasonableness and feasibility of their business improvement plans and support from other financial institutions, among others, to determine the category of borrowers in light of their industry/sector specific characteristics. Accordingly, the determination requires management's judgment. A change in the category of a large borrower, in particular, may have a material effect on the amount of allowance for doubtful accounts to be recognized in the consolidated financial statements. Therefore, a heightened level of judgment is required for large borrowers whose credit risk could possibly change significantly, should their internal or	of the estimate of cash flows used in the DCF method included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing allowance for doubtful accounts, with a particular focus on the following: ● Determination of the category of borrowers considering qualitative factors ● Estimate of cash flows used in the DCF method **(2) Assessment of the appropriateness of determination of the category of borrowers** In order to assess whether borrowers were appropriately categorized, we selected certain borrowers to test individually, based on both quantitative and qualitative factors. While quantitative factors included the possible effect on the amount of allowance for doubtful accounts from inappropriate categorization, qualitative factors included the determination of whether a significant change to their credit risk rating is expected, should their internal or external economic environment, including the impact of COVID-19, change. In order to assess whether the corporate customers selected through the process above were categorized appropriately, we: ● inspected the results of the analysis performed by the Company on the borrowers' financial information and others, as well as documents used in the categorization of the borrowers, including qualitative information; ● inquired of personnel in the relevant departments (Business branches, the Loan Supervision Department, and the Risk Management Division) of the Company regarding the current situation and future outlook of the borrowers, among others; and ● assessed the appropriateness of significant assumptions used in their business improvement plans and the feasibility of key measures, taking into account past results, external environment factors, and their businesses, and checked the progress of the plans. **(3) Assessment of the reasonableness of the**

external economic environment, including the impact of COVID-19, change. In addition, as described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, Significant accounting estimates" to the consolidated financial statements, in the current fiscal year the Company recognized an additional allowance for doubtful accounts of ¥1,756 million after applying the DCF method to loans related to large potentially bankrupt borrowers whose unsecured amount exceeded a certain level. The estimate of cash flows used in the DCF method highly relies on management's assessment of the repayment plans of borrowers, among others, and involves a high degree of uncertainty. We, therefore, determined that our assessment of the appropriateness of the determination of the borrower category of corporate customers and the reasonableness of the estimate of cash flows used in the DCF method were of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	**estimate of cash flows used in the DCF method** In order to assess whether the estimate of cash flows used in the DCF method was reasonable, we assessed the solvency of borrowers to which the DCF method was applied by comparing their future cash flows with repayment histories and taking into account their repayment resources and schedules.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

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

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Miyata Seiki
Designated Engagement Partner
Certified Public Accountant

Jingu Atsuhiko
Designated Engagement Partner
Certified Public Accountant

Narushima Toru
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Sendai Office, Japan
September 27, 2022

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Annual Report

2022

The Bank of Iwate,Ltd. Annual Report

THE BANK OF IWATE, LTD.

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