Annual Report 2023

The Bank of Iwate,Ltd. Annual Report

THE BANK OF IWATE, LTD.

1 Management Policy, Business Environment, and Issues to be Addressed

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.

2. Business Environment

The current business environment surrounding regional financial institutions is characterized by the decline of traditional business models that depend on deposits and loans due to prolonged low interest rates, as well as the need to respond to changes such as the entry of companies from other industries and the expansion of online banking. In addition, the environment is changing at a dizzying pace and is difficult to predict, as efforts to address climate change are becoming increasingly global, prices of food, fuel, materials, and other items are rising, and new technologies such as the cashless system and AI are developing.

In Iwate Prefecture, the Bank's main base of operations, we are seeing an increase in business closures and dissolutions and a decline in business establishments because of population outflow to urban areas, shortage of workers, and lack of successors, and these challenges are manifesting and becoming even more serious.

On the other hand, Iwate Prefecture, in addition to its rich natural environment, is one of the few prefectures that maintain a food self-sufficiency rate of more than 100%, and its presence as a production and supply base for food and energy is growing.

Moreover, in the southern part of the prefecture, industrial hubs of semiconductor and automobile industries have been growing, while in the northern part of the prefecture, moves toward the realization of a regional recycling and symbiosis zone utilizing regional energy, forests, and marine resources are accelerating. In this way, industrial structural change and socioeconomic transformation is underway throughout the prefecture. In terms of tourism, Iwate Prefecture has a great deal to offer, with three World Heritage sites registered, the most of any prefecture in Japan, and Morioka City, the prefectural capital, selected by the New York Times as one of "52 Places to Visit in 2023."

3. Issues to be Addressed

(1) Long-term vision

Under these circumstances, the Bank has formulated its new long-term vision for the next 10 years, starting in FY2023, as becoming "a company of value co-creation that will solve our customers' issues and drive the sustainable growth of the local community." This long-term vision is based on our picture of what an ideal community should be for locals and our customers, in terms of liveliness and security, presence of attractive companies, and a financial infrastructure that is both familiar and convenient, and embodies how the Group wishes to be in order to realize this concept.

The Group, while coordinating with regional business operators and local governments, will not only seize opportunities created by the industrial structural change, but will also leverage the strengths of Iwate's unique regional resources, such as renewable energy, agriculture, forestry and fisheries, and tourism, to further draw out its potential, thereby generating new value for the region and realizing a rich, vibrant, and sustainable regional society.

(2) New Medium-term Management Plan

Overview of the New Medium-term Management Plan

To realize our long-term vision, we launched the 21st Medium-Term Management Plan – Regional Value Co-Creation Plan – (the "Plan") covering the three years from April 2023. Adhering to the philosophy of CSV (creation of shared value), the Plan positions the next three years as a period to deepen the financial services domain and take on the challenge of new business areas that go beyond the framework of finance, based on the management foundation that has been built up through the improvement of the Group's foundation and business restructuring that were undertaken in the previous medium-term management plan. As the first phase of achieving our long-term goals of ¥10.0 billion in consolidated net income and 5% ROE, we will create a profit growth trajectory through the effective use of our high level of equity capital and the transformation of our business portfolio.

Basic Policies of the Plan

As a period for creating an evolved form of finance that supports the community, the Plan consists of the following three basic policies.

Basic Policy I: Advancement of social solution business

The Bank will build a system capable of leading the revitalization and development of local economies and providing a comprehensive range of solutions while maximizing our core business of the financial intermediary function. Additionally, we will provide high value-added financial services through the use of high-quality data and cross-industry collaboration, while expanding our business portfolio to include local decarbonization efforts and new business areas.

Basic Policy II: Establishment of a solid management foundation to support the region

We will strengthen our asset business by optimizing capital allocation, improve management efficiency through DX promotion, and decisively implement business restructuring and cost structure reforms. In addition, based on the current comprehensive financial group structure, we will form a new group of companies that will support the region's cyclical economy, emphasize dialogue with stakeholders, and establish a high level of corporate governance.

Basic Policy III: Create an organization in which diverse human resources can continue to work in a rewarding environment

In addition to actively investing in human resources so that we may nurture professional human resources capable of solving local issues and promote individual growth, we will strive to create an organization in which all employees can continue to have pride and job satisfaction and work with peace of mind by instilling a corporate culture with motivating challenges.

Key Performance Indicators (New Medium-Term Management Plan, Long-term Targets)

As the first phase toward achieving our long-term targets, we have set the following major numerical targets and will work on various measures.

Indicator	FY2022 results	FY2025 targets	Long-term targets (up to FY2032)
Consolidated net income	¥5.3 billion	¥7.0 billion	¥10.0 billion
Consolidated ROE (based on shareholders' equity)	3.0%	Over 4.0%	Over 5.0%
Consolidated capital ratio	11.64%	Around 10%	–
OHR (non-consolidated)	74.8%	60% levels	–
Customer service business profit	(¥900 million)	Over ¥1.0 billion	–

2 Our Stance on Sustainability and Initiatives Thereof

Below is a description of the Group's stance on sustainability and the initiatives thereof.

1. Sustainability Policy

With the aim of realizing sustainable local communities, The Bank of Iwate Group (hereinafter referred to as "the Group") is committed to creating common environmental, social, and economic value with all stakeholders, including local communities, customers, shareholders, investors, and the Group's employees, through our business activities, while respecting the rights and positions of all.

1. Create a virtuous cycle of "regional economic development" and "enhancement of the corporate value of the Group" through business activities that contribute to solving various issues faced by the community and our business partners.
2. Develop and provide high quality financial functions answering the needs of our customers and local communities, and fulfill our Group's mission of revitalizing local economies and enriching people's lives.
3. As a corporate group with its main base of operations in Iwate Prefecture, which has a rich natural environment, we will practice environmentally-friendly management and aim to achieve both economic growth and environmental preservation.
4. All employees shall perform their duties with high ethical standards, with the aim of establishing a higher level of corporate governance system, such as improving management transparency and strengthening supervisory functions.
5. Based on the recognition that human resources are the source of all value, we will create an environment in which each employee can maximize his/her abilities and realize a work style that respects diversity, personality, and individuality.
6. We will strive to actively and fairly disclose management information and respond to the expectations and trust of our stakeholders through continuous and constructive dialogue.

2. Materiality

In order to realize our new long-term vision toward the 100th anniversary of our founding in 2032, we have identified three growth areas as materiality: “regional development and support for the growth of regional industries,” “providing services and value through the use of data,” and “leading and innovative responses toward the realization of a decarbonized society.” We have also identified “building an organization that maximizes the value of human resources” and “enhancement our corporate governance structure” as the management foundations that will support these areas.

3. Governance

(1) Establishment of the Sustainability Promotion Committee

In August 2021, the Bank endorsed the TCFD (Task Force on Climate-related Financial Disclosures) recommendations to analyze and assess the risks and opportunities that climate change poses to our customers and the Bank, and to achieve carbon neutrality in our community. In August 2022, we established the Sustainability Promotion Committee to facilitate our response to the TCFD recommendations and to contribute to the realization of a sustainable community through discussion and progress management of basic policies and measures related to ESG management.

(2) Sustainability-related meetings held by the Committee and the Board of Directors (August 2022 - March 2023)

Date	Meeting	Main Matters Discussed, Reported Matters, etc.
October 19	1st committee meeting	Items related to sustainability management system, disclosure items related to climate change response, scope and method of CO_2 emissions measurement, method of physical risk and transition risk scenario analysis, proposed financing policy for specific sectors, policy for sustainable finance initiatives, and local decarbonization support measures
January 23	2nd committee meeting	Discussion items from each subcommittee regarding TCFD response, development of sustainability policy, response regarding human capital disclosure, and roadmap for promotion
February 24	Board of Directors meeting	Status of Sustainability Promotion Committee meetings and discussion content, sustainability policy draft, the Group’s greenhouse gas (GHG) reduction policy, methodology and disclosure policy for climate change risk analysis, draft policy for lending to specific sectors, policy for sustainable finance initiatives, measures to support decarbonization in the region, and policy on response to the disclosure of human capital
March 23	Board of Directors meeting	Discussion and decision on the development of policies related to sustainability and the establishment of goals related to addressing climate change
—	Subcommittee	A total of 26 subcommittee meetings in assembly format have been held.

4. Environmental and social issues

(1) Risk management

a. Transition risk

The Bank recognizes that there are risks related to the transition to a decarbonized society in all sectors, not just those sectors of carbon-related assets that are generally considered to have relatively high direct or indirect GHG emissions.

We believe that there are short-, medium-, and long-term risks affecting the financial aspects of the Bank and other companies in terms of policy, regulation, technology, markets, and reputation. For example, the occurrence or increase of carbon taxes and other payments without a reduction in GHG emissions; capital investment and new technologies for decarbonization becoming necessary; and consumers no longer using conventional products and services due to a higher awareness of how these may impact the environment and society.

Against this backdrop, we have calculated the risk amount for the electricity sector, which is expected to be most affected by decarbonization, based on the credit situation at the Bank. The Net Zero Emissions (NZE) by 2050: 1.5℃ Scenario developed by the IEA (International Energy Agency) was used for this calculation.

As a result of this analysis, the cumulative impact of transition risk on credit costs is expected to increase by ¥700 million.

b. Physical risk

The Bank recognizes acute and chronic physical risks in line with global warming, including higher frequency of extreme events such as floods, strong winds, heat waves, and snow damage, as well as an increase in average temperatures and rise in sea level. If these risks manifest, there is concern they will affect the financial aspects of the Bank and other companies due to loss of real estate collateral and business suspensions.

Therefore, we calculated the amount of risk based on the IPCC 4°C scenario, which assumes that a once-in-a-century flood will occur within the next 25 years, assuming damage to mortgaged buildings located in Iwate Prefecture and that corporations in Iwate Prefecture will be forced to suspend their business operations.

As a result of this analysis, the impact of physical risk on credit costs is expected to increase by up to ¥1.5 billion.

c. Response

The Bank plans to manage climate-related risks in an integrated manner, including setting up discussion topics in the Sustainability Promotion Committee and ALM Committee based on the status of carbon-related assets, GHG emissions (especially Scope 3 Category 15 “Investments and Loans”), transition risk, and physical risk.

(2) Calculation of indicators, etc. relating to GHG

a. Carbon-related assets

Carbon-related assets are generally defined as assets or organizations with relatively high direct or indirect GHG emissions. Accordingly, the Bank considers assets associated with the following sectors to be carbon-related assets.

(Millions of yen)

Sector	Item	FY2021	FY2022
Energy	Amount	48,233	57,655
	Percentage of loans outstanding	2.47%	2.85%
Transportation	Amount	72,125	62,327
	Percentage of loans outstanding	3.69%	3.08%
Materials, buildings and capital goods	Amount	261,928	277,099
	Percentage of loans outstanding	13.43%	13.73%
Agriculture, food and forest products	Amount	64,298	67,382
	Percentage of loans outstanding	3.29%	3.33%
Total carbon-related assets		446,584	464,465
Percentage of loans outstanding		22.90%	23.01%

b. GHG emissions

In collaboration with the Sustainability Promotion Committee’s subcommittee on greenhouse gas control and Zeroboard Inc., a company that provides a cloud service to calculate and visualize GHG emissions, the Bank has conducted several studies in line with the GHG Protocol regarding the scope for GHG emissions calculation, calculation method, etc. Accordingly, we have calculated and estimated GHG emissions this time as per below. All greenhouse gases are converted to CO_2 (carbon dioxide).

a) Scope 1, 2 (including consolidated subsidiaries, unit: t-CO_2)

Category	FY2021	FY2022
Scope 1	1,082	1,113
Scope 2	4,166	3,547
Total	5,248	4,660

b) Scope 3 (Category 3 includes consolidated subsidiaries and all others are non-consolidated, Unit: t-CO_2)

Category	FY2021	FY2022
1. Purchased products and services	8,773	7,909
2. Capital goods	5,563	1,502
3. Fuel and energy activities not included in Scope 1 and 2	746	710
4. Transportation, delivery (upstream)	249	218
5. Waste from business operations	46	43
6. Business trips	107	135
7. Employee commute	552	535
15. Investments and loans	1,434,777	1,513,178
Total	1,450,816	1,524,234

(3) Sustainable Finance Indicators and Targets

While the Bank limits loans to specific sectors, we position a leading and innovative response, and green transformation to achieve a decarbonized society in the region as some of our top priorities, and local financial institutions are expected to encourage community initiatives regarding SDGs and ESG. Therefore, we have set finance execution targets and are actively pushing ahead with these in order to help solve environmental and social issues through loans and other forms of finance.

Item	Description
Sustainable finance	Investments, loans, and lease transactions that contribute to solving environmental and social issues and realizing a sustainable society
Target amount	Accumulated amount of execution, etc. ¥500.0 billion
Period	FY2021-FY2030

5. Human Capital

(1) Human Resources Policy

We have established a Human Resources Policy as our basic approach to people and the organization, and position it as the foundation of our personnel system and various personnel measures to realize the “desired organizational image” and “desired human resources.”

Human Resources Policy
・People are our most important asset and the source of all value. ・Each and every employee and the Bank will continue to grow together in order to live up to the trust and expectations of our customers and pave the way for the future of the community.

Based on this policy, the Bank promotes individual as well as organizational growth from the following perspectives, and strives to foster an environment and culture that supports such growth.

- Autonomy and challenge (growth as an individual)
  - Expect employees to think and act autonomously, and provide them with challenging opportunities
  - Expect employees to enhance and demonstrate their capabilities and expertise, and provide them with an environment to do so
- Maximize all human resources (growth as an organization)
  - Emphasize dialogue to increase engagement and bring out the best in each individual
  - Appropriately reward job performance and behavior, challenge and creativity
- Respect diverse personalities and values (environment and culture that support growth)
  - Respect diverse personalities and values to create new ideas
  - Offer flexible work styles to suit individual wishes and circumstances

(2) Policy on professional development and establishment of an internal environment

In order to realize our long-term vision toward the 100th anniversary of our founding of being "a company of value co-creation that will solve our customers' issues and drive the sustainable growth of the local community," we will focus on professional development and establishment of an internal environment based on the aforementioned Human Resources Policy.

a. Professional development

Based on the recognition that people are the most important asset in our aim to become a company of value co-creation, we will actively invest in the development of professionals who can solve local issues and promote individual growth, while emphasizing the values of our employees and the diversity of the workplace.
Indicator:
・Annual investment in professional development: ¥100 million (¥61 million invested in FY2022)

(3) D&I promotion

The Bank has been implementing D&I initiatives with the aims of creating flexible ideas that embrace diverse values and enhancing corporate value by improving the sense of management participation and productivity of employees. In FY2022, we established our Corporate Vision as well as Indicators and Targets, as detailed below, in order to further enhance our D&I initiatives.

1. Corporate Vision
   Create an organization in which every employee can grow and play an active role with peace of mind
2. Key Themes
(1) Create opportunities for dialogue
(2) Support career development
(3) Active recruitment of human resources
3. Indicators and Targets for FY2030
(1) Promotion of female employees to executive positions
   Percentage of women in newly appointed executive positions: 30% or more
   * 40% or more from FY2025 onwards
(2) Childcare leave taken by male employees
   Percentage of male employees taking childcare leave, etc.: 100% or more
   * The original target was set at 80%, but this was revised to 100% in the Medium-term Management Plan starting in FY2023.

a. Percentage of female workers in management positions

Number of management positions (persons)	Number of females in management positions (persons)	Female ratio (%)
676	101	14.9

b. Childcare leave usage ratio among male employees

Number of male workers whose spouses gave birth (persons)	Number of male workers who took childcare leave, etc. (persons)	Usage rate of childcare leave (%)
32	32	100.0

c. Differences in wages between male and female workers

	Average wage for men (yen)	Average wage for women (yen)	Difference (%)
Full-time workers	7,466,172	4,255,357	57.0
Part-time and fixed-term workers	2,684,954	1,372,743	51.1
All workers	6,963,429	3,585,864	51.5

(4) Initiatives for work style reforms (systems for leave/leave of absence, etc.)

Timing of introduction/ new establishment	Description	Remarks
April 2020	New establishment of flextime system	
April 2021	Introduction of hourly-paid annual leave	
"	Introduction of an inclusive dress code during working times	Abolished uniforms for female employees at the same time
October 2022	New establishment of leave for employees with partners who have given birth	Leave system of up to 28 days within 8 weeks after the birth of a child
"	New establishment of reserve leave system for peace of mind	Expanded the purpose of use of time-limited annual leave reserve system
"	New establishment of life design leave system	System for selecting leave of absence when events such as career development or family caregiving occur
"	New establishment of remote work system	Institutionalization of a system that had been in operation as a countermeasure against COVID-19 infection

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 decreased by ¥11.6 billion from the previous fiscal year-end to ¥3,441.5 billion (US$25,773.2 million). This was due in part to a decrease in public deposit.

The fiscal year-end balance of assets under management posted a decrease of ¥300 million from the previous fiscal year-end to ¥338.3 billion (US$2,533.5 million). This was due to a decrease in the balances of investment trusts and public bonds despite an increase in insurance balance.

Loans

The fiscal year-end balance of loans increased by ¥68.2 billion from the previous fiscal year-end to ¥2,018.2 billion (US$15,114.2 million). This was due in part to an increase in SMEs loans and personal loans.

Securities

The value of total securities decreased by ¥76.9 billion from the previous fiscal year-end to ¥1,076.2 billion (US$8,058.9 million). This was due to a decrease in the balances of government bonds, municipal bonds, etc.

Cash Flow Analysis
Net cash used in operating activities was a net outflow of ¥111.7 billion (US$836.5 million) in the current fiscal year, while net cash of ¥43.2 billion was provided in the previous fiscal year. This was because of a decrease in funds from the increase in loans and bills discounted and decrease in borrowed money, etc.

Net cash provided by investing activities was a net inflow of ¥58.9 billion (US$441.0 million) in the current fiscal year, while net cash of ¥22.6 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 ¥1.7 billion (US$12.6 million) in the current fiscal year, while net cash of ¥1.6 billion was used in the previous fiscal year. This was due to the payment of cash dividends.

As a result of the above, the fiscal year-end balance of cash and cash equivalents decreased by ¥54.5 billion from the previous fiscal year-end to ¥646.1 billion (US$4,838.6 million).

Business Performance
Earnings
Total income increased by ¥2.9 billion from the previous fiscal year to ¥42.1 billion (US$315.0 million). This was due to increases in gain on sale of bonds and gain on sale of stocks and other securities despite a decrease in interest income including interest and dividends on securities.

Total expenses increased by ¥5.0 billion from the previous fiscal year to ¥36.0 billion (US$269.5 million). This was mainly attributable to increases in loss on sale of bonds and loss on redemption of bonds.

As a result, ordinary profit decreased by ¥2.1 billion from the previous fiscal year to ¥6.1 billion (US$45.4 million). Despite this decrease in ordinary profit, net income increased by ¥1.7 billion from the previous fiscal year to ¥5.1 billion (US$38.2 million) due to decreases in special losses and provision for income taxes.

Capital Ratio
The capital ratio increased 0.02 percentage points from the previous fiscal year-end to 11.64% on a consolidated capital adequacy basis and by 0.03 percentage points from the previous fiscal year-end to 11.33% on a non-consolidated capital adequacy basis, as a result of an increase in equity capital. 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 and believes it is maintaining a sufficient level. From FY2023 onwards, the Bank’s policy is to utilize capital for an accumulation of risk assets and strategic investment in growth areas.

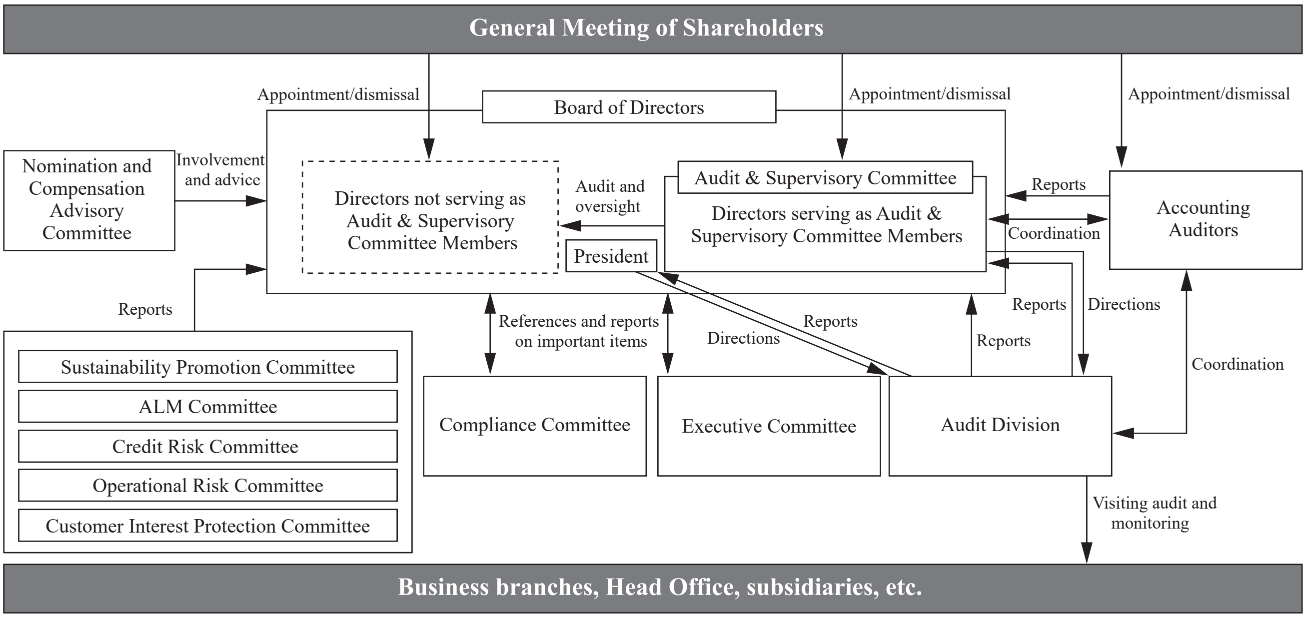
■ Basic Approach

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.

[Corporate governance structure]



■ Configuration of the Board of Directors and Audit & Supervisory Committee

From the viewpoint of ensuring the most effective and efficient functioning of the Board of Directors as well as to revitalize of the Board, the Articles of Incorporation stipulate that the number of Directors, excluding Audit & Supervisory Committee Members, shall not exceed twelve, and the Board of Directors shall consist of a combination of Directors who are familiar with the Group's business operations and multiple Outside Directors who have a wealth of experience and knowledge from outside the company. Outside Directors currently account for 40.0% of the Board of Directors, while female Directors account for 13.3%. The Articles of Incorporation stipulate that, in order to secure the effectiveness of auditing, the number of Directors on the Audit & Supervisory Committee shall not exceed five, and as of June 23, 2023, the number of Audit & Supervisory Committee Members is five, three of whom are independent Outside Directors.

■ Role of the Board of Directors and Matters Deliberated

The Board of Directors makes important decisions on management plans, governance matters, and basic policies on risk and compliance, etc., by defining the scope of matters to be resolved by the Board of Directors and clarifying the scope of delegation to the management meetings and management team, etc., in the Board of Directors Regulations and other rules, as well as performs a more effective management oversight function.

Matters Discussed and Reported by the Board of Directors (FY2022)

1 Management Plan
2 Matters pertaining to sustainability
3 Matters pertaining to risk and compliance
4 Matters pertaining to corporate governance
5 Human resources
6 Sales
7 Market
8 Other
・Board of Directors' opinion pertaining to shareholder proposals
・Result of resolution on shareholders proposals
・Activist trends
・Progress of alliance with The Akita Bank, Ltd.

■ Nomination and Compensation Advisory Committee, Executive Committee and Compliance Committee

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 Outside Directors other than those serving as Representative Directors or Audit & Supervisory Committee Members, so that the majority is made up of Outside Directors, and that the chairman of the Nomination and Compensation Advisory Committee be chosen from Outside Directors by mutual election.

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. In order to reinforce its organization with a greater emphasis on compliance, the Bank has the Compliance Committee, rather than the Executive Committee, discuss important matters relating to compliance.

■ 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.

・Board of Directors (As of July 1, 2023)

Inside Directors

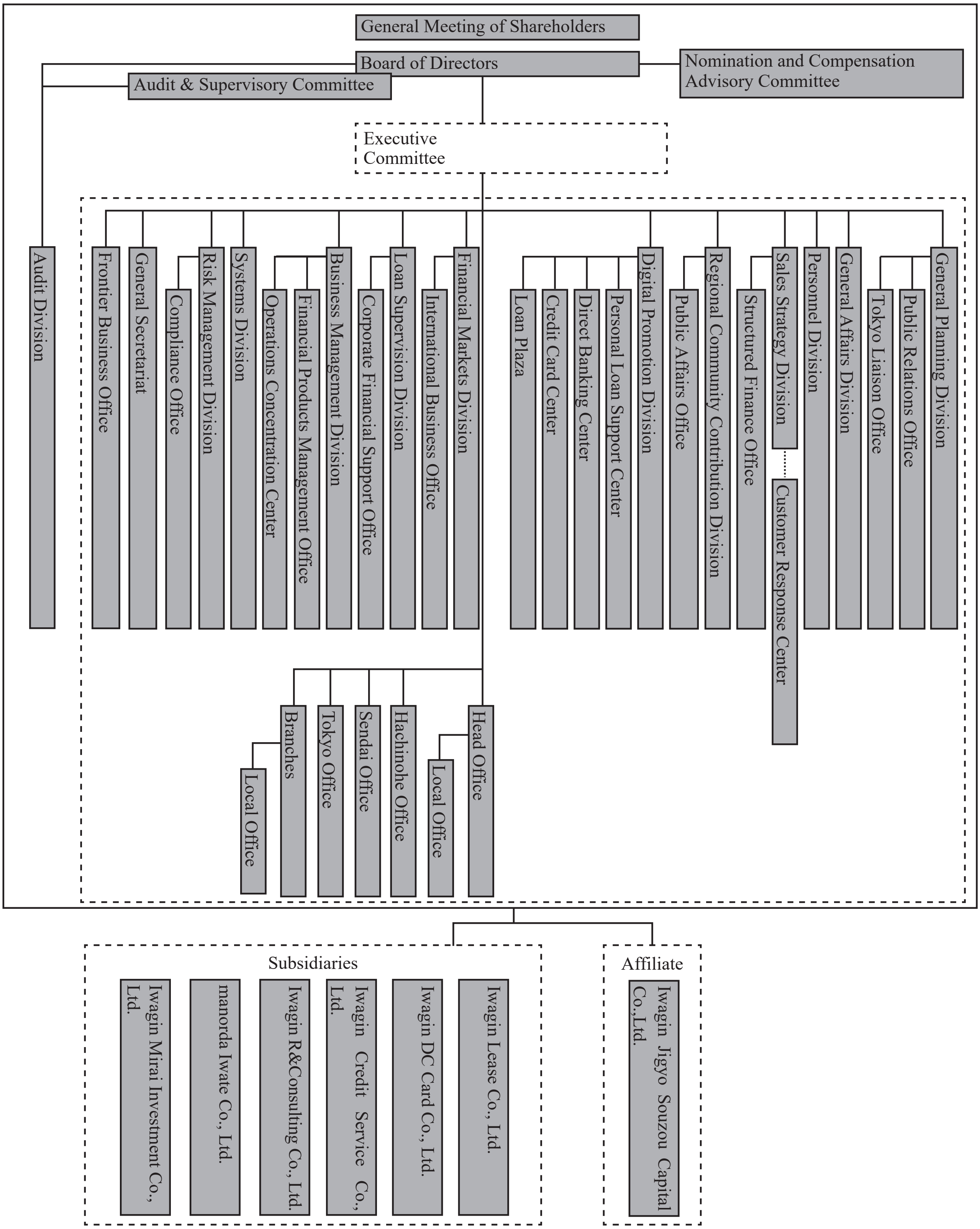
Chairman	Sachio Taguchi	**President**	Toru Iwayama
Director / Senior Managing Executive Officer	Kensei Ishikawa	**Director / Managing Executive Officer**	Shinji Niisato
Director / Managing Executive Officer	Shinei Kishi	**Director / Managing Executive Officer**	Fumihiko Kikuchi
Director / Managing Executive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

Outside Directors

Director (Outside Director)	Atsushi Miyanoya	**Director (Outside Director)**	Yutaka Takahashi
Director (Outside Director)	Toshinori Abe	**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 Tokyo Office	Junya Sekimura	**Executive Officer/General Manager of Regional Community Contribution Division**	Toshiaki Nagase
Executive Officer/General Manager Head Office	Manabu Fujiwara	**Executive Officer/General Manager of Business Management Division**	Shigeo Takano
Executive Officer/General Manager of Kitakami Branch	Katsumi Yamazaki	**Executive Officer/General Manager of General Planning Division**	Toru Obara
Executive Officer/General Manager of System Division	Shinichi Sasaki	**Executive Officer/General Manager of Audit Division**	Shuichi Yukikawa
Executive Officer/General Manager of Sendai office	Shohei Morita		

・Organization (As of July 3, 2023)



・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 Co., Ltd. 1-2-5 Chuo Dori, Morioka City, Iwate Prefecture	30	Leasing, etc.	April 1, 1972	100%	0%
Iwagin DC Card Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	20	Credit cards and credit guarantee, etc.	August 1, 1989	100%	0%
Iwagin Credit Service Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	20	Credit cards and credit guarantee, etc.	August 1, 1989	100%	0%
Iwagin R & Consulting Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	100	Consulting, regional economic surveys, etc.	April 1, 2020	100%	0%
manorda Iwate Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	70	Regional trading company business, etc.	April 1, 2020	100%	0%
Iwagin Mirai Investment Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	50	Investment fund management, etc.	July 3, 2023	100%	0%
Iwagin Jigyo Souzou Capital Co., Ltd. 1-2-3 Chuo Dori, Morioka City, Iwate Prefecture	50	Investment fund management, etc.	April 1, 2015	40%	0%

Iwagin Lease Data Co., Ltd. changed its name to Iwagin Lease Co., Ltd. on July 1, 2023.

Consolidated Balance Sheets

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2023	2022	2023
Cash and due from banks (Notes 3 and 6)	¥647,034	¥701,403	$4,845,608
Call loans and bills bought (Note 6)	–	36,000	–
Monetary claims bought (Note 6)	5,122	5,832	38,358
Money held in trust (Notes 5 and 6)	10,701	10,571	80,139
Securities (Notes 4, 6, 8 and 15)	1,073,192	1,149,998	8,037,085
Loans and bills discounted (Notes 6, 7 and 9)	2,010,807	1,943,178	15,058,841
Foreign exchange assets	2,860	3,947	21,418
Premises and equipment (Notes 11 and 23)	14,800	15,763	110,837
Intangible assets (Notes 12 and 23)	1,918	2,239	14,364
Net defined benefit asset (Note 16)	6,803	5,521	50,947
Deferred tax assets (Note 17)	2,318	265	17,359
Customers' liabilities for acceptances and guarantees (Note 15)	4,366	4,583	32,697
Other assets (Notes 6, 8 and 10)	54,205	56,535	405,939
Allowance for doubtful accounts (Note 6)	(13,991)	(15,575)	(104,778)
Total assets	¥3,820,135	¥3,920,260	$28,608,814
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 6, 8 and 13)	¥3,432,863	¥3,444,092	$25,708,552
Payables under securities lending transactions (Notes 6 and 8)	–	10,054	–
Borrowed money (Notes 6 and 8)	172,529	236,935	1,292,062
Foreign exchange liabilities	14	48	105
Accrued bonuses for directors and corporate auditors	21	20	157
Net defined benefit liability (Note 16)	842	799	6,306
Retirement benefits for directors and corporate auditors	13	20	97
Provision for losses on reimbursement of dormant deposits	200	286	1,498
Provision for contingent losses	271	174	2,030
Deferred tax liabilities (Note 17)	18	3,071	135
Acceptances and guarantees (Note 15)	4,366	4,583	32,697
Other liabilities (Notes 6, 14 and 23)	23,770	26,613	178,012
Total liabilities	3,634,907	3,726,695	27,221,651
Net assets (Note 18):			
Common stock:			
Authorized — 49,450 thousand shares as at 31 March 2023 and 2022			
Issued and outstanding —18,498 thousand shares as at 31 March 2023 and 2022	12,090	12,090	90,541
Capital surplus	5,667	5,667	42,440
Retained earnings	165,224	161,506	1,237,355
Treasury stock, at cost	(4,200)	(4,354)	(31,454)
Total shareholders' equity	178,781	174,909	1,338,882
Net unrealized holding gains on available-for-sale securities (Note 4)	8,762	22,100	65,618
Net unrealized losses on hedging derivatives (Note 6)	(1,146)	(2,505)	(8,583)
Remeasurements of defined benefit plans (Note 16)	(1,371)	(1,232)	(10,267)
Total accumulated other comprehensive income	6,245	18,363	46,768
Stock acquisition rights (Note 19)	202	293	1,513
Total net assets	185,228	193,565	1,387,163
Total liabilities and net assets	¥3,820,135	¥3,920,260	$28,608,814

	Yen		U.S. dollars
	2023	2022	2023
Per share data:			
Net assets (Note 25)	¥10,664.55	¥11,166.80	$79.87

See accompanying notes.

Consolidated Statements of Income

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income:			
Interest income:			
Interest on loans and discounts	¥17,381	¥17,290	$130,166
Interest and dividends on securities	8,882	9,536	66,517
Other interest income	333	448	2,494
Fees and commissions	9,353	8,780	70,044
Other operating income (Note 20)	5,890	4,717	44,110
Other income (Note 22)	5,940	3,513	44,484
Total income	47,779	44,284	357,815
Expenses:			
Interest expenses:			
Interest on deposits	125	246	936
Interest on borrowings	78	11	584
Other interest expenses	451	520	3,378
Fees and commissions	3,510	3,418	26,286
Other operating expenses (Note 20)	11,598	5,220	86,857
General and administrative expenses (Note 21)	24,087	24,853	180,386
Other expenses (Note 22)	1,354	3,004	10,140
Total expenses	41,203	37,272	308,567
Income before income taxes	6,576	7,012	49,248
Provision for income taxes (Note 17)			
Current	1,103	2,369	8,260
Deferred	91	517	682
	1,194	2,886	8,942
Net income	5,382	4,126	40,306
Net income attributable to owners of parent	¥5,382	¥4,126	$40,306

	Yen		U.S. dollars
	2023	2022	2023
Per share data:			
Net income (Note 25)	¥310.36	¥235.91	$2.32
Diluted net income (Note 25)	308.90	234.74	2.31
Cash dividends applicable to the year (Note 28)	90.00	80.00	0.67

See accompanying notes.

Consolidated Statements of Comprehensive Income

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥5,382	¥4,126	$40,306
Other comprehensive losses (Note 24):			
Net unrealized holding losses on available-for-sale securities	(13,338)	(10,759)	(99,888)
Net unrealized gains on hedging derivatives (Note 6)	1,359	799	10,177
Remeasurements of defined benefit plans (Note 16)	(139)	(744)	(1,041)
Total other comprehensive losses	(12,118)	(10,704)	(90,752)
Comprehensive losses	¥(6,736)	¥(6,578)	$(50,446)
Total comprehensive losses	¥(6,736)	¥(6,578)	$(50,446)
Attributable to:			
Owners of parent	(6,736)	(6,578)	(50,446)

See accompanying notes.

Consolidated Statements of Changes in Net Assets

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2023 and 2022

	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 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, 1 April 2022	12,090	5,667	161,506	(4,354)	174,909	22,100	(2,505)	(1,232)	18,363	293	193,565
Change during the year											
Cash dividends	—	—	(1,646)	—	(1,646)	—	—	—	—	—	(1,646)
Net income attributable to owners of parent	—	—	5,382	—	5,382	—	—	—	—	—	5,382
Acquisition of treasury stock	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	(18)	155	137	—	—	—	—	—	137
Net changes in items other than shareholders' equity during the year	—	—	—	—	—	(13,338)	1,359	(139)	(12,118)	(91)	(12,209)
Total change during the year	—	—	3,718	154	3,872	(13,338)	1,359	(139)	(12,118)	(91)	(8,337)
BALANCE, 31 March 2023	¥12,090	¥5,667	¥165,224	¥(4,200)	¥178,781	¥8,762	¥(1,146)	¥(1,371)	¥6,245	¥202	¥185,228

	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 2022	$90,541	$42,440	$1,209,511	$(32,607)	$1,309,885	$165,506	$(18,760)	$(9,226)	$137,520	$2,194	$1,449,599
Change during the year											
Cash dividends	—	—	(12,327)	—	(12,327)	—	—	—	—	—	(12,327)
Net income attributable to owners of parent	—	—	40,306	—	40,306	—	—	—	—	—	40,306
Acquisition of treasury stock	—	—	—	(8)	(8)	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	(135)	1,161	1,026	—	—	—	—	—	1,026
Net changes in items other than shareholders' equity during the year	—	—	—	—	—	(99,888)	10,177	(1,041)	(90,752)	(681)	(91,433)
Total change during the year	—	—	27,844	1,153	28,997	(99,888)	10,177	(1,041)	(90,752)	(681)	(62,436)
BALANCE, 31 March 2023	$90,541	$42,440	$1,237,355	$(31,454)	$1,338,882	$65,618	$(8,583)	$(10,267)	$46,768	$1,513	$1,387,163

See accompanying notes.

Consolidated Statements of Cash Flows

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥6,576	¥7,012	$49,248
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation	2,035	2,004	15,240
Impairment losses	17	645	127
Increase (decrease) in allowance for doubtful accounts	(1,584)	504	(11,863)
Increase (decrease) in provision for contingent losses	97	(28)	726
Increase (decrease) in accrued bonuses for directors and corporate auditors	0	(2)	0
(Increase) decrease in net defined benefit asset	(939)	(262)	(7,032)
Increase (decrease) in net defined benefit liability	(306)	(1,528)	(2,292)
Increase (decrease) in retirement benefits for directors and corporate auditors	(7)	(0)	(52)
Increase (decrease) in provision for losses on reimbursement of dormant deposits	(86)	(88)	(644)
Interest income	(26,596)	(27,274)	(199,177)
Interest expenses	654	777	4,898
Investment securities (gains) losses, net	474	(1,544)	3,550
(Increase) decrease in money held in trust	(11)	132	(82)
Foreign exchange (gains) losses, net	(2,745)	(2,853)	(20,557)
(Gains) losses on sale of businesses	(87)	−	(652)
(Gains) losses on disposal of premises and equipment	(48)	112	(359)
Net (increase) decrease in loans and bills discounted	(67,629)	(44,625)	(506,470)
Net increase (decrease) in deposits	22,971	(40,688)	172,029
Net increase (decrease) in negotiable certificates of deposit	(34,200)	69,880	(256,122)
Net increase (decrease) in borrowed money	(64,406)	64,997	(482,334)
Net (increase) decrease in due from banks, excluding the Bank of Japan	(123)	205	(921)
Net (increase) decrease in call loans and others	36,711	(13,225)	274,927
Net increase (decrease) in call money and others	−	(7,750)	−
Net increase (decrease) in payables under securities lending transactions	(10,054)	10,054	(75,294)
Net (increase) decrease in foreign exchange assets	1,087	(1,873)	8,140
Net increase (decrease) in foreign exchange liabilities	(33)	33	(247)
Interest received	26,584	27,489	199,087
Interest paid	(726)	(835)	(5,437)
Other, net	2,545	5,697	19,059
Subtotal	(109,829)	46,966	(822,504)
Income taxes paid	(1,871)	(3,735)	(14,012)
Income taxes refunded	0	4	0
Net cash provided by (used in) operating activities	(111,700)	43,235	(836,516)
Cash flows from investing activities:			
Acquisition of securities	(445,755)	(285,997)	(3,338,239)
Proceeds from sale of securities	54,862	22,688	410,859
Proceeds from redemption of securities	450,854	288,956	3,376,425
Increase in money held in trust	(3,000)	−	(22,467)
Decrease in money held in trust	2,846	−	21,314
Acquisition of premises and equipment	(603)	(1,565)	(4,516)
Proceeds from sale of premises and equipment	165	25	1,236
Payment for retirement of premises and equipment	(34)	(102)	(255)
Acquisition of intangible assets	(387)	(1,306)	(2,898)
Payment for asset retirement obligations	(11)	(108)	(82)
Payment for sale of businesses	(52)	−	(390)
Net cash provided by investing activities	58,885	22,591	440,987

Consolidated Statements of Cash Flows (Continued)

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Repayments of lease obligations	(30)	(30)	(224)
Cash dividends paid	(1,646)	(1,056)	(12,327)
Payment for acquisition of treasury stock	(1)	(480)	(8)
Proceeds from sale of treasury stock	0	0	0
Net cash used in financing activities	(1,677)	(1,566)	(12,559)
Effect of exchange rate changes on cash and cash equivalents	―	11	―
Net increase (decrease) in cash and cash equivalents	(54,492)	64,271	(408,088)
Cash and cash equivalents at the beginning of the year	700,592	636,321	5,246,701
Cash and cash equivalents at the end of the year (Note 3)	¥646,100	¥700,592	$4,838,613

See accompanying notes.

Notes to Consolidated Financial Statements

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2023 and 2022

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 2023, which was ¥133.53 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.

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)

The Bank's 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 or the average loan loss ratio for the entire measurable period used as a lower limit in order to reflect long-term economic fluctuations, 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 or the average loan loss ratio for the entire measurable period used as a lower limit in order to reflect long-term economic fluctuations, 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 or the average loan loss ratio for the entire measurable period used as a lower limit in order to reflect long-term economic fluctuations, 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 ¥13,991 million ($104,778 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."

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 the 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.

c. Impact on the consolidated financial statements for the year ending 31 March 2024

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 2024.

Although the impact of COVID-19 is subsiding, 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

Application of the implementation guidance on accounting standard for fair value measurement

The Bank has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, 17 June 2021; the "Fair Value Measurement Guidance") from the beginning of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the Bank will prospectively apply the new accounting policy stipulated in the Fair Value Measurement Guidance. Accordingly, for investment trusts whose investment trust assets are real estate, if there is no transaction price in the market and there are material restrictions that would require compensation for the risk from market participants with respect to cancellation, etc., the acquisition cost had been previously used as the balance sheet amount, but the Bank has changed to a method of fair value measurement in which the most recently available net asset value is regarded as fair value.

In accordance with Paragraph 27-3 of the Fair Value Measurement Guidance, the Bank does not present the notes pertaining to the previous fiscal year on investment trusts in fair value information by level within the fair value hierarchy under Note "6. FINANCIAL INSTRUMENTS."

Accounting standards that have not been applicable yet

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, 28 October 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, 28 October 2022)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, 28 October 2022)

(1) Overview

The above standards and guidance define the accounting classification of income taxes, etc. when other comprehensive income is taxable and the handling of tax effect regarding the sales of shares of subsidiaries, etc. when the group taxation regime is adopted.

(2) Application date

The Group will apply these accounting standards and guidance from the beginning of the fiscal year ending 31 March 2025.

(3) Effects of the application of the standards

The Group is currently assessing the effects of these standards.

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 2023 and 2022, 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
	2023	2022	2023
Cash and due from banks	¥647,034	¥701,403	$4,845,608
Less: Deposits in banks other than the Bank of Japan	(934)	(811)	(6,995)
Cash and cash equivalents	¥646,100	¥700,592	$4,838,613

4. SECURITIES

Securities held by the Group as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
National government bonds	¥170,455	¥184,567	$1,276,530
Local government bonds	290,196	325,480	2,173,264
Corporate bonds	323,539	323,276	2,422,969
Corporate stocks	35,420	37,384	265,259
Other securities	253,582	279,291	1,899,063
	¥1,073,192	¥1,149,998	$8,037,085

The securities placed under unsecured lending agreements, which borrowers have the right to sell or pledge in the amount of ¥54,100 million ($405,152 thousand) and ¥72,100 million as at 31 March 2023 and 2022, 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 2023 and 2022:

(a) Held-to-maturity debt securities

	Millions of yen				
	Book value	Fair value	Difference	Gain	Loss
As at 31 March 2023:	¥21,974	¥24,412	¥2,438	¥2,438	¥–
As at 31 March 2022:	¥21,971	¥24,966	¥2,995	¥2,995	¥–

	Thousands of U.S. dollars				
	Book value	Fair value	Difference	Gain	Loss
As at 31 March 2023:	$164,562	$182,820	$18,258	$18,258	$–

(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 2023:					
Corporate stocks	¥14,831	¥33,839	¥19,008	¥19,231	¥(223)
Bonds	762,044	762,215	171	8,296	(8,125)
Other	249,361	242,476	(6,885)	4,372	(11,257)
	¥1,026,236	¥1,038,530	¥12,294	¥31,899	¥(19,605)
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)

	Thousands of U.S. dollars				
	Acquisition cost	Book value	Difference	Gain	Loss
As at 31 March 2023:					
Corporate stocks	$111,069	$253,419	$142,350	$144,020	$(1,670)
Bonds	5,706,912	5,708,193	1,281	62,128	(60,847)
Other	1,867,453	1,815,891	(51,562)	32,742	(84,304)
	$7,685,434	$7,777,503	$92,069	$238,890	$(146,821)

B. There were no sales of held-to-maturity debt securities for the years ended 31 March 2023 and 2022.

Total sales of available-for-sale securities in the years ended 31 March 2023 and 2022 amounted to ¥54,862 million ($410,859 thousand) and ¥22,687 million, respectively. The related gains and losses amounted to ¥6,373 million ($47,727 thousand) and ¥1,846 million ($13,825 thousand), respectively, in the year ended 31 March 2023, and ¥3,180 million and ¥511 million, respectively, in the year ended 31 March 2022.

C. Available-for-sale securities written down for the years ended 31 March 2023 and 2022 amounted to ¥33 million ($247 thousand) and ¥308 million, respectively.

D. Net unrealized holding gains on available-for-sale securities on the consolidated balance sheets as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized holding gains before deferred tax on:			
Available-for-sale securities (Note)	¥12,446	¥31,513	$93,208
Deferred tax liabilities	(3,683)	(9,413)	(27,582)
Net unrealized holding gains before interest adjustment	8,763	22,100	65,626
Amount equivalent to non-controlling interests	—	—	—
Net unrealized holding gains on available-for-sale securities	¥8,763	¥22,100	$65,626

Note: The balance as at 31 March 2023 includes ¥152 million ($1,138 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 at 31 March 2022 includes ¥241 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
	2023	2022	2023
Shares	¥20	¥20	$150
Investments	1,263	1,375	9,459

5. MONEY HELD IN TRUST

Money held in trust as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Money held in trust for trading purposes:			
Carrying amount	¥10,701	¥10,571	$80,139
Realized gains (losses) included in earnings	64	(80)	479

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 2023 was ¥35,624 million ($266,786 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 2023 and 2022 are as follows.

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		2023	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets:						
Monetary claims bought	¥5,122	¥5,046	¥5,832	¥5,809	$38,358	$37,789
Money held in trust	10,701	10,701	10,571	10,571	80,139	80,139
Securities						
Held-to-maturity debt securities	21,974	24,412	21,971	24,965	164,562	182,820
Available-for-sale securities	1,038,530	1,038,530	1,112,654	1,112,654	7,777,503	7,777,503
Loans and bills discounted	2,010,807		1,943,178		15,058,841	
Allowance for doubtful accounts	(12,673)		(13,940)		(94,908)	
	1,998,134	1,992,354	1,929,238	1,930,472	14,963,933	14,920,647
Liabilities:						
Deposits	3,432,863	3,432,883	3,444,092	3,444,126	25,708,552	25,708,702
Borrowed money	172,529	172,524	236,935	236,932	1,292,062	1,292,024
Derivative transactions:						
Derivative instruments not qualifying for hedge accounting	(492)	(492)	(1,073)	(1,073)	(3,685)	(3,685)
Derivative instruments qualifying for hedge accounting	(1,647)	(3,331)	(3,600)	(6,075)	(12,334)	(24,946)

Note 1: Book values of shares, etc. that do not have a market price and investments in partnerships as at 31 March 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Available-for-sale securities	¥12,688	¥15,373	$95,020

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

	Millions of yen					
	2023					
	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)	¥604,299	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	—	—	—	—	—	—
Monetary claims bought	1,599	—	—	—	—	3,523
Securities						
Held-to-maturity debt securities	—	—	1,992	—	19,982	—
Mainly consist of the following:						
National bonds	—	—	1,992	—	19,982	—
Corporate bonds	—	—	—	—	—	—
Available-for-sale securities	74,808	165,177	277,798	178,708	217,151	92,758
Mainly consist of the following:						
National bonds	3,118	10,764	24,037	29,798	26,089	54,675
Local government bonds	—	19,322	51,375	109,531	109,323	645
Corporate bonds	27,818	86,584	88,160	14,550	71,079	21,916
Loans and bills discounted	281,733	468,029	337,881	167,294	163,358	406,809
Deposits	3,330,289	96,946	5,478	21	129	—
Payables under securities lending transactions	—	—	—	—	—	—
Borrowed money (*2)	6	12	12	12	18	37

	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	—
Payables under securities lending transactions	10,054	—	—	—	—	—
Borrowed money (*2)	3	12	12	12	18	43

	Thousands of U.S. dollars					
	2023					
	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)	$4,525,567	$—	$—	$—	$—	$—
Call loans and bills bought	—	—	—	—	—	—
Monetary claims bought	11,975	—	—	—	—	26,383
Securities						
Held-to-maturity debt securities	—	—	14,918	—	149,644	—
Mainly consist of the following:						
National bonds	—	—	14,918	—	149,644	—
Corporate bonds	—	—	—	—	—	—
Available-for-sale securities	560,234	1,237,003	1,705,969	1,338,336	1,626,234	694,660
Mainly consist of the following:						
National bonds	23,351	80,611	180,012	223,156	195,379	409,459
Local government bonds	—	144,701	384,745	820,273	818,715	4,830
Corporate bonds	208,328	648,424	660,226	108,964	532,307	164,128
Loans and bills discounted	2,109,885	3,505,048	2,530,375	1,252,857	1,223,381	3,046,574
Deposits	24,940,380	726,024	41,025	157	966	—
Payables under securities lending transactions	—	—	—	—	—	—
Borrowed money (*2)	45	90	90	90	135	277

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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥—	¥—
Money held in trust	—	10,701	—	10,701
Securities				
Available-for-sale securities	197,741	779,974	56,092	1,033,807
Mainly consist of the followings:				—
National bonds and municipal bonds	139,633	299,043	—	438,676
Corporate bonds	—	304,182	19,357	323,539
Corporate stocks	33,839	—	—	33,839
Other securities (*1 and *2)	24,269	176,749	36,735	237,753
Derivative transactions:				
Forward foreign exchange	—	15	—	15
Others	—	—	12	12
Derivative transactions:				
Interest rate	—	3,331	—	3,331
Forward foreign exchange	—	507	—	507
Others	—	—	13	13

Notes: *1 Securities do not include investment trusts that apply the treatment in which net asset value is regarded as fair value in accordance with Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, 17 June 2021). The consolidated balance sheet amount of investment trusts that apply the treatment stipulated in Paragraph 24-9 is ¥4,724 million ($35,378 thousand).

*2 Reconciliation of the beginning balance to the ending balance of investment trusts that apply the treatment stipulated in Paragraph 24-9

	Millions of yen							
	2023							
		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 redemptions	Amount for which the net asset value of investment trusts is regarded as fair value	Amount for which the net asset value of investment trusts is not regarded as fair value	Ending balance	Valuation gains (losses) on investment trusts held at the balance sheet date recognized in profit/loss for the period (*1)
Investment trusts	¥3,926	¥—	¥498	¥300	¥—	¥—	¥4,724	¥—

	Thousands of U.S. dollars							
	2023							
		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 redemptions	Amount for which the net asset value of investment trusts is regarded as fair value	Amount for which the net asset value of investment trusts is not regarded as fair value	Ending balance	Valuation gains (losses) on investment trusts held at the balance sheet date recognized in profit/loss for the period (*1)
Investment trusts	$29,402	$—	$3,729	$2,247	$—	$—	$35,378	$—

Notes: *1 There is no amount recorded in profit or loss for the current period.

*2 Included in the "net unrealized holding losses on available-for-sale securities" under "other comprehensive losses" in the consolidated statements of comprehensive income.

	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.

	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$—	$—	$—	$—
Money held in trust	—	80,139	—	80,139
Securities				
Available-for-sale securities	1,480,873	5,841,189	420,071	7,742,133
Mainly consist of the followings:				
National bonds and municipal bonds	1,045,705	2,239,519	—	3,285,224
Corporate bonds	—	2,278,005	144,964	2,422,969
Corporate stocks	253,419	—	—	253,419
Other securities	181,749	1,323,665	275,107	1,780,521
Derivative transactions:				
Forward foreign exchange	—	112	—	112
Others	—	—	90	90
Derivative transactions:				
Interest rate	—	24,946	—	24,946
Forward foreign exchange	—	3,797	—	3,797
Others	—	—	97	97

b. Financial instruments other than those measured at fair value

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥5,046	¥5,046
Securities				
Bonds held for maturity	24,412	—	—	24,412
Mainly consist of the followings:				—
National bonds and municipal bonds	24,412	—	—	24,412
Loans and bills discounted	—	8,972	1,983,382	1,992,354
Deposits		3,432,883		3,432,883
Borrowed money	—	172,524	—	172,524

	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
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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$—	$—	$37,789	$37,789
Securities				
Bonds held for maturity	182,820	—	—	182,820
Mainly consist of the followings:				—
National bonds and municipal bonds	182,820	—	—	182,820
Loans and bills discounted	—	67,191	14,853,456	14,920,647
Deposits		25,708,702		25,708,702
Borrowed money	—	1,292,024	—	1,292,024

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. In addition, for investment trusts that do not have a transaction price in the market, if there is no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests, the fair value is the net asset value and is classified as a level 2 fair value. 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. 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.

g. 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 2023 and 2022 is as follows.

	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
	2023			
Securities				
Available-for-sale securities	Present value technique	Probability of bankruptcy	0.000% - 19.200%	0.373%

	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
	2022			
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 years ended 31 March 2023 and 2022 are as follows.

	Millions of yen							
	2023							
		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	¥48,345	¥—	¥(376)	¥8,123	¥—	¥—	¥56,092	¥—
Derivative transactions:								
Other (assets)	21	(35)	—	26	—	—	12	(13)
Other (liabilities)	(21)	35	—	(26)	—	—	(12)	13

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

*2 Included in “net unrealized holding 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.

	Millions of yen							
	2022							
	Beginning balance	Profit/Loss or other comprehensive income for the period: Recorded in profit/ loss (*1)	Profit/Loss or other comprehensive income for the period: 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 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							
	2023							
	Beginning balance	Profit/Loss or other comprehensive income for the period: Recorded in profit/loss (*1)	Profit/Loss or other comprehensive income for the period: 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	$362,053	$—	$(2,816)	$(60,833)	$—	$—	$420,070	$—
Derivative transactions:								
Other (assets)	157	(262)	—	195	—	—	90	(97)
Other (liabilities)	(157)	262	—	(195)	—	—	(90)	97

(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 2023 and 2022 were as follows:

(Currency-related transactions)

	Millions of yen						Thousands of U.S. dollars		
	2023			2022			2023		
	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	¥21,171	¥(492)	¥(492)	¥17,038	¥(1,068)	¥(1,068)	$158,549	$(3,685)	$(3,685)
Buy	—	—	—	616	(5)	(5)	—	—	—

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			
	2023				2022				2023			
	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)	$—	$—	$—	$—
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		
	2023			2022			2023		
	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)
Earthquake derivatives:									
Sell	¥2,055	¥(13)	¥—	¥2,680	¥(21)	¥—	$15,390	$(97)	$—
Buy	2,055	13	—	2,680	21	—	15,390	97	—

b. Derivative instruments qualifying for hedge accounting

Notional amounts and fair value as at 31 March 2023 and 2022 were as follows:

(Interest-related transactions)

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		2023	
	Notional amounts	Fair value	Notional amounts	Fair value	Notional amounts	Fair value
Interest rate swap:						
Receive floating rate/Pay fixed rate (Deferral method)	¥31,061	¥(1,647)	¥37,032	¥(3,600)	$232,614	$(12,335)
Receive floating rate/Pay fixed rate (Exceptional method)	22,000	(1,684)	22,048	(2,475)	164,757	(12,611)

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bills discounted	¥1,412	¥1,643	$10,574
Loans on notes	44,262	43,311	331,476
Loans on deeds	1,779,566	1,728,119	13,327,088
Overdrafts	185,567	170,105	1,389,703
	¥2,010,807	¥1,943,178	$15,058,841

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 2023 and 2022 were ¥1,412 million ($10,574 thousand) and ¥1,643 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 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bankrupt and quasi-bankrupt loans	¥6,617	¥4,734	$49,554
Doubtful loans	33,888	37,127	253,786
Loans past due three months or more	72	1	539
Restructured loans, including loans to borrowers financially assisted by the Bank	5,658	4,285	42,373
Total	¥46,235	¥46,147	$346,252

8. PLEDGED ASSETS

As at 31 March 2023, deposits of ¥11,929 million ($89,336 thousand) and borrowed money of ¥172,100 million ($1,288,849 thousand) were secured by a pledge of securities in the amount of ¥267,611 million ($2,004,126 thousand) and guarantee money deposits in the amount of ¥72 million ($539 thousand). As at 31 March 2022, deposits of ¥17,601 million, payables under securities lending transactions of ¥10,054 million and borrowed money of ¥236,500 million were secured by a pledge of securities in the amount of ¥336,843 million and guarantee money deposits in the amount of ¥72 million. In addition to the abovementioned assets pledged as collateral, the Group provided other assets in the amount of ¥30,000 million ($224,669 thousand) and ¥30,003 million as collateral for transactions such as exchange settlement transactions as at 31 March 2023 and 2022, respectively.

Other assets include cash collateral paid for financial instruments, guarantee deposits and lease deposits in the amount of ¥3,521 million ($26,369 thousand) and ¥6,758 million, ¥87 million ($652 thousand) and ¥88 million, and ¥113 million ($846 thousand) and ¥123 million as at 31 March 2023 and 2022, 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 2023 and 2022 were ¥668,824 million ($5,008,792 thousand) and ¥693,736 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 ¥623,425 million ($4,668,801 thousand) and ¥648,375 million as at 31 March 2023 and 2022, 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 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Accrued income	¥3,201	¥3,110	$23,972
Other	51,004	53,425	381,967
	¥54,205	¥56,535	$405,939

11. PREMISES AND EQUIPMENT

Premises and equipment as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land	¥8,318	¥8,319	$62,293
Buildings	35,392	35,177	265,049
Equipment	9,129	9,214	68,367
Leased assets	83	80	622
Other	420	542	3,145
	53,342	53,332	399,476
Accumulated depreciation	38,542	37,569	288,639
	¥14,800	¥15,763	$110,837

To conform with the Companies Act of Japan, deferred gains on sale of real estate in the amount of ¥771 million ($5,774 thousand) and ¥788 million as at 31 March 2023 and 2022, respectively, were deducted from the acquisition cost of premises and equipment.

12. INTANGIBLE ASSETS

Intangible assets as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Software	¥1,770	¥2,077	$13,256
Leased assets	27	44	202
Other	121	118	906
	¥1,918	¥2,239	$14,364

13. DEPOSITS

Deposits as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current deposits	¥57,650	¥55,812	$431,738
Ordinary deposits	2,166,099	2,100,109	16,221,815
Deposits at notice	917	1,179	6,867
Time deposits	924,018	960,939	6,919,928
Other deposits	35,853	43,527	268,502
Negotiable certificates of deposit	248,326	282,526	1,859,702
	¥3,432,863	¥3,444,092	$25,708,552

14. OTHER LIABILITIES

Other liabilities as at 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Accrued income taxes	¥128	¥617	$958
Accrued expenses	1,791	1,771	13,413
Unearned income	654	657	4,898
Lease obligations	1,348	1,462	10,095
Other	19,849	22,106	148,648
	¥23,770	¥26,613	$178,012

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 ¥19,404 million ($145,316 thousand) as at 31 March 2023 compared with ¥15,807 million as at 31 March 2022.

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
	2023	2022	2023
Balance at the beginning of the year	¥25,030	¥24,594	$187,449
Service costs (including the amount of employee contributions)	700	683	5,242
Interest costs	109	106	816
Actuarial differences	(988)	864	(7,399)
Retirement benefits paid	(1,457)	(1,217)	(10,911)
Decrease due to sale of businesses	(194)	—	(1,453)
Balance at the end of the year	¥23,200	¥25,030	$173,744

Note: Since the consolidated subsidiaries, which adopt the simplified method, are insignificant, the net defined benefit liability, retirement benefit expenses, retirement benefits paid and decrease due to sale of businesses 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
	2023	2022	2023
Balance at the beginning of the year	¥29,752	¥28,594	$222,811
Expected return on plan assets	756	732	5,661
Actuarial differences	(1,381)	(358)	(10,342)
Employer contributions	782	1,512	5,856
Employee contributions	52	52	390
Retirement benefits paid	(800)	(780)	(5,991)
Balance at the end of the year	¥29,161	¥29,752	$218,385

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded projected benefit obligation	¥23,126	¥24,746	$173,190
Plan assets	(29,161)	(29,752)	(218,385)
	(6,035)	(5,006)	(45,195)
Unfunded projected benefit obligation	74	284	554
Net liability (asset) recognized in consolidated balance sheets	¥(5,961)	¥(4,722)	$(44,641)
Net defined benefit liability	842	799	6,306
Net defined benefit asset	(6,803)	(5,521)	(50,947)
Net liability (asset) recognized in consolidated balance sheets	¥(5,961)	¥(4,722)	$(44,641)

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
	2023	2022	2023
Service costs (excluding the amount of employee contributions)	¥648	¥631	$4,853
Interest costs	109	106	816
Expected return on plan assets	(756)	(732)	(5,661)
Amortization of actuarial differences	193	154	1,445
Retirement benefit expenses	¥194	¥159	$1,453

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
	2023	2022	2023
Actuarial differences	¥(200)	¥(1,068)	$(1,498)
Total	¥(200)	¥(1,068)	$(1,498)

(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
	2023	2022	2023
Unrecognized actuarial differences	¥ (1,970)	¥ (1,770)	$(14,753)
Total	¥ (1,970)	¥ (1,770)	$(14,753)

(vii) Plan assets

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

	2023	2022
Bonds	22%	56%
Equities	18%	17%
General account	12%	13%
Cash and deposits	48%	14%
Total	100%	100%

Retirement benefit trusts set up for defined benefit pension plans accounted for 18% and 19% of total plan assets for the years ended 31 March 2023 and 2022, respectively. In addition, retirement benefit trusts set up for the lump-sum retirement benefit plans accounted for 27% and 27% of total plan assets for the years ended 31 March 2023 and 2022, 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 2023 and 2022 is as follows:

	2023	2022
Discount rate	0.8%	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%	7.8%

The contributions made by the Bank to defined contribution plans were ¥123 million ($921 thousand) and ¥124 million for the years ended 31 March 2023 and 2022, 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 2023 and 2022, respectively.

Significant components of the Group's deferred tax assets and liabilities as at 31 March 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for doubtful accounts	¥4,039	¥4,402	$30,248
Net defined benefit liability	2,164	2,495	16,206
Accumulated depreciation	1,254	1,248	9,391
Securities	346	424	2,591
Deferred hedge	501	1,094	3,752
Other	1,304	1,410	9,766
Subtotal	9,608	11,073	71,954
Valuation allowance (*)	(3,132)	(3,964)	(23,456)
Total deferred tax assets	6,476	7,109	48,498
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(3,784)	(9,514)	(28,338)
Deferred gains on sale of real estate	(391)	(395)	(2,928)
Other	(1)	(6)	(8)
Total deferred tax liabilities	(4,176)	(9,915)	(31,274)
Net deferred tax liabilities	¥2,300	¥(2,806)	$17,224

(*) Valuation allowance decreased by ¥832 million ($6,231 thousand) in the year ended 31 March 2023. The main reason of this decrease is the recognition of tax deductible expenses against a portion of valuation allowance for doubtful accounts provided in previous fiscal years.

The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the years ended 31 March 2023 and 2022.

	2023	2022
Statutory tax rate	30.4%	30.4%
Non-deductible expenses	0.4	0.3
Non-taxable income	(1.2)	(1.0)
Per capita inhabitant taxes	0.6	0.6
Valuation allowance	(12.6)	10.9
Other, net	0.6	0.0
Effective tax rate	18.2%	41.2%

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 1,148 thousand shares as at 31 March 2023 and 1,190 thousand shares as at 31 March 2022.

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 ¥202 million ($1,513 thousand) and ¥293 million as at 31 March 2023 and 2022, respectively.

Share-based compensation expenses accounted for as general and administrative expenses for the years ended 31 March 2023 and 2022 amounted to ¥46 million ($344 thousand) and ¥47 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	2022 stock option plan
Title and number of grantees	Directors of the Bank: 7	Directors of the Bank: 7
Number of stock options by type of shares	Common stock: 28,000 shares	Common stock: 26,800 shares
Grant date	27 July 2021	25 July 2022
Condition for vesting	Not applicable	Not applicable
Requisite service period	Not applicable	Not applicable
Exercise period	From 28 July 2021 to 27 July 2051	From 26 July 2022 to 25 July 2052

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 2023. 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 2022	6,400	5,600	4,800	7,200
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	4,200	2,800	2,400	3,600
Outstanding	2,200	2,800	2,400	3,600
After vesting (shares):				
As at 31 March 2022	—	—	—	—
Vested	4,200	2,800	2,400	3,600
Exercised	4,200	2,800	2,400	3,600
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 2022	6,800	7,800	12,300	17,300
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	3,400	3,900	5,600	6,600
Outstanding	3,400	3,900	6,700	10,700
After vesting (shares):				
As at 31 March 2022	—	—	—	—
Vested	3,400	3,900	5,600	6,600
Exercised	3,400	3,900	5,600	6,600
Forfeited	—	—	—	—
Outstanding	—	—	—	—

	2021 stock option plan	2022 stock option plan
Before vesting (shares):		
As at 31 March 2022	28,000	—
Granted	—	26,800
Forfeited	—	—
Vested	9,900	—
Outstanding	18,100	26,800
After vesting (shares):		
As at 31 March 2022	—	—
Vested	9,900	—
Exercised	9,900	—
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	¥1,994 ($14.93)	¥1,994 ($14.93)	¥1,994 ($14.93)	¥1,994 ($14.93)
Fair value at the grant	¥4,119 ($30.85)	¥4,437 ($33.23)	¥5,287 ($39.59)	¥4,032 ($30.20)

	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	¥1,994 ($14.93)	¥1,994 ($14.93)	¥1,994 ($14.93)	¥1,994 ($14.93)
Fair value at the grant	¥4,178 ($31.29)	¥4,439 ($33.24)	¥2,693 ($20.17)	¥2,578 ($19.31)

	2021 stock option plan	2022 stock option plan
Exercise price	¥1 ($0.01)	¥1 ($0.01)
Average exercise price	¥1,994 ($14.93)	¥−($−)
Fair value at the grant	¥1,664 ($12.46)	¥1,720 ($12.88)

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 2023 were as follows:

(a) Valuation method: Black-Scholes formula

(b) Major basic numerical values and valuation method

	2022 stock option plan
Stock price volatility (*1)	33.7%
Expected years to expiration (*2)	3.5 years
Expected dividends (*3)	¥80 ($0.60) per share
Risk-free interest rate (*4)	(0.08)%

Notes:*1. Stock price volatility is calculated based on the actual stock prices from 14 January 2019 to 18 July 2022.

*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 2022.

*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 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other operating income:			
Gain on trading account securities transactions	¥0	¥0	$0
Gain on sale of bonds	1,181	39	8,844
Gain on financial instruments	0	21	0
Other	4,709	4,657	35,266
	¥5,890	¥4,717	$44,110

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other operating expenses:			
Loss on sale of foreign bills of exchange	¥688	¥−	$5,152
Loss on sale of bonds	1,662	¥185	12,447
Loss on redemption of bonds	4,967	817	37,198
Other	4,281	4,218	32,060
	¥11,598	¥5,220	$86,857

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries and allowances	¥10,281	¥10,476	$76,994
Fringe benefits and welfare	2,868	2,861	21,478
Retirement benefit expenses	317	283	2,374
Depreciation for premises and equipment	2,030	1,992	15,203
Rental expenses	686	748	5,137
Taxes other than income taxes	1,242	1,316	9,301
Deposit insurance premium	458	917	3,430
Other expenses	6,205	6,260	46,469
	¥24,087	¥24,853	$180,386

22. OTHER INCOME AND EXPENSES

Other income and expenses for the years ended 31 March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other income:			
Gain on sale of stocks and other securities	¥5,191	¥3,141	$38,875
Gain on disposal of premises and equipment	100	4	749
Other	649	368	4,860
	¥5,940	¥3,513	$44,484

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other expenses:			
Provision for allowance for doubtful accounts	¥742	¥1,187	$5,557
Loss on disposal of premises and equipment	52	116	390
Loss on devaluation of stocks and other securities	33	308	247
Loss on sale of stocks and other securities	185	326	1,385
Impairment losses	17	645	127
Loss on money held in trust	23	132	172
Loss on transfer of receivables	21	212	157
Other	281	78	2,105
	¥1,354	¥3,004	$10,140

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 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)
	2023	2022	2023	2023
Current portion of lease obligations	¥502	¥499	$3,759	2.40%
Lease obligations (excluding current portion)	846	963	6,336	2.43%
	¥1,348	¥1,462	$10,095	

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
	2023	2023
2024	¥502	$3,759
2025	351	2,629
2026	232	1,737
2027	148	1,108
2028 and thereafter	115	862

Year ending 31 March	Millions of yen
	2022
2023	¥499
2024	383
2025	273
2026	170
2027 and thereafter	137

B. Operating leases

(a) As lessee

There were no future lease payments under non-cancelable operating leases as at 31 March 2023 and 2022.

(b) As lessor

Future lease receivables under non-cancelable operating leases as at 31 March 2023 were ¥228 million ($1,707 thousand) including ¥20 million ($150 thousand) due within one year.

Future lease receivables under non-cancelable operating leases as at 31 March 2022 were ¥230 million including ¥24 million due within one year.

24. COMPREHENSIVE INCOME

Reclassification adjustments and tax effect amounts of other comprehensive losses for the years ended 31 March 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized holding losses on available-for-sale securities:			
Amount for the year	¥(18,535)	¥(13,028)	$(138,808)
Reclassification adjustment	(533)	(2,408)	(3,992)
Amount before tax effect	(19,068)	(15,436)	(142,800)
Tax effect amount	5,730	4,677	42,912
Net unrealized holding losses on available-for-sale securities	(13,338)	(10,759)	(99,888)
Net unrealized gains on hedging derivatives:			
Amount for the year	1,505	631	11,271
Reclassification adjustment	447	516	3,347
Amount before tax effect	1,952	1,147	14,618
Tax effect amount	(593)	(348)	(4,441)
Net unrealized gains on hedging derivatives	1,359	799	10,177
Remeasurements of defined benefit plans:			
Amount for the year	(393)	(1,222)	(2,943)
Reclassification adjustment	193	154	1,445
Amount before tax effect	(200)	(1,068)	(1,498)
Tax effect amount	61	324	457
Remeasurements of defined benefit plans	(139)	(744)	(1,041)
Total other comprehensive losses	¥ (12,118)	¥ (10,704)	$(90,752)

25. PER SHARE DATA

Amounts per share as at 31 March 2023 and 2022 and for the years then ended are as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥10,664.55	¥11,166.80	$79.87
Net income per share	310.36	235.91	2.32
Diluted net income per share	308.90	234.74	2.31

Amounts per share were calculated based on the following:

	Millions of yen or thousands of shares		Thousands of U.S. dollars
	2023	2022	2023
Net assets per share:			
Total net assets	¥185,228	¥193,565	$1,387,163
Amount to be deducted from total net assets	202	293	1,513
Stock acquisition rights	202	293	1,513
Net assets at the end of the fiscal year attributed to common stock	185,026	193,272	1,385,650
Number of shares of common stock at the end of the fiscal year used in computing net assets per share attributed to common stock	17,350	17,308	
Net income per share:			
Net income attributable to owners of parent	5,382	4,126	40,306
Net income attributable to owners of parent attributed to common stock	5,382	4,126	40,306
Average number of shares of common stock during the year	17,340	17,490	
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share	82	88	
Compensation-type stock options	82	88	

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. (The computer processing contracted business was transferred effective 1 January 2023.)

“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

	2023							
	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	¥7,249	¥335	¥94	¥7,678	¥470	¥8,148	¥—	¥8,148
Revenue from other sources	34,205	4,698	816	39,719	44	39,763	(320)	39,443
Income from external customers	41,454	5,033	910	47,397	514	47,911	(320)	47,591
Intersegment income	604	80	400	1,084	107	1,191	(1,191)	—
Total	42,058	5,113	1,310	48,481	621	49,102	(1,511)	47,591
Segment profit	6,069	336	415	6,820	152	6,972	(514)	6,458
Segment assets	3,817,982	13,782	9,384	3,841,148	393	3,841,541	(21,406)	3,820,135
Segment liabilities	3,637,410	10,003	3,452	3,650,865	102	3,650,967	(16,060)	3,634,907
Other items:								
Depreciation	2,029	5	0	2,034	1	2,035	—	2,035
Interest income	27,121	0	37	27,158	0	27,158	(562)	26,596
Interest expense	654	48	0	702	—	702	(48)	654
Provision for income taxes	992	4	145	1,141	53	1,194	—	1,194
Increase in premises and equipment and intangible assets	815	94	7	916	5	921	6	927

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 Statement 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 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 is adjusted with ordinary profit in the consolidated statements of income.

	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	¥ー	¥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)	ー
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	ー	2,004
Interest income	27,929	0	40	27,969	0	27,969	(695)	27,274
Interest expense	777	42	1	820	ー	820	(43)	777
Provision for income taxes	2,673	2	192	2,867	19	2,886	ー	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 Statement 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.

	2023							
	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	$54,287	$2,509	$704	$57,500	$3,520	$61,020	$−	$61,020
Revenue from other sources	256,160	35,183	6,111	297,454	329	297,783	(2,396)	295,387
Income from external customers	310,447	37,692	6,815	354,954	3,849	358,803	(2,396)	356,407
Intersegment income	4,523	599	2,996	8,118	801	8,919	(8,919)	−
Total	314,970	38,291	9,811	363,072	4,650	367,722	(11,315)	356,407
Segment profit	45,451	2,516	3,108	51,075	1,138	52,213	(3,849)	48,364
Segment assets	28,592,691	103,213	70,276	28,766,180	2,943	28,769,123	(160,309)	28,608,814
Segment liabilities	27,240,395	74,912	25,852	27,341,159	764	27,341,923	(120,272)	27,221,651
Other items:								
Depreciation	15,195	38	0	15,233	7	15,240	−	15,240
Interest income	203,108	0	277	203,385	0	203,385	(4,209)	199,176
Interest expense	4,898	359	0	5,257	−	5,257	(359)	4,898
Provision for income taxes	7,429	30	1,086	8,545	397	8,942	−	8,942
Increase in premises and equipment and intangible assets	6,104	704	52	6,860	37	6,897	45	6,942

(2) Other segment-related information

a. Information by service

Information by service for the years ended 31 March 2023 and 2022 is as follows:

	2023			
	Millions of yen			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	¥17,341	¥15,254	¥14,996	¥47,591

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

	2023			
	Thousands of U.S. dollars			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	$129,866	$114,237	$112,304	$356,407

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 2023 and 2022 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 2023 and 2022 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 2023 and 2022, 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

	2023					
	Millions of yen					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	¥17	¥—	¥—	¥17	¥—	¥17

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

	2023					
	Thousands of U.S. dollars					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	$127	$—	$—	$127	$—	$127

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 2023 and 2022.

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 2023 and 2022.

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 2023 and 2022.

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 2023 and 2022.

(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 2023 and 2022.

28. SUBSEQUENT EVENTS

Cash dividends

On 23 June 2023, the shareholders of the Bank authorized the following appropriation of retained earnings as at 31 March 2023:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥45 ($0.34) per share for year end)	¥781	$5,849

Establishment of a subsidiary

The Bank resolved at the board of directors' meeting held on 12 May 2023 to establish a wholly owned investment subsidiary, and established the subsidiary on 3 July 2023.

(1) Purpose of establishment

In April 2023, the Bank launched the "21st Medium-term Management Plan – Regional Value Co-creation Plan" covering the three-year period until FY2025. In this plan, the Bank aims to build on the solid management foundation, which was established under the previous medium-term management plan through upgrading the Group's infrastructure and promoting business restructuring, and continue with its policy of "Creating Shared Value (CSV)." The Bank sees this as a period to not only further deepen the financial services domain, but to also take on the challenge of entering new businesses beyond the framework of finance.

Aiming to both deepen the existing business by further enhancing financial intermediary functions and embark on a new challenge of entering new business domains beyond the framework of finance, the Bank believes that the speed and expertise that open innovation brings will be the key to achieving these goals. In light of this, the Bank has decided to establish an investment subsidiary and further strengthen its partnership and collaboration with external partners through investment and other means.

The Group will utilize the investment subsidiary it has established to support companies that revitalize local communities through the active provision of equity, and will create innovation through collaboration between investees and the Group, thereby contributing to solving regional issues and making social impact.

(2) Outline of the subsidiary

a. Company name	Iwagin Mirai Investment Co., Ltd.
b. Head office location	1-2-3 Chuo Dori, Morioka City, Iwate Prefecture (inside Iwate Bank Head Office)
c. Main business activities	Fund formation and operation, management consulting services, and all other operations incidental or related to the above
d. Capital	¥50 million ($374 thousand)
e. Shareholder composition	The Bank of Iwate, Ltd., 100%
f. Date of establishment	3 July 2023
g. Scheduled opening	October 2023

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, 2023 and 2022, 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, 2023 and 2022, 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 ¥2,010,807 million (52.6% of total assets) and allowance for doubtful accounts of ¥13,991 million in the current consolidated balance sheet. Of these amounts, loans and bills discounted of ¥2,018,201 million and allowance for	The primary procedures we performed to assess 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 included the following:

doubtful accounts of ¥10,592 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 and 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 external economic environment, including

(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 quantitative information 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 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 impact of COVID-19, change. In addition, as described in Note 2, “SIGNIFICANT ACCOUNTING POLICIES, Significant accounting estimates” to the consolidated financial statements, the Company recognized an allowance for doubtful accounts using the DCF method for 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.	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, 2023 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

KPMG AZSA LLC

Sendai Office, Japan

September 27, 2023

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.