Annual Report 2024

The Bank of Iwate,Ltd. Annual Report

Bank of Iwate Red Brick Building

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, efforts to address climate change are becoming increasingly global, and the environment is rapidly changing and difficult to predict due to rising energy and raw material prices caused by heightened geopolitical risks, the progress of cashless systems and the development of new technologies such as AI.

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. Furthermore, the rising prices of energy and raw materials are expected to further impact corporate profits. For businesses and local communities, promoting digitalization, work style reforms to improve productivity, and addressing carbon neutrality are becoming increasingly important, and urgent collaborative efforts between the public and private sectors are needed to tackle these issues.

On the other hand, Iwate Prefecture, with its rich natural environment, has high potential for renewable energy and is one of the few prefectures that maintain a food self-sufficiency rate of more than 100%, enhancing its presence as a production and supply base for energy and food. 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 are 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, alongside Nara and Kagoshima Prefectures.

Furthermore, listed companies are increasingly expected to focus on capital efficiency and stock prices, and the Bank recognizes the need to enhance management efficiency and governance through effective dialogue with shareholders and investors.

3. Issues to be Addressed

(1) Long-term vision

In April 2023, the Bank formulated its new long-term vision for the next 10 years 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 local residents 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 the next 10 years in order to realize this concept.

The Group, while coordinating with regional business operators and local governments, aims to leverage the strengths of Iwate's unique regional resources to further draw out its potential, thereby generating new value for the region and realizing a rich, vibrant, and sustainable regional society.

(2) 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") in April 2023. Adhering to the philosophy of creating shared value (CSV), 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 undertaken in the previous medium-term management plan. As the first phase of achieving our long-term goals of ¥10.0 billion ($66,046 thousand) in consolidated net income and an ROE of 5% or higher, 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. Specifically, we have been developing effective measures based on the following three basic policies.

Basic Policy I: Advancement of social solution business

- Provision of comprehensive solution through Group synergy and external collaboration
- Innovation of financial services through data utilization
- Strengthening promotion of environmental business
- Expansion into frontier business areas

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

- Transformation of asset allocation
- Transformation to a highly productive operational system
- Enhancement of governance systems

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

- Development of human resources capable of solving regional issues
- Transformation to a corporate culture full of challenges
- Realization of an organization where employees can continue to have job satisfaction and play an active role with peace of mind—promoting diversity & inclusion (D&I)

(3) Key performance indicators (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.

Indicator	FY2023 targets	FY2023 results	FY2025 targets	Long-term targets (up to FY2032)
Consolidated net income	¥4.0 billion ($26,418 thousand)	¥4.2 billion ($27,739 thousand)	¥7.0 billion ($46,232 thousand)	¥10.0 billion ($66,046 thousand)
Consolidated ROE (based on shareholders' equity)*1	2.2%	2.3%	Over 4.0%	Over 5.0%
Consolidated capital ratio*2	11.1%	11.2%	Around 10%	–
OHR (non-consolidated)*3	79.2%	73.0%	60% levels	–
Customer service business profit*4	¥(900 million) [$(5,944 thousand)]	¥(80 million) [$(528 thousand)]	Over ¥1.0 billion ($6,605 thousand)	–

2 Our Stance on Sustainability and 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 long-term vision, we have identified five materialities from the perspectives of growth areas and management foundation, in line with the Group's sustainability policy. These identified materialities are incorporated into our medium-term management plan and set as basic policies and key strategies.

Going forward, we will manage the progress of these key strategies, implement the PDCA cycle, and promote ESG & SX management.

Growth Areas

・Providing services and value through the use of data
・Regional development and support for the growth of regional industries
・Leading and innovative responses toward the realization of a decarbonized society

Management Foundation

・Building an organization that maximizes the value of human resources (Human Capital Management)
・Enhancement of our corporate governance structure

3. Key Initiatives in FY2023

(1) Recognition as a "distinctive initiative of financial institutions, etc. contributing to regional revitalization"
(2) Publication of the report "Current State and Future Directions of the Forest Industry in the Tohoku Region"
(3) Participation in the "30 by 30 Alliance for Biodiversity"
(4) Joint promotion of Iwate Prefecture's "Comprehensive Production Base for Food and Energy" project
(5) A subsidiary's entry into the renewable energy-related business

Additionally, we are promoting sustainability initiatives such as joining the "Watashi no Kigyo Ouendan" (a nationwide network for the exchange of information and collaboration among supporters who encourage women aspiring to start their own businesses) managed by the Ministry of Economy, Trade and Industry to support female entrepreneurs in Iwate Prefecture, endorsing the "Decokatsu" (a national movement to create a new rich lifestyle toward decarbonization) by the Ministry of the Environment, and starting to offer menus using substandard vegetables at our headquarters cafeteria as part of efforts to reduce food loss.

4. Governance

(1) Establishment of the Sustainability Promotion Committee

In August 2021, the Bank endorsed the Task Force on Climate-related Financial Disclosures (TCFD) 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 (April 2023–March 2024)

Date	Meeting	Main Matters Discussed, Reported Matters, etc.
August 2	3rd committee meeting	Disclosure of views and initiatives related to sustainability, results of GHG emissions calculations, matters related to the Bank of Japan's fund-supplying operations to support climate change response, and implementation of investment declarations when investing in SDGs bonds
October 25	4th committee meeting	Specific measures to achieve net-zero for Scope 1 and 2 emissions, scenario analysis of physical and transition risks, disclosure of specific procedures for assessing standards and eligibility for targeted investments and loans related to the climate change response operations, establishment of sustainability-linked loans, and issues and future directions in the disclosure of human capital
November 13	Board of Directors meeting	Specific measures to achieve net-zero GHG emissions, scenario analysis of physical and transition risks, matters related to the Bank of Japan's climate change response operations, and future directions in the disclosure of human capital
January 24	5th committee meeting	Specific measures toward the reduction of the GHG emissions of the Group, measurement of financial impacts based on climate change scenarios, human resource development policies, and policies for improving the internal environment
—	Subcommittee	A total of 25 subcommittee meetings in assembly format have been held. Coordination is also achieved through written communication, etc. using electronic meeting rooms as needed.

5. 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 energy 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°C 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 ¥1.6 billion ($10,567 thousand).

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 a concern that they will affect the financial aspects of the Bank and other companies due to the 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. This assessment includes potential damages to mortgaged buildings located in Iwate Prefecture, cases where corporations in Iwate Prefecture are forced to suspend their business operations, and damages to the Bank's own branches.

As a result of this analysis, the impact of physical risk on credit costs, etc. is expected to increase by up to ¥1.6 billion ($10,567 thousand).

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	FY2022	FY2023
Energy	Amount	57,655	59,393
	Percentage of loans outstanding	2.85%	2.82%
Transportation	Amount	62,327	60,895
	Percentage of loans outstanding	3.08%	2.90%
Materials, buildings and capital goods	Amount	277,099	289,957
	Percentage of loans outstanding	13.73%	13.81%
Agriculture, food and forest products	Amount	67,382	68,551
	Percentage of loans outstanding	3.33%	3.26%
Total carbon-related assets		464,465	478,797
Percentage of loans outstanding		23.01%	22.80%

(Thousands of U.S. dollars)

Sector	Item	FY2022	FY2023
Energy	Amount	380,787	392,266
	Percentage of loans outstanding	2.85%	2.82%
Transportation	Amount	411,644	402,186
	Percentage of loans outstanding	3.08%	2.90%
Materials, buildings and capital goods	Amount	1,830,124	1,915,045
	Percentage of loans outstanding	13.73%	13.81%
Agriculture, food and forest products	Amount	445,030	452,751
	Percentage of loans outstanding	3.33%	3.26%
Total carbon-related assets		3,067,598	3,162,255
Percentage of loans outstanding		23.01%	22.80%

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	FY2022	FY2023
Scope 1	1,113	1,051
Scope 2	3,547	1,774
Total	4,660	2,825

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

Category	FY2022	FY2023
1. Purchased products and services	7,909	8,261
2. Capital goods	1,502	1,829
3. Fuel and energy activities not included in Scope 1 and 2	710	683
4. Transportation, delivery (upstream)	218	248
5. Waste from business operations	43	30
6. Business trips	135	167
7. Employee commute	535	557
15. Investments and loans	1,504,455	1,310,629
Total	1,515,511	1,322,406

(3) Targets of sustainable finance

While the Bank limits loans to specific sectors, we position a leading and innovative response to achieve a decarbonized society as part of materiality, thereby promoting green transformation, 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 ($3,302,292)
Period	FY2021-FY2030

6. 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

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 ($660 thousand) (¥80 million ($528 thousand) invested in FY2023)

(3) Introduction of a new personnel system (April 2024)

a. Purpose of introduction
- We introduce a “job-based” system that serves as a foundation for all employees to grow and excel as professionals, and realize fairer and more convincing evaluations and treatments.
- By doing so, we strive to maximize the motivation and capabilities of each employee, aiming to become “a company of value co-creation that will solve our customers’ issues and drive the sustainable growth of the local community,” which is the long-term vision of the Group.

b. Features of the new system

・Under the old personnel system, there was a single track where everyone aimed for a management position. However, the new personnel system has a dual track for employees of higher grades, consisting of the "Professional Track" and the "Management Track," and also the "Associate Track" for younger employees.
・The Professional Track is designed for those aiming to become specialists in their respective fields, with the option to transition to the Management Track through transfers.

(4) 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 manager positions
Percentage of women in newly appointed manager 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

(5) Implementation of an engagement survey

To enable each and every employee and the Bank to continue to grow together, as stated in our human resources policy, it is essential to enhance engagement (a positive and fulfilling psychological state related to employees' work, and the degree of empathy towards the company) so that each individual can maximize their potential.

In order to visualize the current state of the Bank, identify various issues, and implement necessary measures to improve engagement, we conducted a survey in February 2024 targeting all employees, including non-regular staff.

(6) Support for asset formation (financial wellness)

We introduced a "trust-type ESOP for the employee stock ownership association" in FY2023. This initiative aims to enhance the medium- to long-term corporate value of the Bank through enhancing employee engagement, increasing the sense of participation in management, and providing incentives for improved performance, while revitalizing our employee stock ownership association and promoting stable wealth accumulation for employees.

Toru Iwayama, *President*

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

Financial Position

Principal Accounts

Deposits (including negotiable certificate of deposit) and Asset Under Management

Deposits (including negotiable certificate of deposit) at the fiscal year-end increased by ¥43.7 billion from the previous fiscal year-end to ¥3,485.2 billion (US$23,018.3 million). This was due in part to increases in deposits by corporate clients and individuals despite a decrease in public deposit.

The fiscal year-end balance of assets under management posted an increase of ¥25.4 billion from the previous fiscal year-end to ¥363.7 billion (US$2,402.1 million). This was due to an increase in the balances of investment trusts and insurance despite a decrease in the balance of public bonds.

Loans

The fiscal year-end balance of loans increased by ¥81.1 billion from the previous fiscal year-end to ¥2,099.3 billion (US$13,865.0 million). This was due in part to an increase in SMEs loans and personal loans.

Securities

The value of total securities increased by ¥66.0 billion from the previous fiscal year-end to ¥1,142.1 billion (US$7,543.1 million). This was due to increases in government bonds and corporate bonds despite a decrease in municipal bonds.

Cash Flow Analysis

Net cash used in operating activities was a net outflow of ¥33.9 billion (US$224.2 million) in the current fiscal year, while net cash of ¥111.7 billion was used in the previous fiscal year. This was because of the increase in loans and bills discounted, etc. in both the previous fiscal year and the current fiscal year.

Net cash used in investing activities was a net outflow of ¥47.0 billion (US$310.6 million) in the current fiscal year, while net cash of ¥58.9 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 the previous fiscal year, while proceeds from sale and redemption of securities falling short of the acquisition of securities in the current fiscal year.

Net cash used in financing activities was a net outflow of ¥2.3 billion (US$15.0 million) in the current fiscal year, while net cash of ¥1.7 billion was used in the previous fiscal year. This was due to the payment of cash dividends, etc.

As a result of the above, the fiscal year-end balance of cash and cash equivalents decreased by ¥83.2 billion from the previous fiscal year-end to ¥562.9 billion (US$3,717.4 million).

Business Performance

Earnings

Total income decreased by ¥3.4 billion from the previous fiscal year to ¥38.7 billion (US$255.4 million). This was due to decreases in gain on sale of bonds and gain on sale of stocks and other securities despite an increase in interest income including interest on loans and discounts and interest and dividends on securities.

Total expenses decreased by ¥3.9 billion from the previous fiscal year to ¥32.0 billion (US$211.6 million). This was mainly attributable to decreases in loss on sale of bonds and loss on redemption of bonds.

As a result, ordinary profit increased by ¥0.6 billion from the previous fiscal year to ¥6.6 billion (US$43.8 million). Despite this increase in ordinary profit, net income decreased by ¥1.0 billion from the previous fiscal year to ¥4.1 billion (US$26.9 million) due to increases in special losses and provision for income taxes.

Capital Ratio

In terms of capital adequacy, the Bank monthly monitors whether risks are within the risk capital allocated to each risk category, and believes it is maintaining a sufficient level based on the results. In the current Medium-term Management Plan, the Bank's policy is to utilize capital for an accumulation of risk assets and strategic investment in growth areas, while maintaining appropriate capital levels. The capital ratio decreased by 0.35 percentage points from the previous fiscal year-end to 11.29% on a consolidated capital adequacy basis and by 0.38 percentage points from the previous fiscal year-end to 10.95% on a non-consolidated capital adequacy basis, as a result of an increase in risk assets.

The Bank aims to improve its corporate value by pursuing the optimum balance between the three themes of "investment for growth," "ensuring of appropriate capital levels," and "enhancement of shareholder return."

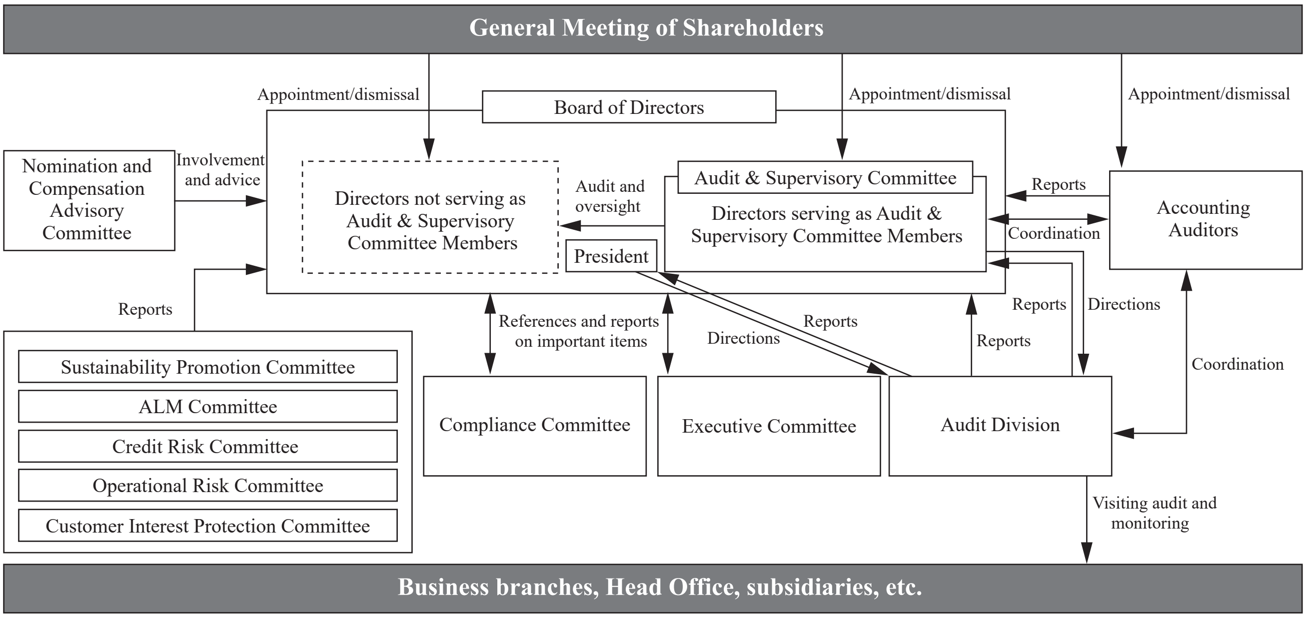
■ Basic Approach

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 50.0% of the Board of Directors, while female Directors account for 16.6%. 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 26, 2024, the number of Audit & Supervisory Committee Members is four, 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
・Policy for change of Accounting Auditor
・Review of the share-based compensation plan for officers
・Introduction of a video consultation counter system
・Sale of training facility
・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, 2024)

Inside Directors

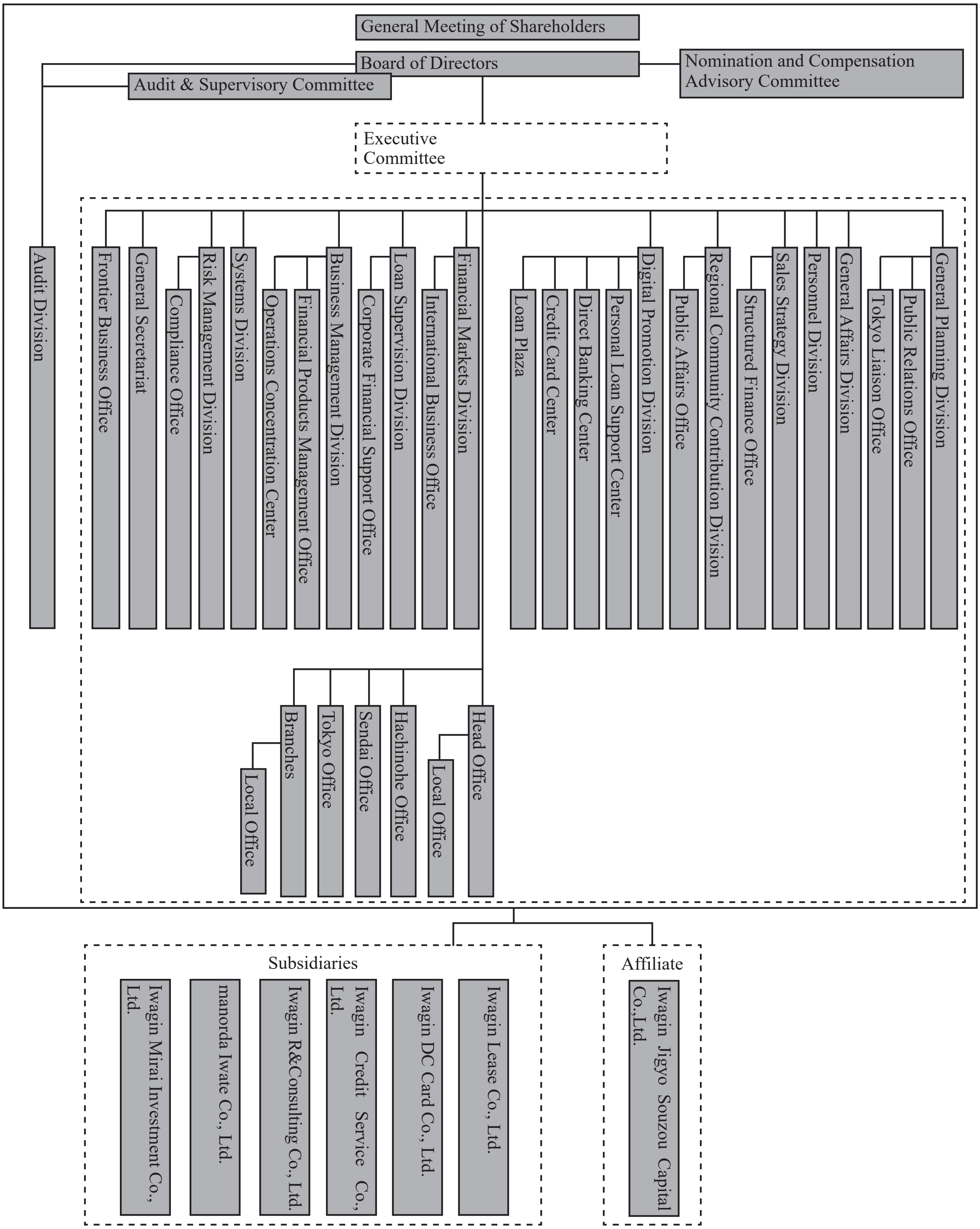
President	Toru Iwayama	**Director / Senior Managing Executive Officer**	Kensei Ishikawa
Director / Managing Executive Officer	Shinei Kishi	**Director / Managing Executive Officer**	Fumihiko Kikuchi
Director / Managing Executive Officer	Kazuhiro Sugawara	**Director serving as an Audit & Supervisory Committee Member**	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 Sales Strategy Division	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 April 1, 2024)



・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	Local trading company business, renewable energy-related 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%

Consolidated Balance Sheets

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2024	2023	2024
Cash and due from banks (Notes 3 and 6)	¥563,765	¥647,034	$3,723,433
Call loans and bills bought (Note 6)	51,000	–	336,834
Monetary claims bought (Note 6)	4,350	5,122	28,730
Money held in trust (Notes 5 and 6)	5,722	10,701	37,791
Securities (Notes 4, 6, 8 and 15)	1,139,535	1,073,192	7,526,154
Loans and bills discounted (Notes 6, 7 and 9)	2,091,126	2,010,807	13,811,016
Foreign exchange assets	3,900	2,860	25,758
Premises and equipment (Notes 11 and 23)	14,052	14,800	92,808
Intangible assets (Notes 12 and 23)	1,855	1,918	12,252
Net defined benefit asset (Note 16)	9,459	6,803	62,473
Deferred tax assets (Note 17)	84	2,318	555
Customers' liabilities for acceptances and guarantees (Note 15)	4,159	4,366	27,468
Other assets (Notes 6, 8 and 10)	55,346	54,205	365,537
Allowance for doubtful accounts (Note 6)	(14,757)	(13,991)	(97,464)
Total assets	¥3,929,596	¥3,820,135	$25,953,345
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 6, 8 and 13)	¥3,476,929	¥3,432,863	$22,963,668
Borrowed money (Notes 6 and 8)	231,077	172,529	1,526,167
Foreign exchange liabilities	38	14	251
Accrued bonuses for directors and corporate auditors	26	21	172
Net defined benefit liability (Note 16)	67	842	443
Retirement benefits for directors and corporate auditors	19	13	125
Provision for losses on reimbursement of dormant deposits	137	200	905
Provision for contingent losses	281	271	1,856
Deferred tax liabilities (Note 17)	3,524	18	23,275
Acceptances and guarantees (Note 15)	4,159	4,366	27,468
Other liabilities (Notes 6, 14 and 23)	13,903	23,770	91,823
Total liabilities	3,730,160	3,634,907	24,636,153
Net assets (Note 18):			
Common stock:			
Authorized — 49,450 thousand shares as at 31 March 2024 and 2023			
Issued and outstanding —18,498 thousand shares as at 31 March 2024 and 2023	12,090	12,090	79,849
Capital surplus	5,667	5,667	37,428
Retained earnings	167,955	165,224	1,109,273
Treasury stock, at cost	(4,921)	(4,200)	(32,501)
Total shareholders' equity	180,791	178,781	1,194,049
Net unrealized holding gains on available-for-sale securities (Note 4)	17,779	8,762	117,423
Net unrealized gains (losses) on hedging derivatives (Note 6)	50	(1,146)	330
Remeasurements of defined benefit plans (Note 16)	595	(1,371)	3,930
Total accumulated other comprehensive income	18,424	6,245	121,683
Stock acquisition rights (Note 19)	221	202	1,460
Total net assets	199,436	185,228	1,317,192
Total liabilities and net assets	¥3,929,596	¥3,820,135	$25,953,345

	Yen		U.S. dollars
	2024	2023	2024
Per share data:			
Net assets (Note 25)	¥11,673.61	¥10,664.55	$77.10

See accompanying notes.

Consolidated Statements of Income

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income:			
Interest income:			
Interest on loans and discounts	¥18,202	¥17,381	$120,217
Interest and dividends on securities	9,797	8,882	64,705
Other interest income	251	333	1,658
Fees and commissions	9,675	9,353	63,899
Other operating income (Note 20)	4,298	5,890	28,386
Other income (Note 22)	1,760	5,940	11,624
Total income	43,983	47,779	290,489
Expenses:			
Interest expenses:			
Interest on deposits	98	125	647
Interest on borrowings	40	78	264
Other interest expenses	466	451	3,078
Fees and commissions	3,589	3,510	23,704
Other operating expenses (Note 20)	6,414	11,598	42,362
General and administrative expenses (Note 21)	24,554	24,087	162,169
Other expenses (Note 22)	2,075	1,354	13,704
Total expenses	37,236	41,203	245,928
Income before income taxes	6,747	6,576	44,561
Provision for income taxes (Note 17)			
Current	2,023	1,103	13,361
Deferred	498	91	3,289
	2,521	1,194	16,650
Net income	4,226	5,382	27,911
Net income attributable to owners of parent	¥4,226	¥5,382	$27,911

	Yen		U.S. dollars
	2024	2023	2024
Per share data:			
Net income (Note 25)	¥245.96	¥310.36	$1.62
Diluted net income (Note 25)	244.71	308.90	1.62
Cash dividends applicable to the year (Note 28)	80.00	90.00	0.53

See accompanying notes.

Consolidated Statements of Comprehensive Income

The Bank of Iwate, Ltd. and its consolidated subsidiaries

Years ended 31 March 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income	¥4,226	¥5,382	$27,911
Other comprehensive losses (Note 24):			
Net unrealized holding losses on available-for-sale securities	9,017	(13,338)	59,554
Net unrealized gains on hedging derivatives (Note 6)	1,196	1,359	7,899
Remeasurements of defined benefit plans (Note 16)	1,966	(139)	12,984
Total other comprehensive losses	12,179	(12,118)	80,437
Comprehensive losses	¥16,405	¥(6,736)	$108,348
Total comprehensive losses	¥16,405	¥(6,736)	$108,348
Attributable to:			
Owners of parent	16,405	(6,736)	108,348

See accompanying notes.

Consolidated Statements of Changes in Net Assets

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2024 and 2023

	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 gains on available-for-sale securities	Net unrealized gains (losses) on hedging derivatives	Remeasurements of defined benefit plans	Total accumulated other comprehensive losses	Stock acquisition rights	Total net assets
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, 1 April 2023	12,090	5,667	165,224	(4,200)	178,781	8,762	(1,146)	(1,371)	6,245	202	185,228
Change during the year											
Cash dividends	–	–	(1,475)	–	(1,475)	–	–	–	–	–	(1,475)
Net income attributable to owners of parent	–	–	4,226	–	4,226	–	–	–	–	–	4,226
Acquisition of treasury stock	–	–	–	(852)	(852)	–	–	–	–	–	(852)
Disposal of treasury stock	–	–	(20)	131	111	–	–	–	–	–	111
Net changes in items other than shareholders' equity during the year	–	–	–	–	–	9,017	1,196	1,966	12,179	19	12,198
Total change during the year	–	–	2,731	(721)	2,010	9,017	1,196	1,966	12,179	19	14,208
BALANCE, 31 March 2024	¥12,090	¥5,667	¥167,955	¥(4,921)	¥180,791	¥17,779	¥50	¥595	¥18,424	¥221	¥199,436

	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 gains on available-for-sale securities	Net unrealized gains (losses) on hedging derivatives	Remeasurements of defined benefit plans	Total accumulated other comprehensive losses	Stock acquisition rights	Total net assets
BALANCE, 1 April 2023	$79,849	$37,428	$1,091,236	$(27,739)	$1,180,774	$57,869	$(7,569)	$(9,054)	$41,246	$1,334	$1,223,354
Change during the year											
Cash dividends	–	–	(9,742)	–	(9,742)	–	–	–	–	–	(9,742)
Net income attributable to owners of parent	–	–	27,911	–	27,911	–	–	–	–	–	27,911
Acquisition of treasury stock	–	–	–	(5,627)	(5,627)	–	–	–	–	–	(5,627)
Disposal of treasury stock	–	–	(132)	865	733	–	–	–	–	–	733
Net changes in items other than shareholders' equity during the year	–	–	–	–	–	59,554	7,899	12,984	80,437	126	80,563
Total change during the year	–	–	18,037	(4,762)	13,275	59,554	7,899	12,984	80,437	126	93,838
BALANCE, 31 March 2024	$79,849	$37,428	$1,109,273	$(32,501)	$1,194,049	117,423	330	3,930	121,683	1,460	1,317,192

See accompanying notes.

Consolidated Statements of Cash Flows

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Income before income taxes	¥6,747	¥6,576	$44,561
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation	1,867	2,035	12,331
Impairment losses	186	17	1,228
Increase (decrease) in allowance for doubtful accounts	766	(1,584)	5,059
Increase (decrease) in provision for contingent losses	10	97	66
Increase (decrease) in accrued bonuses for directors and corporate auditors	5	0	33
(Increase) decrease in net defined benefit asset	(1,003)	(939)	(6,624)
Increase (decrease) in net defined benefit liability	397	(306)	2,622
Increase (decrease) in retirement benefits for directors and corporate auditors	5	(7)	33
Increase (decrease) in provision for losses on reimbursement of dormant deposits	(64)	(86)	(423)
Interest income	(28,250)	(26,596)	(186,580)
Interest expenses	604	654	3,989
Investment securities (gains) losses, net	317	474	2,094
(Increase) decrease in money held in trust	(19)	(11)	(125)
Foreign exchange (gains) losses, net	(2,961)	(2,745)	(19,556)
(Gains) losses on sale of businesses	–	(87)	–
(Gains) losses on disposal of premises and equipment	24	(48)	158
Net (increase) decrease in loans and bills discounted	(80,319)	(67,629)	(530,474)
Net increase (decrease) in deposits	52,266	22,971	345,195
Net increase (decrease) in negotiable certificates of deposit	(8,200)	(34,200)	(54,158)
Net increase (decrease) in borrowed money	58,549	(64,406)	386,692
Net (increase) decrease in due from banks, excluding the Bank of Japan	27	(123)	178
Net (increase) decrease in call loans and others	(50,229)	36,711	(331,742)
Net increase (decrease) in payables under securities lending transactions	–	(10,054)	–
Net (increase) decrease in foreign exchange assets	(1,040)	1,087	(6,868)
Net increase (decrease) in foreign exchange liabilities	24	(33)	159
Interest received	27,694	26,584	182,907
Interest paid	(593)	(726)	(3,916)
Other, net	(10,278)	2,545	(67,881)
Subtotal	(33,468)	(109,829)	(221,042)
Income taxes paid	(880)	(1,871)	(5,812)
Income taxes refunded	404	0	2,668
Net cash used in operating activities	(33,944)	(111,700)	(224,186)
Cash flows from investing activities:			
Acquisition of securities	(506,623)	(445,755)	(3,346,034)
Proceeds from sale of securities	11,106	54,862	73,351
Proceeds from redemption of securities	444,804	450,854	2,937,745
Increase in money held in trust	–	(3,000)	–
Decrease in money held in trust	4,933	2,846	32,580
Acquisition of premises and equipment	(724)	(603)	(4,782)
Proceeds from sale of premises and equipment	163	165	1,077
Payment for retirement of premises and equipment	(18)	(34)	(119)
Acquisition of intangible assets	(581)	(387)	(3,837)
Payment for asset retirement obligations	(81)	(11)	(535)
Payment for sale of businesses	–	(52)	–
Net cash provided by (used in) investing activities	(47,021)	58,885	(310,554)

Consolidated Statements of Cash Flows (Continued)

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from financing activities:			
Repayments of lease obligations	(31)	(30)	(205)
Cash dividends paid	(1,475)	(1,646)	(9,742)
Payment for acquisition of treasury stock	(852)	(1)	(5,627)
Proceeds from sale of treasury stock	81	0	535
Net cash used in financing activities	(2,277)	(1,677)	(15,039)
Effect of exchange rate changes on cash and cash equivalents	–	–	–
Net increase (decrease) in cash and cash equivalents	(83,242)	(54,492)	(549,779)
Cash and cash equivalents at the beginning of the year	646,100	700,592	4,267,222
Cash and cash equivalents at the end of the year (Note 3)	562,858	¥646,100	$3,717,443

See accompanying notes.

Notes to Consolidated Financial Statements

The Bank of Iwate, Ltd. and its consolidated subsidiaries
Years ended 31 March 2024 and 2023

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 2024, which was ¥151.41 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.

Three non-consolidated subsidiaries are excluded from the scope of consolidation because in terms of their 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), they have minor impact on the consolidated financial statements even if they are 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.

Three non-consolidated subsidiaries 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 ¥14,757 million ($97,464 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.

c. Impact on the consolidated financial statements for the year ending 31 March 2025

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 2025.

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.

Additional information

Introduction of Employee Stock Ownership Plan (ESOP)

As part of its welfare program, the Bank has introduced an employee stock ownership plan (ESOP) with the aim of revitalizing the Bank's employee stock ownership plan, encouraging employees to form stable assets, and increasing the Bank's corporate value over the medium to long term.

(1) Summary of the Transaction

The Bank has established an “Employee Stock Ownership Plan” under which employees of the Bank who meet certain requirements are beneficiaries, and the trust acquires the number of shares of the Bank that the stock ownership plan is expected to acquire in a lump sum using funds raised through borrowings over a period of five years after the trust agreement. Thereafter, the acquisition of shares of the Bank by the stock ownership plan will be made through purchase from the trust. At the end of the trust, if there is trust income due to a rise in the stock price, the money will be distributed to the beneficiary employees according to the contribution percentage. In the event that a transfer loss occurs due to a decline in the stock price and the debt related to the trust property remains, the Bank will repay the debt in a lump sum based on the compensation clause of the money consumption loan agreement, and the employees will not bear the burden.

(2) Shares of the Bank remaining in the trust

The shares of the Bank remaining in the trust are recorded as treasury stock in the net assets section based on the book value of the trust. As of the end of the fiscal year, the carrying value of treasury shares was ¥768 million ($5,072 thousand), and the number of treasury shares was 297 thousand.

(3) The carrying value of borrowings recorded under the application of the gross amount method

The book value of borrowings recorded under the application of the gross amount method at the end of the current consolidated fiscal year was ¥780 million ($5,152 thousand).

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 2024 and 2023, 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
	2024	2023	2024
Cash and due from banks	¥563,765	¥647,034	$3,723,433
Less: Deposits in banks other than the Bank of Japan	(907)	(934)	(5,990)
Cash and cash equivalents	¥562,858	¥646,100	$3,717,443

4. SECURITIES

Securities held by the Group as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
National government bonds	¥187,348	¥170,455	$1,237,356
Local government bonds	279,112	290,196	1,843,419
Corporate bonds	346,038	323,539	2,285,437
Corporate stocks	50,838	35,420	335,764
Other securities	276,199	253,582	1,824,178
	¥1,139,535	¥1,073,192	$7,526,154

The securities placed under unsecured lending agreements, which borrowers have the right to sell or pledge in the amount of ¥63,100 million ($416,749 thousand) and ¥54,100 million as at 31 March 2024 and 2023, 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 2024 and 2023:

(a) Held-to-maturity debt securities

	Millions of yen				
	Book value	Fair value	Difference	Gain	Loss
As at 31 March 2024:	¥26,821	¥28,595	¥1,774	¥1,774	¥–
As at 31 March 2023:	¥21,974	¥24,412	¥2,438	¥2,438	¥–

	Thousands of U.S. dollars				
	Book value	Fair value	Difference	Gain	Loss
As at 31 March 2024:	$177,142	$188,858	$11,716	$11,716	$–

(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 2024:					
Corporate stocks	¥15,500	¥49,256	¥33,756	¥33,846	¥(90)
Bonds	790,162	780,753	(9,409)	5,070	(14,479)
Other	263,319	264,354	1,035	10,743	(9,708)
	¥1,068,981	¥1,094,363	¥25,382	¥49,659	¥(24,277)
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)

	Thousands of U.S. dollars				
	Acquisition cost	Book value	Difference	Gain	Loss
As at 31 March 2024:					
Corporate stocks	$102,371	$325,315	$222,944	$223,539	$(595)
Bonds	5,218,691	5,156,549	(62,142)	33,485	(95,627)
Other	1,739,112	1,745,948	6,836	70,953	(64,117)
	$7,060,174	$7,227,812	$167,638	$327,977	$(160,339)

B. There were no sales of held-to-maturity debt securities for the years ended 31 March 2024 and 2023.

Total sales of available-for-sale securities in the years ended 31 March 2024 and 2023 amounted to ¥11,105 million ($73,344 thousand) and ¥54,862 million, respectively. The related gains and losses amounted to ¥1,023 million ($6,756 thousand) and ¥1,059 million ($6,994 thousand), respectively, in the year ended 31 March 2024, and ¥6,373 million and ¥1,846 million, respectively, in the year ended 31 March 2023.

C. Available-for-sale securities written down for the years ended 31 March 2024 and 2023 amounted to ¥7 million ($46 thousand) and ¥33 million, respectively.

D. Net unrealized holding gains on available-for-sale securities on the consolidated balance sheets as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized holding gains before deferred tax on:			
Available-for-sale securities (Note)	¥25,323	¥12,446	$167,248
Deferred tax liabilities	(7,544)	(3,683)	(49,825)
Net unrealized holding gains before interest adjustment	17,779	8,763	117,423
Amount equivalent to non-controlling interests	–	–	–
Net unrealized holding gains on available-for-sale securities	¥17,779	¥8,763	$117,423

Note: The balance as at 31 March 2024 includes ¥58 million ($383 thousand) of net unrealized holding losses 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 2023 includes ¥152 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
	2024	2023	2024
Shares	¥20	¥20	$132
Investments	1,319	1,263	8,711

5. MONEY HELD IN TRUST

Money held in trust as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Money held in trust for trading purposes:			
Carrying amount	¥5,722	¥10,701	$37,791
Realized gains (losses) included in earnings	(40)	64	(264)

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, financial industries and insurance industries, real estate industries, leasing 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 carried out by each sales department and office, the structured finance office, the examination department, and the risk management department, and 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 2024 was ¥31,308 million ($206,776 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 2024 and 2023 are as follows.

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		2024	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets:						
Monetary claims bought	¥4,350	¥4,211	¥5,122	¥5,046	$28,730	$27,812
Money held in trust	5,722	5,722	10,701	10,701	37,791	37,791
Securities						
Held-to-maturity debt securities	31,745	33,582	21,974	24,412	209,662	221,795
Available-for-sale securities	1,094,363	1,094,363	1,038,530	1,038,530	7,227,812	7,227,805
Loans and bills discounted	2,091,126		2,010,807		13,811,016	
Allowance for doubtful accounts	(13,605)		(12,673)		(89,855)	
	2,077,521	2,063,457	1,998,134	1,992,354	13,721,161	13,628,274
Liabilities:						
Deposits	3,476,929	3,476,959	3,432,863	3,432,883	22,963,668	22,963,866
Borrowed money	231,077	231,072	172,529	172,524	1,526,167	1,526,134
Derivative transactions:						
Derivative instruments not qualifying for hedge accounting	(644)	(644)	(492)	(492)	(4,253)	(4,253)
Derivative instruments qualifying for hedge accounting	72	(1,165)	(1,647)	(3,331)	476	(7,694)

Note 1: Book values of shares, etc. that do not have a market price and investments in partnerships as at 31 March 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Available-for-sale securities	¥13,427	¥12,688	$88,680

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

	Millions of yen					
	2024					
	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)	¥527,510	¥–	¥–	¥–	¥–	¥–
Call loans and bills bought	51,000	–	–	–	–	–
Monetary claims bought	1,641	–	–	–	–	2,709
Securities						
Held-to-maturity debt securities	–	1,994	–	–	29,751	–
Mainly consist of the following:						
National bonds	–	1,994	–	–	24,827	–
Local government bonds	–	–	–	–	3,791	–
Corporate bonds	–	–	–	–	1,134	–
Available-for-sale securities	93,440	141,316	302,548	184,018	171,641	102,950
Mainly consist of the following:						
National bonds	7,786	8,993	17,895	47,520	10,662	67,671
Local government bonds	10,981	13,199	72,501	99,168	79,472	–
Corporate bonds	49,243	64,235	115,084	19,344	65,580	18,873
Loans and bills discounted	306,697	424,583	345,836	185,542	184,932	452,569
Deposits	3,374,889	94,573	6,890	153	424	–
Payables under securities lending transactions	–	–	–	–	–	–
Borrowed money (*2)	6	12	12	12	18	31

	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	–
Local government bonds	–	–	–	–	–	–
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

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.

	Thousands of U.S. dollars					
	2024					
	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)	$3,483,984	$—	$—	$—	$—	$—
Call loans and bills bought	336,834	–	–	–	–	–
Monetary claims bought	10,838	–	–	–	–	17,892
Securities						
Held-to-maturity debt securities	–	13,170	–	–	196,492	–
Mainly consist of the following:						
National bonds	–	13,170	–	–	163,972	–
Local government bonds	–	–	–	–	25,038	–
Corporate bonds	–	–	–	–	7,490	–
Available-for-sale securities	617,132	933,333	1,998,204	1,215,362	1,133,617	679,942
Mainly consist of the following:						
National bonds	51,423	59,395	118,189	313,850	70,418	446,939
Local government bonds	72,525	87,174	478,839	654,963	524,880	—
Corporate bonds	325,230	424,245	760,082	127,759	433,129	124,648
Loans and bills discounted	2,025,606	2,804,194	2,284,103	1,225,428	1,221,399	2,989,030
Deposits	22,289,736	624,615	45,506	1,011	2,800	–
Payables under securities lending transactions	–	–	–	–	–	–
Borrowed money (*2)	40	79	79	79	119	205

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. Among the loans, loans related to the Employee Stock Ownership Association Trust-type ESOP are not included in the above repayment schedule because there is no stipulation of the repayment amount for each installment repayment date.

(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			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥–	¥–	¥–	¥–
Money held in trust	–	5,722	–	5,722
Securities				
Available-for-sale securities	229,493	800,635	58,278	1,088,406
Mainly consist of the followings:				
National bonds and municipal bonds	152,741	283,107	–	435,848
Corporate bonds	–	326,605	18,300	344,905
Corporate stocks	49,256	–	–	49,256
Other securities (*1 and *2)	27,496	190,923	39,978	258,397
Derivative transactions:				
Interest rate	–	943	–	943
Forward foreign exchange	–	–	–	–
Others	–	–	5	5
Derivative transactions:				
Interest rate	–	2,108	–	2,108
Forward foreign exchange	–	644	–	644
Others	–	–	5	5

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 ¥5,956 million ($39,337 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							
	2024							
		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	¥4,724	¥–	¥50	¥1,182	¥–	¥–	¥5,956	¥–

	Thousands of U.S. dollars							
	2024							
		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	$31,200	$–	$330	$7,807	$–	$–	$39,337	$–

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			
	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:				
Interest rate	–	–	–	–
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.

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

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$–	$–	$–	$–
Money held in trust	–	37,791	–	37,791
Securities				
Available-for-sale securities	1,515,706	5,287,860	384,902	7,188,468
Mainly consist of the followings:				
National bonds and municipal bonds	1,008,791	1,869,803	–	2,878,594
Corporate bonds	–	2,157,090	120,864	2,277,954
Corporate stocks	325,315	–	–	325,315
Other securities	181,600	1,260,967	264,038	1,706,605
Derivative transactions:				
Interest rate	–	6,229	–	6,229
Forward foreign exchange	–	–	–	–
Others	–	–	33	33
Interest rate				
Derivative transactions:				
Interest rate	–	13,923	–	13,923
Forward foreign exchange	–	4,253	–	4,253
Others	–	–	33	33

b. Financial instruments other than those measured at fair value

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥–	¥–	¥4,211	¥4,211
Securities				
Bonds held for maturity	28,595	4,987	–	33,582
Mainly consist of the followings:				
National bonds and municipal bonds	28,595	3,851	–	32,446
Corporate bonds	–	1,136	–	1,136
Loans and bills discounted	–	11,978	2,051,479	2,063,457
Deposits	–	3,476,959	–	3,476,959
Borrowed money	–	231,072	–	231,072

	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
Corporate bonds	–	–	–	–
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

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$–	$–	$27,812	$27,812
Securities				
Bonds held for maturity	188,858	32,937	–	221,795
Mainly consist of the followings:				
National bonds and municipal bonds	188,858	25,434	–	214,292
Corporate bonds	–	7,503	–	7,503
Loans and bills discounted	–	79,110	13,549,164	13,628,274
Deposits	–	22,963,866	–	22,963,866
Borrowed money	–	1,526,134	–	1,526,134

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 2024 and 2023 is as follows.

	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
	2024			
Securities				
Available-for-sale securities	Present value technique	Probability of bankruptcy	0.000% - 16.667%	0.608%

	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%

(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 2024 and 2023 are as follows.

	Millions of yen							
	2024							
		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	¥56,092	¥–	¥32	¥2,154	¥–	¥–	¥58,278	¥–
Derivative transactions:								
Other (assets)	13	(21)	–	13	–	–	5	(8)
Other (liabilities)	(13)	21	–	(13)	–	–	(5)	8

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							
	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.

	Thousands of U.S. dollars							
	2024							
		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	$370,464	$–	$212	$14,226	$–	$–	$384,902	$–
Derivative transactions:								
Other (assets)	86	(139)	–	86	–	–	33	(53)
Other (liabilities)	(86)	139	–	(86)	–	–	(33)	53

(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 2024 and 2023 were as follows:

(Currency-related transactions)

	Millions of yen						Thousands of U.S. dollars		
	2024			2023			2024		
	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	¥25,243	¥(643)	¥(643)	¥21,171	¥(492)	¥(492)	$166,720	$(4,247)	$(4,247)
Buy	1,415	(1)	(1)	–	–	–	9,345	(6)	(6)

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

(Earthquake derivatives)

	Millions of yen						Thousands of U.S. dollars		
	2024			2023			2024		
	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)	Notional amounts	Fair value	Unrealized gains (losses)
Earthquake derivatives:									
Sell	¥1,020	¥(5)	¥–	¥2,055	¥(13)	¥–	$6,737	$(33)	$–
Buy	1,020	5	–	2,055	13	–	6,737	33	–

b. Derivative instruments qualifying for hedge accounting

Notional amounts and fair value as at 31 March 2024 and 2023 were as follows:

(Interest-related transactions)

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		2024	
	Notional amounts	Fair value	Notional amounts	Fair value	Notional amounts	Fair value
Interest rate swap:						
Receive floating rate/Pay fixed rate (Deferral method)	¥45,090	¥72	¥31,061	¥(1,647)	$297,801	$476
Receive floating rate/Pay fixed rate (Exceptional method)	22,000	(1,237)	22,000	(1,684)	145,301	(8,170)

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bills discounted	¥1,414	¥1,412	$9,339
Loans on notes	41,879	44,262	276,593
Loans on deeds	1,857,165	1,779,566	12,265,801
Overdrafts	190,668	185,567	1,259,283
	¥2,091,126	¥2,010,807	$13,811,016

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 2024 and 2023 were ¥1,414 million ($9,339 thousand) and ¥1,412 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 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bankrupt and quasi-bankrupt loans	¥8,358	¥6,617	$55,201
Doubtful loans	34,870	33,888	230,302
Loans past due three months or more	2	72	13
Restructured loans, including loans to borrowers financially assisted by the Bank	8,784	5,658	58,015
Total	¥52,014	¥46,235	$343,531

8. PLEDGED ASSETS

As at 31 March 2024, deposits of ¥12,075 million ($79,750 thousand) and borrowed money of ¥229,900 million ($1,518,394 thousand) were secured by a pledge of securities in the amount of ¥327,302 million ($2,161,693 thousand) and guarantee money deposits in the amount of ¥72 million ($476 thousand). As at 31 March 2023, deposits of ¥11,929 million and borrowed money of ¥172,100 million were secured by a pledge of securities in the amount of ¥267,611 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 ($198,138 thousand) and ¥30,000 million as collateral for transactions such as exchange settlement transactions as at 31 March 2024 and 2023, respectively.

Other assets include cash collateral paid for financial instruments, guarantee deposits and lease deposits in the amount of ¥1,872 million ($12,364 thousand) and ¥3,521 million, ¥81 million ($535 thousand) and ¥87 million, and ¥112 million ($740 thousand) and ¥113 million as at 31 March 2024 and 2023, 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 2024 and 2023 were ¥639,738 million ($4,225,203 thousand) and ¥668,824 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 ¥597,105 million ($3,943,630 thousand) and ¥623,425 million as at 31 March 2024 and 2023, 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 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Accrued income	¥3,437	¥3,201	$22,700
Other	51,909	51,004	342,837
	¥55,346	¥54,205	$365,537

11. PREMISES AND EQUIPMENT

Premises and equipment as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Land	¥8,044	¥8,318	$53,127
Buildings	33,632	35,392	222,125
Equipment	8,874	9,129	58,609
Leased assets	77	83	509
Other	706	420	4,663
	51,333	53,342	339,033
Accumulated depreciation	37,281	38,542	246,225
	¥14,052	¥14,800	$92,808

To conform with the Companies Act of Japan, deferred gains on sale of real estate in the amount of ¥771 million ($5,092 thousand) and ¥771 million as at 31 March 2024 and 2023, respectively, were deducted from the acquisition cost of premises and equipment.

12. INTANGIBLE ASSETS

Intangible assets as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Software	¥1,594	¥1,770	$10,528
Leased assets	11	27	73
Other	250	121	1,651
	¥1,855	¥1,918	$12,252

13. DEPOSITS

Deposits as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Current deposits	¥59,646	¥57,650	$393,937
Ordinary deposits	2,257,366	2,166,099	14,908,962
Deposits at notice	365	917	2,411
Time deposits	883,096	924,018	5,832,481
Other deposits	36,330	35,853	239,945
Negotiable certificates of deposit	240,126	248,326	1,585,932
	¥3,476,929	¥3,432,863	$22,963,668

14. OTHER LIABILITIES

Other liabilities as at 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Accrued income taxes	¥1,460	¥128	$9,642
Accrued expenses	2,201	1,791	14,537
Unearned income	660	654	4,359
Lease obligations	1,349	1,348	8,910
Other	8,233	19,849	54,375
	¥13,903	¥23,770	$91,823

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 ¥18,432 million ($121,736 thousand) as at 31 March 2024 compared with ¥19,404 million as at 31 March 2023.

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
	2024	2023	2024
Balance at the beginning of the year	¥23,200	¥25,030	$153,226
Service costs (including the amount of employee contributions)	656	700	4,333
Interest costs	177	109	1,169
Actuarial differences	75	(988)	495
Retirement benefits paid	(1,322)	(1,457)	(8,731)
Decrease due to sale of businesses	–	(194)	–
Balance at the end of the year	¥22,786	¥23,200	$150,492

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
	2024	2023	2024
Balance at the beginning of the year	¥29,161	¥29,752	$192,596
Expected return on plan assets	618	756	4,082
Actuarial differences	2,611	(1,381)	17,244
Employer contributions	517	782	3,415
Employee contributions	51	52	337
Retirement benefits paid	(780)	(800)	(5,152)
Balance at the end of the year	¥32,178	¥29,161	$212,522

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded projected benefit obligation	¥22,719	¥23,126	$150,049
Plan assets	(32,178)	(29,161)	(212,522)
	(9,459)	(6,035)	(62,473)
Unfunded projected benefit obligation	67	74	443
Net liability (asset) recognized in consolidated balance sheets	¥(9,392)	¥(5,961)	$(62,030)
Net defined benefit liability	67	842	443
Net defined benefit asset	(9,459)	(6,803)	(62,473)
Net liability (asset) recognized in consolidated balance sheets	¥(9,392)	¥(5,961)	$(62,030)

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
	2024	2023	2024
Service costs (excluding the amount of employee contributions)	¥605	¥648	$3,996
Interest costs	177	109	1,169
Expected return on plan assets	(618)	(756)	(4,082)
Amortization of actuarial differences	288	193	1,902
Retirement benefit expenses	¥452	¥194	$2,985

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
	2024	2023	2024
Actuarial differences	¥2,824	¥(200)	$18,651
Total	¥2,824	¥(200)	$18,651

(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
	2024	2023	2024
Unrecognized actuarial differences	¥ 855	¥ (1,970)	$5,647
Total	¥ 855	¥ (1,970)	$5,647

(vii) Plan assets

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

	2024	2023
Bonds	48%	22%
Equities	35%	18%
General account	11%	12%
Cash and deposits	6%	48%
Total	100%	100%

Retirement benefit trusts set up for defined benefit pension plans accounted for 18% and 18% of total plan assets for the years ended 31 March 2024 and 2023, respectively. In addition, retirement benefit trusts set up for the lump-sum retirement benefit plans accounted for 26% and 27% of total plan assets for the years ended 31 March 2024 and 2023, 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 2024 and 2023 is as follows:

	2024	2023
Discount rate	0.8%	0.8%
Long-term expected rate of return on plan assets	2.1%	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 ¥122 million ($806 thousand) and ¥123 million for the years ended 31 March 2024 and 2023, 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 2024 and 2023, respectively.

Significant components of the Group's deferred tax assets and liabilities as at 31 March 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Allowance for doubtful accounts	¥4,244	¥4,039	$28,030
Net defined benefit liability	1,107	2,164	7,311
Accumulated depreciation	1,099	1,254	7,258
Securities	348	346	2,298
Deferred hedge	265	501	1,750
Other	1,405	1,304	9,280
Subtotal	8,468	9,608	55,927
Valuation allowance (*)	(3,601)	(3,132)	(23,783)
Total deferred tax assets	4,867	6,476	32,144
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(7,645)	(3,784)	(50,492)
Deferred gains on sale of real estate	(374)	(391)	(2,470)
Deferred hedge	(287)	—	(1,896)
Other	(1)	(1)	(6)
Total deferred tax liabilities	(8,307)	(4,176)	(54,864)
Net deferred tax assets (liabilities)	¥(3,440)	¥2,300	$(22,720)

(*) Valuation allowance increased by ¥469 million ($3,098 thousand) in the year ended 31 March 2024. The main reason of this increase is the recognition of valuation allowances for future deductions of temporary differences in allowances for doubtful accounts incurred in the consolidated fiscal year that are not expected to be resolved in the future reasonable estimated period.

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The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the years ended 31 March 2024 and 2023.

	2024	2023
Statutory tax rate	30.4%	30.4%
Non-deductible expenses	0.4	0.4
Non-taxable income	(1.0)	(1.2)
Per capita inhabitant taxes	0.6	0.6
Valuation allowance	7.4	(12.6)
Other, net	(0.4)	0.6
Effective tax rate	37.4%	18.2%

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 1,432 thousand shares as at 31 March 2024 and 1,148 thousand shares as at 31 March 2023.

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 ¥221 million ($1,460 thousand) and ¥202 million as at 31 March 2024 and 2023, respectively.

Share-based compensation expenses accounted for as general and administrative expenses for the years ended 31 March 2024 and 2023 amounted to ¥49 million ($324 thousand) and ¥46 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	2023 stock option plan
Title and number of grantees	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: 28,000 shares	Common stock: 26,800 shares	Common stock: 26,300 shares
Grant date	27 July 2021	25 July 2022	25 July 2023
Condition for vesting	Not applicable	Not applicable	Not applicable
Requisite service period	Not applicable	Not applicable	Not applicable
Exercise period	From 28 July 2021 to 27 July 2051	From 26 July 2022 to 25 July 2052	From 26 July 2023 to 25 July 2053

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 2024. 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 2023	2,200	2,800	2,400	3,600
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	400
Outstanding	2,200	2,800	2,400	3,200
After vesting (shares):				
As at 31 March 2023	–	–	–	–
Vested	–	–	–	400
Exercised	–	–	–	400
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	3,400	3,900	6,700	10,700
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	400	800	1,100	2,800
Outstanding	3,000	3,100	5,600	7,900
After vesting (shares):				
As at 31 March 2022	–	–	–	–
Vested	400	800	1,100	2,800
Exercised	400	800	1,100	2,800
Forfeited	–	–	–	–
Outstanding	–	–	–	–

	2021 stock option plan	2022 stock option plan	2023 stock option plan
Before vesting (shares):			
As at 31 March 2022	18,100	26,800	–
Granted	–	–	26,300
Forfeited	–	–	–
Vested	4,200	4,000	–
Outstanding	13,900	22,800	26,300
After vesting (shares):			
As at 31 March 2022	–	–	–
Vested	4,200	4,000	–
Exercised	4,200	4,000	–
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 ($0.01)
Average exercise price	¥– ($–)	¥– ($–)	¥– ($–)	¥2,014 ($13.30)
Fair value at the grant	¥4,119 ($27.20)	¥4,437 ($29.30)	¥5,287 ($34.92)	¥4,032 ($26.63)

	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	¥2,014 ($13.30)	¥2,014 ($13.30)	¥2,014 ($13.30)	¥2,014 ($13.30)
Fair value at the grant	¥4,178 ($27.59)	¥4,439 ($29.32)	¥2,693 ($17.79)	¥2,578 ($17.03)

	2021 stock option plan	2022 stock option plan	2023 stock option plan
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average exercise price	¥2,014 ($13.30)	¥2,014 ($13.30)	¥– ($–)
Fair value at the grant	¥1,664 ($10.99)	¥1,720 ($11.36)	¥1,865 ($12.32)

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 2024 were as follows:

(a) Valuation method: Black-Scholes formula

(b) Major basic numerical values and valuation method

	2023 stock option plan
Stock price volatility (*1)	25.6%
Expected years to expiration (*2)	3.2 years
Expected dividends (*3)	¥90 ($0.59) per share
Risk-free interest rate (*4)	(0.03)%

Notes:*1. Stock price volatility is calculated based on the actual stock prices from 4 May 2020 to 17 July 2023.

*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 2023.

*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 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Other operating income:			
Gain on trading account securities transactions	¥–	¥0	$–
Gain on sale of bonds	–	1,181	–
Gain on financial instruments	14	0	92
Other	4,284	4,709	28,294
	¥4,298	¥5,890	$28,386

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	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Other operating expenses:			
Loss on sale of foreign bills of exchange	¥1,329	¥688	$8,777
Loss on sale of bonds	936	1,662	6,182
Loss on redemption of bonds	274	4,967	1,810
Other	3,875	4,281	25,593
	¥6,414	¥11,598	$42,362

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and allowances	¥10,321	¥10,281	$68,166
Fringe benefits and welfare	2,927	2,868	19,332
Retirement benefit expenses	574	317	3,791
Depreciation for premises and equipment	1,864	2,030	12,311
Rental expenses	667	686	4,405
Taxes other than income taxes	1,265	1,242	8,355
Deposit insurance premium	465	458	3,071
Other expenses	6,471	6,205	42,738
	¥24,554	¥24,087	$162,169

22. OTHER INCOME AND EXPENSES

Other income and expenses for the years ended 31 March 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Other income:			
Gain on sale of stocks and other securities	¥1,023	¥5,191	$6,756
Gain on disposal of premises and equipment	97	100	641
Other	640	649	4,227
	¥1,760	¥5,940	$11,624

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Other expenses:			
Provision for allowance for doubtful accounts	¥1,261	¥742	$8,329
Loss on disposal of premises and equipment	121	52	799
Loss on devaluation of stocks and other securities	7	33	46
Loss on sale of stocks and other securities	123	185	812
Impairment losses	186	17	1,228
Loss on money held in trust	44	23	291
Loss on transfer of receivables	19	21	125
Loss on devaluation of loans and discounts	158	8	1,044
Provision of contingent losses	90	177	594
Other	66	96	436
	¥2,075	¥1,354	$13,704

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 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)
	2024	2023	2024	2024
Current portion of lease obligations	¥500	¥502	$3,302	2.43%
Lease obligations (excluding current portion)	849	846	5,608	–
	¥1,349	¥1,348	$8,910	

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
	2024	2024
2025	¥500	$3,302
2026	334	2,206
2027	233	1,539
2028	161	1,063
2029 and thereafter	121	800

Year ending 31 March	Millions of yen
	2023
2024	¥502
2025	351
2026	232
2027	148
2028 and thereafter	115

B. Operating leases

(a) As lessee

There were no future lease payments under non-cancelable operating leases as at 31 March 2024 and 2023.

(b) As lessor

Future lease receivables under non-cancelable operating leases as at 31 March 2024 were ¥212 million ($1,400 thousand) including ¥24 million ($159 thousand) due within one year.

Future lease receivables under non-cancelable operating leases as at 31 March 2023 were ¥228 million including ¥20 million due within one year.

24. COMPREHENSIVE INCOME

Reclassification adjustments and tax effect amounts of other comprehensive income (loss) for the years ended 31 March 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized holding losses on available-for-sale securities:			
Amount for the year	¥ 12,868	¥(18,535)	$ 84,988
Reclassification adjustment	10	(533)	66
Amount before tax effect	12,878	(19,068)	85,054
Tax effect amount	(3,861)	5,730	(25,500)
Net unrealized holding gains (losses) on available-for-sale securities	9,017	(13,338)	59,554
Net unrealized gains on hedging derivatives:			
Amount for the year	1,257	1,505	8,302
Reclassification adjustment	462	447	3,051
Amount before tax effect	1,719	1,952	11,353
Tax effect amount	(523)	(593)	(3,454)
Net unrealized gains on hedging derivatives	1,196	1,359	7,899
Remeasurements of defined benefit plans:			
Amount for the year	2,536	(393)	16,749
Reclassification adjustment	288	193	1,902
Amount before tax effect	2,824	(200)	18,651
Tax effect amount	(858)	61	(5,667)
Remeasurements of defined benefit plans	1,966	(139)	12,984
Total other comprehensive income (loss)	¥ 12,179	¥ (12,118)	$ 80,437

25. PER SHARE DATA

Amounts per share as at 31 March 2024 and 2023 and for the years then ended are as follows:

	Yen		U.S. dollars
	2024	2023	2024
Net assets per share	¥11,673.61	¥10,664.55	$77.10
Net income per share	245.96	310.36	1.62
Diluted net income per share	244.71	308.90	1.62

Amounts per share were calculated based on the following:

	Millions of yen or thousands of shares		Thousands of U.S. dollars
	2024	2023	2024
Net assets per share:			
Total net assets	¥199,436	¥185,228	$1,317,192
Amount to be deducted from total net assets	221	202	1,453
Stock acquisition rights	221	202	1,453
Net assets at the end of the fiscal year attributed to common stock	199,216	185,026	1,315,739
Number of shares of common stock at the end of the fiscal year used in computing net assets per share attributed to common stock	17,065	17,350	
Net income per share:			
Net income attributable to owners of parent	4,226	5,382	27,911
Net income attributable to owners of parent attributed to common stock	4,226	5,382	27,911
Average number of shares of common stock during the year	17,180	17,340	
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share	88	82	
Compensation-type stock options	88	82	

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 business etc.

"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

	2024							
	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	¥7,448	¥–	¥64	¥7,512	¥402	¥7,914	¥–	¥7,914
Revenue from other sources	30,823	4,436	802	36,061	60	36,121	(149)	35,972
Income from external customers	38,271	4,436	866	43,573	462	44,035	(149)	43,886
Intersegment income	397	9	370	776	129	905	(905)	–
Total	38,668	4,445	1,236	44,349	591	44,940	(1,054)	43,886
Segment profit	6,625	198	341	7,164	102	7,266	(310)	6,956
Segment assets	3,925,140	15,135	9,277	3,949,552	493	3,950,045	(20,449)	3,929,596
Segment liabilities	3,732,741	11,241	3,113	3,747,095	83	3,747,178	(17,018)	3,730,160
Other items:								
Depreciation	1,842	23	1	1,866	1	1,867	–	1,867
Interest income	28,564	0	38	28,602	0	28,602	(352)	28,250
Interest expense	602	53	1	656	–	656	(52)	604
Provision for income taxes	2,347	32	107	2,486	35	2,521	–	2,521
Increase in premises and equipment and intangible assets	1,290	18	–	1,308	15	1,323	7	1,330

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, regional trading company business and investment 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.

	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 (loss)	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 (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.

	2024							
	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	$49,191	$–	$423	$49,614	$2,655	$52,269	$–	$52,269
Revenue from other sources	203,573	29,298	5,297	238,168	396	238,564	(984)	237,580
Income from external customers	252,764	29,298	5,720	287,782	3,051	290,833	(984)	289,849
Intersegment income	2,622	59	2,444	5,125	852	5,977	(5,977)	–
Total	255,386	29,357	8,164	292,907	3,903	296,810	(6,961)	289,849
Segment profit	43,755	1,308	2,252	47,315	674	47,989	(2,048)	45,941
Segment assets	25,923,915	99,960	61,271	26,085,146	3,256	26,088,402	(135,057)	25,953,345
Segment liabilities	24,653,200	74,242	20,560	24,748,002	548	24,748,550	(112,397)	24,636,153
Other items:								
Depreciation	12,166	152	6	12,324	7	12,331	–	12,331
Interest income	188,653	0	251	188,904	0	188,904	(2,324)	186,580
Interest expense	3,976	350	7	4,333	–	4,333	(344)	3,989
Provision for income taxes	15,501	211	707	16,419	231	16,650	–	16,650
Increase in premises and equipment and intangible assets	8,520	119	–	8,639	99	8,738	46	8,784

(2) Other segment-related information

a. Information by service

Information by service for the years ended 31 March 2024 and 2023 is as follows:

	2024			
	Millions of yen			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	¥18,178	¥10,820	¥14,888	¥43,886

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

	2024			
	Thousands of U.S. dollars			
	Banking	Securities investment	Other	Total
Ordinary income from external customers	$120,058	$71,462	$98,329	$289,849

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 2024 and 2023 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 2024 and 2023 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 2024 and 2023, 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

	2024					
	Millions of yen					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	¥186	¥–	¥–	¥186	¥–	¥186

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

	2024					
	Thousands of U.S. dollars					
	Reportable segment					
	Commercial banking	Leasing	Credit card and credit guarantee	Total	Others	Total
Impairment losses	$1,228	$–	$–	$1,228	$–	$1,228

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 2024 and 2023.

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 2024 and 2023.

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 2024 and 2023.

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 2024 and 2023.

(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 2024 and 2023.

28. SUBSEQUENT EVENTS

Cash dividends

On 26 June 2024, the shareholders of the Bank authorized the following appropriation of retained earnings as at 31 March 2024:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥40 ($0.26) per share)	¥695	$4,590