The Awa Bank, Ltd

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years Ended March 31, 2021 and 2022

Independent auditor's report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Estimates of reserve for possible loan losses for loans including loans and bills discounted

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet for the year ended March 31, 2022, the Group recognized the balance of loans and bills discounted of ¥2,117,033 million, which accounted for a significant portion, representing 53.2%, of total assets of ¥3,977,726 million. For credit balances including the loans and bills discounted, the	The primary procedures we performed to assess whether the Bank's estimates of reserve for possible loan losses for loans including loans and bills discounted were reasonable included the following: (1) Internal control testing We tested the design and operating effectiveness of the Bank's internal controls relevant to determining the classification of borrowers in the self-assessment

reserve for possible loan losses of ¥19,414 million was recorded.

As described in Note 2. Significant Accounting Policies (4) Reserve for possible loan losses and (18) Significant Accounting Estimates ① Reserve for possible loan losses to the consolidated financial statements, the Bank assessed loan quality based on the internal rules on self-assessment of loan quality and recognized reserve for possible loan losses for each borrower category based on the internal rules on write-offs and provisions.

The Bank classifies borrowers into categories based on quantitative factors such as financial indicators and information related to qualitative factors such as performance outlook and expected future cash flows. Determining the classification of a borrower into a relevant borrower category based on qualitative factors specifically requires industry expertise and involves significant management judgment including assessment of the achievement status of business improvement plans of the borrowers.

The Bank has promoted loans to small and medium-sized enterprises ("SMEs") based on a vision of "Eitai-torihiki", which is a traditional business policy of the Bank to contribute to continuous development of customers through long-lasting transactions over generations. The balance of loans and bills discounted to SMEs of ¥1,755,430 million (representing 83.0% of the total balance of loans and bills discounted) was recognized, which accounted for a significant portion of the balance of loans and bills discounted.

Generally, SMEs are more susceptible to the impact of economic conditions than medium to large-sized companies and tend to incur a net loss and/or a net capital deficiency due to temporary adverse factors. In addition, the spread of COVID-19 could affect borrowers in certain industries. As described in Note 2(18), "Significant Accounting Policies — Significant accounting estimates," the Bank recognized ¥785 million of additional reserve for possible loan losses for loans to borrowers in industries highly affected by COVID-19, in the consolidated financial statements of the current period. In determining the classification of a borrower, it is necessary to reflect its actual business conditions by comprehensively considering various factors of loan quality.

In this assessment, we focused our testing on the following controls:

- controls to validate whether the internal rules on self-assessment of loan quality and write-offs and provisions in compliance with relevant accounting standards;
- controls to ensure the reliability of the financial information of borrowers that was entered into the IT system for self-assessment;
- IT application controls over the credit rating; and
- controls relevant to the verification by the credit supervision department in determining the classification of borrowers.

(2) Substantive procedures relevant to determining the classification of borrowers

① With respect to large borrowers that required caution, in order to evaluate appropriateness of the classification of the borrowers, we selected specific borrowers whose credit balance exceeded a certain amount, and we primarily:

- inspected the relevant materials and inquired of the relevant personnel of the credit supervision department to examine that the information of borrowers such as financial data used as the basis for determining the classification of the borrowers was based on sufficient and up-to-date information;
- inspected the relevant materials and inquired of the personnel of the credit supervision department, in case the borrowers had developed their business improvement plans, to examine whether the reasonableness and feasibility of the plans had been thoroughly examined in the self-assessment processes; and
- inspected the relevant materials and inquired of the personnel of the credit supervision department to examine that significant changes in the credit status of the borrowers, which occurred after ad-hoc self-assessments made in the year, were reflected in determining the classification of the borrowers at the fiscal year end.

②With respect to borrowers in industries in which business performance is concerned about deterioration due to the spread of COVID-19 infection, in order to evaluate appropriateness of the classification of the borrowers, we selected specific borrowers whose credit balance exceeded a certain amount, and we primarily:

such as the enterprise's technologies, sales capabilities, growth potentials, individual income and assets of its representatives, guarantee status and capacities of the individuals. The vision of "Eitai-torihiki" represents a business model in which the Bank continuously supports SMEs through guidance to, development and restoration of borrowers assuming that their business performances are vulnerable to economic conditions and other factors. Gaining a deep understanding of a borrower's conditions through guidance to, development and restoration of the borrower, the Bank can appropriately determine the classification of the borrower based on an accurate understanding of its actual business conditions. Determination of the classification of borrowers, however, requires more careful judgment especially for the following borrowers: (1) Large borrowers that require caution Loans to SMEs consists of low-volume accounts, but included therein were loans to large borrowers whose credit balance exceeded a certain amount. The Bank aims to support borrowers including large borrowers even when their business performances deteriorated, based on its business model under "Eitai-torihiki". Accordingly, there is a concern that reserve for possible loan losses for large borrowers will significantly increase when they are downgraded to the borrower category in which the borrowers have a high probability of becoming insolvent. (2) Borrowers in industries in which business performance is concerned about deterioration due to the spread of COVID-19 infection SMEs tend to incur a net loss and/or net capital deficiency due to temporary adverse factors, and their business performances are also vulnerable to the spread of COVID-19 infection. We, therefore, determined that our assessment of the estimates of reserve for possible loan losses for loans including loans and bills discounted to large borrowers that require caution and borrowers whose business performance is concerned about deterioration due to the spread of COVID-19 infection, was the most significant in our audit of the consolidated financial statements for the years ended March 31, 2022, and accordingly, a key audit matter.	● inspected the relevant materials and inquired of the relevant personnel of the credit supervision department to examine that the information of borrowers such as financial data used as the basis for determining the classification of the borrowers was based on sufficient and up-to-date information; ● inspected the relevant materials and inquired of the personnel of the credit supervision department regarding the business performance outlook and cash flows considering the spread of COVID-19 infection; and ● inspected the relevant materials and inquired of the personnel of the credit supervision department to examine that significant changes in the credit status of the borrowers, which occurred after ad-hoc self-assessments made in the year, were reflected in determining the classification of the borrowers at the fiscal year end

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

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

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

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

黒木 賢一郎

Kuroki Kenichiro

Designated Engagement Partner

Certified Public Accountant

大橋 正紹

Ohashi Masatsugu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

October 7, 2022

Consolidated Balance Sheets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2022	2022
Assets			
Cash and due from banks (Note 3 and 4)	¥ 632,773	¥ 690,236	$ 5,639,643
Call loans and bills purchased (Notes 4)	19,595	18,358	149,995
Commercial paper and other debt purchased (Notes 4 and 5)	1,530	1,398	11,422
Trading account securities (Notes 4 and 5)	775	−	−
Securities (Notes 4, 5, 6 and 9)	1,001,096	1,031,863	8,430,942
Loans and bills discounted (Notes 4, 6, 7 and 8)	2,086,915	2,117,033	17,297,434
Foreign exchange (Note 6 and 7)	6,955	9,240	75,496
Lease receivables and investment assets (Notes 4 and 6)	29,187	28,935	236,416
Other assets (Notes 6, 9 and 12)	47,864	48,700	397,908
Tangible fixed assets (Notes 10 and 11)	36,733	38,147	311,683
Intangible fixed assets	4,954	4,528	36,996
Net defined benefit asset (Note 20)	6,111	−	−
Deferred tax assets (Note 17)	229	214	1,748
Customers' liabilities for acceptances and guarantees (Note 6 and 18)	9,689	8,482	69,303
Reserve for possible loan losses	(18,337)	(19,414)	(158,624)
Total assets	¥ 3,866,075	¥ 3,977,726	$ 32,500,416
Liabilities			
Deposits (Notes 4 and 9)	¥ 3,089,980	¥ 3,167,043	$ 25,876,648
Negotiable certificates of deposit (Note 4)	128,841	133,504	1,090,808
Call money and bills sold (Note 4)	11,071	12,850	104,992
Payables under securities lending transactions (Note 4 and 9)	42,065	40,945	334,545
Borrowed money (Notes 4, 9 and 19)	236,990	266,375	2,176,444
Foreign exchange	11	18	147
Other liabilities (Note 19)	28,558	40,154	328,082
Accrued employees' bonuses	22	22	179
Accrued directors' bonuses	43	54	441
Net defined benefit liability (Note 20)	44	−	−
Accrued directors' retirement benefits	9	14	114
Accrued stock compensation program for directors	196	257	2,099
Reserve for reimbursement of deposits	344	271	2,214
Reserve for contingent liabilities	1,103	1,205	9,845
Deferred tax liabilities (Note 17)	21,503	15,427	126,047
Deferred tax liabilities for land revaluation account (Note 11)	2,704	2,691	21,987
Acceptances and guarantees (Note 18)	9,689	8,482	69,303
Total liabilities	3,573,180	3,689,322	30,143,982
Net Assets			
Common stock			
Authorized − 100,000,000 shares			
Issued − 43,240,000 shares in 2022 and 2021	23,452	23,452	191,616
Capital surplus	20,106	20,106	164,278
Retained earnings	176,045	185,469	1,515,393
Treasury stock	(3,529)	(4,100)	(33,499)
— Issued 1,603,702 shares in 2022 and 1,305,640 shares in 2021			
Total shareholders' equity	216,075	224,927	1,837,789
Net unrealized holding gains (losses) on securities (Note 5)	73,194	58,375	476,958
Net deferred gains (losses) on derivatives under hedge accounting	(1,528)	(24)	(196)
Land revaluation account (Note 11)	5,134	5,126	41,882
Remeasurements of defined benefit plans (Note 20)	18	−	−
Total accumulated other comprehensive income	76,819	63,476	518,637
Total net assets	292,894	288,404	2,356,434
Total liabilities and net assets	¥ 3,866,075	¥ 3,977,726	$ 32,500,416

See Notes to Consolidated Financial Statements.

Consolidated Income Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2022	2022
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 23,731	¥ 23,782	$ 194,313
Interest and dividends on securities	13,529	14,205	116,063
Other interest income	247	814	6,650
Trust fees	2	2	16
Fees and commissions	8,169	9,570	78,192
Other operating income	15,797	16,081	131,391
Other income (Note 14)	4,117	3,526	28,809
Total income	65,596	67,984	555,470
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	661	450	3,676
Interest on borrowings, rediscounts and bonds	257	133	1,086
Other interest expense	1,208	1,042	8,513
Fees and commissions	1,221	1,265	10,335
Other operating expenses	13,569	14,815	121,047
General and administrative expenses (Note 13)	28,060	29,783	243,345
Other expenses:			
Provision for loan losses	5,855	3,352	27,387
Other expenses (Notes 15 and 20)	2,581	1,191	9,731
Total expenses	53,415	52,033	425,140
Income before income taxes	12,181	15,950	130,321
Income taxes (Note 17):			
Current	3,781	5,080	41,506
Deferred	(98)	(242)	(1,977)
Net income	8,498	11,112	90,791
Net income attributable to owners of the parent company	¥ 8,498	¥ 11,112	$ 90,791

Per share of common stock	Yen		U.S. dollars (Note 1)
	2021	2022	2022
Net income per share – basic	¥ 202.64	¥ 265.38	$ 2.168
Dividends	40.00	42.50	0.347

For the years ended March 31, 2021 and 2022, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2022	2022
Net income	¥ 8,498	¥ 11,112	$ 90,791
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	32,678	(14,819)	(121,080)
Net deferred gains (losses) on derivatives under hedge accounting	950	1,503	12,280
Remeasurements of defined benefit plans	843	(18)	(147)
Total other comprehensive income (Note 16)	34,472	(13,334)	(108,946)
Comprehensive income	¥ 42,971	¥ (2,222)	$ (18,155)
Comprehensive income attributable to:			
Owners of the parent company	¥ 42,971	¥ (2,222)	$ (18,155)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2021 and 2022

	Number of shares of common stock issued	Millions of yen Stockholders' equity Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2020	43,240,000	¥ 23,452	¥ 20,106	¥ 169,299	¥ (2,892)	¥ 209,966
Changes during the accounting period						
Dividends	–	–	–	(1,802)	–	(1,802)
Net income attributable to owners of the parent company	–	–	–	8,498	–	8,498
Purchase of treasury stock	–	–	–	–	(927)	(927)
Disposal of treasury stock	–	–	–	–	290	290
Reversal of land revaluation account	–	–	–	49	–	49
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	–	6,746	(636)	6,109
Balance at March 31, 2021	43,240,000	¥ 23,452	¥ 20,106	¥ 176,045	¥ (3,529)	¥ 216,075
Changes during the accounting period						
Dividends	–	–	–	(1,696)	–	(1,696)
Net income attributable to owners of the parent company	–	–	–	11,112	–	11,112
Purchase of treasury stock	–	–	–	–	(960)	(960)
Disposal of treasury stock	–	–	–	(0)	389	389
Reversal of land revaluation account	–	–	–	8	–	8
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	–	9,424	(571)	8,852
Balance at March 31, 2022	43,240,000	¥ 23,452	¥ 20,106	¥ 185,469	¥ (4,100)	¥ 224,927

	Millions of yen Accumulated other comprehensive income Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at March 31, 2020	¥ 40,516	¥ (2,479)	¥ 5,184	¥ (824)	¥ 42,396	¥ 252,362
Changes during the accounting period						
Dividends	–	–	–	–	–	(1,802)
Net income attributable to owners of the parent company	–	–	–	–	–	8,498
Purchase of treasury stock	–	–	–	–	–	(927)
Disposal of treasury stock	–	–	–	–	–	290
Reversal of land revaluation account	–	–	–	–	–	49
Changes other than changes in stockholders' equity (net)	32,678	950	(49)	843	34,422	34,422
Total changes during the accounting period	32,678	950	(49)	843	34,422	40,532
Balance at March 31, 2021	¥ 73,194	¥ (1,528)	¥ 5,134	¥ 18	¥ 76,819	¥ 292,894
Changes during the accounting period						
Dividends	–	–	–	–	–	(1,696)
Net income attributable to owners of the parent company	–	–	–	–	–	11,112
Purchase of treasury stock	–	–	–	–	–	(960)
Disposal of treasury stock	–	–	–	–	–	389
Reversal of land revaluation account	–	–	–	–	–	8
Changes other than changes in stockholders' equity (net)	(14,819)	1,503	(8)	(18)	(13,343)	(13,343)
Total changes during the accounting period	(14,819)	1,503	(8)	(18)	(13,343)	(4,490)
Balance at March 31, 2022	¥ 58,375	¥ (24)	¥ 5,126	¥ –	¥ 63,476	¥ 288,404

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2021 and 2022

		Thousands of U.S. dollars (Note 1)				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	43,240,000	$ 191,616	$ 164,278	$ 1,438,393	$ (28,834)	$ 1,765,462
Changes during the accounting period						
Dividends	–	–	–	(13,857)	–	(13,857)
Net income attributable to owners of the parent company	–	–	–	90,791	–	90,791
Purchase of treasury stock	–	–	–	–	(7,843)	(7,843)
Disposal of treasury stock	–	–	–	(0)	3,178	3,178
Reversal of land revaluation account	–	–	–	65	–	65
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	–	76,999	(4,665)	72,326
Balance at March 31, 2022	43,240,000	$ 191,616	$ 164,278	$ 1,515,393	$ (33,499)	$ 1,837,789

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at April 1, 2021	$ 598,039	$ (12,484)	$ 41,947	$ 147	$ 627,657	$ 2,393,120
Changes during the accounting period						
Dividends	–	–	–	–	–	(13,857)
Net income attributable to owners of the parent company	–	–	–	–	–	90,791
Purchase of treasury stock	–	–	–	–	–	(7,843)
Disposal of treasury stock	–	–	–	–	–	3,178
Reversal of land revaluation account	–	–	–	–	–	65
Changes other than changes in stockholders' equity (net)	(121,080)	12,280	(65)	(147)	(109,020)	(109,020)
Total changes during the accounting period	(121,080)	12,280	(65)	(147)	(109,020)	(36,686)
Balance at March 31, 2022	$ 476,958	$ (196)	$ 41,882	$ –	$ 518,637	$ 2,356,434

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2022	2022
Cash flows from operating activities:			
Income before income taxes	¥ 12,181	¥ 15,950	$ 130,321
Depreciation	2,923	3,120	25,492
Impairment loss	374	140	1,143
Increase (decrease) in reserve for possible loan losses	1,163	1,076	8,791
Net change in provision for contingent liabilities	59	102	833
Increase (decrease) in accrued employees' bonuses	(0)	(0)	(0)
Increase (decrease) in accrued directors' bonuses	(10)	10	81
Decrease (increase) in net defined benefit asset	(105)	6,158	50,314
Increase (decrease) in net defined benefit liability	7	(119)	(972)
Net change in reserve for retirement payments to directors	(0)	5	40
Net change in accrued stock compensation program for directors	56	61	498
Net change in reserve for claims on dormant accounts	(83)	(72)	(588)
Interest and dividend income	(37,509)	(38,801)	(317,027)
Interest expense	2,127	1,626	13,285
Securities losses (gains), net	(1,709)	(699)	(5,711)
Losses (gains) on investments in money held in trust, net	–	(0)	(0)
Foreign exchange losses (gains), net	(7,375)	(20,233)	(165,315)
Losses (gains) on disposal of tangible fixed assets, net	32	88	719
Net decrease (increase) in trading account securities	141	775	6,332
Net decrease (increase) in loans and bills discounted	(124,053)	(30,118)	(246,082)
Net increase (decrease) in deposits	318,853	77,062	629,642
Net increase (decrease) in certificates of deposit	(46,307)	4,662	38,091
Net increase (decrease) in borrowed money (except for subordinated borrowed money)	183,379	29,385	240,093
Net decrease (increase) in due from banks (except for deposits with the Bank of Japan)	341	(84)	(686)
Net decrease (increase) in call loans, bills purchased, commercial paper and other debt purchased	(17,827)	1,367	11,169
Net increase (decrease) in call money	(8,953)	1,779	14,535
Net increase (decrease) in payables under securities lending transactions	(16,405)	(1,119)	(9,142)
Net decrease (increase) in foreign exchange (assets)	6,453	644	5,261
Net increase (decrease) in foreign exchange (liabilities)	(71)	7	57
Interest and dividends received	38,247	39,321	321,276
Interest paid	(2,351)	(1,629)	(13,309)
Other	1,667	9,967	81,436
Subtotal	305,245	100,438	820,638
Income taxes paid	(3,688)	(3,765)	(30,762)
Net cash provided by (used in) operating activities	301,556	96,672	789,868
Cash flows from investing activities:			
Payments for purchases of securities	(170,572)	(213,004)	(1,740,370)
Proceeds from sales of securities	65,012	75,087	613,506
Proceeds from maturities of securities	154,616	105,095	858,689
Payments for increases in money held in trust	–	(1,000)	(8,170)
Proceeds from decreases in money held in trust	–	1,000	8,170
Payments for purchases of tangible fixed assets	(1,028)	(3,039)	(24,830)
Payments for disposals of tangible fixed assets	(26)	(87)	(710)
Proceeds from sales of tangible fixed assets	61	92	751
Purchases of intangible fixed assets	(1,230)	(1,173)	(9,584)
Net cash provided by (used in) investing activities	46,831	(37,030)	(302,557)
Cash flows from financing activities:			
Dividends paid	(1,802)	(1,696)	(13,857)
Payments for purchases of treasury stock	(927)	(960)	(7,843)
Proceeds from sales of treasury stock	290	389	3,178
Net cash provided by (used in) financing activities	(2,438)	(2,267)	(18,522)
Foreign currency translation adjustments	2	4	32
Net increase (decrease) in cash and cash equivalents	345,951	57,378	468,812
Cash and cash equivalents at beginning of year	285,275	631,227	5,157,504
Cash and cash equivalents at end of year (Note 3)	¥ 631,227	¥ 688,605	$ 5,626,317

See Notes to Consolidated Financial Statements.

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Awa Bank, Ltd. (the "Bank") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and the Japanese Banking Law, generally conform with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and are in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from the application and disclosure requirements of 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 Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S.$1.00. The 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

(1) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2021 and 2022 include the accounts of the Bank and the following six subsidiaries:

The Awagin Guaranty Company Limited
The Awagin Card Company Limited
The Awagin Consulting Company Limited
The Awagin Connect Company Limited
The Awagin Lease Company Limited
The Awagin Growth Companies Investment Limited Partnership

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to noncontrolling shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

The following subsidiary of the Bank was excluded from the scope of consolidation for the years ended March 31, 2021 and 2022 because the exclusion did not affect the reasonable interpretation of the financial condition and operating results of the enterprise group in terms of assets and the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

The Awagin AFFrinnovation Investment Limited Partnership

The following subsidiary of the Bank was also not accounted for using the equity method for the years ended March 31, 2021 and 2022 because the exclusion did not have a material impact on the consolidated financial statements in terms of the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

The Awagin AFFrinnovation Investment Limited Partnership

The following three affiliates of the Bank were not accounted for using the equity method for the years ended March 31, 2021 and 2022 because the exclusion did not have a material impact on the consolidated financial statements in terms of the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

Shikoku Alliance Capital Company Limited
Shikoku Brand Company Limited
The Awagin Regional Revitalization Investment Limited Partnership

2. Significant Accounting Policies (cont’d)

(2) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities of nonconsolidated subsidiaries and affiliates which are not accounted for using the equity method are stated at moving average cost. Available-for-sale securities are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity or net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with no available fair market values are stated at moving average cost.

(3) Depreciation method for fixed assets

① Tangible fixed assets (except for leased assets)

Tangible fixed assets are generally stated at cost, less the accumulated depreciation. Depreciation of tangible fixed assets owned by the Bank and its consolidated subsidiaries is recorded using the straight-line method. At March 31, 2021 and 2022, the estimated useful life for buildings and equipment was 19 to 50 years and 4 to 8 years, respectively.

② Intangible fixed assets

Depreciation for intangible fixed assets of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of 5 years. Goodwill is expensed when incurred.

③ Leased assets

Leased assets are business equipment included in tangible fixed assets. Leased assets in tangible fixed assets capitalized under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated using the straight-line method over the lease period. The residual value of a leased asset with a residual value guarantee clause is the guaranteed amount. For a leased asset without such a clause, the residual value is zero.

2. Significant Accounting Policies (cont'd)

(4) Reserve for possible loan losses

The Bank writes off loans and makes provisions for possible loan losses based on the financial circumstances of the borrower and the status of the loan.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings ("bankrupt obligors") or who are in a similar financial condition ("substantially bankrupt obligors"), the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided in the full amount, excluding write-off amounts and the portion that is estimated to be recoverable due to the existence of security interests or guarantees.

For loans to customers not presently in the above circumstances but who have a high probability of becoming insolvent ("intensively controlled obligors"), the reserve for possible loan losses is provided at estimated future loss amounts for the portions of the loans that are neither secured nor guaranteed in the amounts estimated to be unrecoverable after an evaluation of the customer's overall financial condition ("non-secured amount"). Estimated future loss amounts are calculated using an estimated loss ratio obtained from an average of the actual default ratio based on actual defaults for the past three years. The estimated loss ratio is set at a lower limit that the Bank deems necessary.

For other loans, the reserve for possible loan losses is provided at estimated future loss amounts mainly for one year or three years, which is calculated using an estimated loss ratio obtained from an average of the actual default ratio based on actual defaults for the past one year or three years.

For "Capital subordinated loans (Special early business improvement type)" and "Loans with adequate capital characteristics," the reserve for possible loan losses is provided by the "method used to calculate the estimated loan loss amount by deeming capital eligible loans with subordination characteristics to be unrecoverable," in accordance with "Auditing Treatment for Calculation of Estimated Loan Losses on Capital Eligible Loans and Accounting for Conversion of Loans Held by Banks and Other Financial Institutions into Capital Eligible Loans" (The Japanese Institute of Certified Public Accountant ("JICPA") Industry Committee Report No. 32, September 9, 2020).

In addition, of loans other than loans to bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors, for loans to customers in certain industries such as the "Hotel" and "Restaurant" industries on which COVID-19 has had a significant effect and who meet certain conditions, estimated future loss amounts are calculated as follows.

① For customers whose loan terms have not been amended, the estimated future loss is recorded at an amount calculated by multiplying the loan amount by an expected loss ratio which takes into account the increase in credit risk expected to be incurred when the terms are amended.

② For customers whose loan terms have been amended, the estimated future loss is recorded at an amount calculated by multiplying the non-secured amount by a certain loss ratio, in addition to the estimated future loss amount based on the customer's classification.

Assessments and classifications regarding possible loan losses are made by each business department and credit supervision department and are audited by the independent Credit Administration Department. The reserve for possible loan losses is provided based on the audit results. The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are estimated and a reserve for possible loan losses is provided based on the estimation.

For the fiscal years ended March 31, 2021 and 2022, the Bank wrote off portions of loans that were estimated to be unrecoverable from insolvent customers who were undergoing bankruptcy or other collection proceedings. The estimated unrecoverable amounts were determined after excluding estimated recoverable amounts due to the existence of security interests or guarantees. As of March 31, 2021 and 2022, the write-off of the estimated unrecoverable amounts was ¥19,429 million and ¥18,610 million ($152,054 thousand), respectively.

2. Significant Accounting Policies (cont'd)

(5) Accrued employees' bonuses
Accrued employees' bonuses were recorded to pay bonuses to employees of the consolidated subsidiaries for the fiscal years ended March 31, 2021 and 2022.

(6) Accrued directors' bonuses
Accrued directors' bonuses were recorded to provide for the payment of bonuses to directors in an estimated payment amount attributable to the current period.

(7) Accrued directors' retirement benefits
A provision is made for accrued retirement benefits of directors and corporate auditors of the consolidated subsidiaries in the amount deemed accrued at the end of the reporting period.

(8) Accrued stock compensation program for directors
A provision is made for the accrued stock compensation program for directors, etc., based on the internal regulations for the distribution of shares to directors in the amount deemed accrued at the end of the reporting period.

(9) Reserve for reimbursement of deposits
A provision is made in an amount deemed necessary for losses on future reimbursements of deposits, taking into account the Bank's estimated refund amount.

(10) Reserve for contingent liabilities
A provision is made in an estimated amount for future payments to credit guarantee associations on loan-loss burden sharing.

(11) Accounting for retirement benefits
The Bank and its consolidated subsidiaries provide risk sharing pension plans and defined contribution pension plans. The amount of required contribution was recorded as expense.

(12) Translation of foreign currencies
Foreign currency denominated assets and liabilities held by the Bank at the year end are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

2. Significant Accounting Policies (cont'd)

(13) Recognition of revenue and expense

① Recognition of revenue and expense from finance lease transactions

Income and expenses related to finance lease transactions are recognized when lease payments are received.

② Recognition of revenue from transactions with customers

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) have been adopted, and revenues are recognized at the time of the transfer of promised goods or services to customers in an amount to which the Bank expects to be entitled in exchange for those goods or services.

The Bank and its consolidated subsidiaries recognize revenues by applying the following 5 steps:

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from transactions with customers of the Bank and its consolidated subsidiaries relates mainly to transaction services for which revenue is recognized at the time the services are provided to customers. This revenue include fees and commissions for exchange services, funding transaction services, securities related services, agency services, and other banking services.

(14) Derivatives and hedge accounting

Derivative financial instruments are carried at market value.

① Hedging against interest rate risk

In order to hedge against the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry (JICPA Industry Committee Report No. 24, March 17, 2022; hereinafter, the "Industry Committee Report No. 24").

The effectiveness of hedging is assessed for each identified group of hedged deposits, loans and similar items and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket. In assessing the effectiveness of cash flow hedges, the correlation between the interest rate sensitivities of the hedged items and the hedging instruments is examined.

The Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (Practical Issues Task Force ("PITF") No. 40, March 17, 2022) is applied to these hedging relationships.

② Hedging against foreign currency risk

The Bank applies the deferred method of hedge accounting to hedge against foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry (JICPA Industry Committee Report No. 25, October 8, 2020; hereinafter, the "Industry Committee Report No. 25"). Assessment of the effectiveness of these hedge transactions is conducted by confirming whether the notional amounts of the hedging foreign exchange swaps, etc., correspond to the hedged foreign currency denominated receivables or payables.

(15) Cash flow statements

In preparing consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

2. Significant Accounting Policies (cont'd)

(16) Income taxes

The tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized. The asset-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.

(17) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

The Bank's own shares held by the Directors Compensation BIP Trust and the Awagin Group Employee Shareholding Association Dedicated Trust are recorded as treasury stock in the net assets section and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share.

(18) Significant accounting estimates

Items for which the amount has been recorded in the consolidated financial statements for the year ended March 31, 2022 based on accounting estimates that may affect the consolidated financial statements for the year ending March 31, 2023 are as follows:

Reserve for possible loan losses

① The amount of reserve for possible loan losses recorded in the consolidated financial statements for the years ended March 31, 2021 and 2022 were ¥18,337 million and ¥19,414 million ($158,624 thousand), respectively.

② Information that contributes to understanding significant accounting estimates for certain identified items

(i) Calculation method

The calculation method of reserve for possible loan losses is described in Note 2. (4), "Significant Accounting Policies- Reserve for possible loan losses."

(ii) Major assumptions

Major assumptions include the "Customers' future financial outlook," determined by individually evaluating each customer's ability to earn profits. On the whole, effects of COVID-19 on the economy are expected to be the same or slightly less than the previous year for the fiscal year ending March 31, 2023. However, the effects are still expected to be significant in certain industries such as the "Hotel" and "Restaurant" industries. Reserve for possible loan losses for loans to customers in such industries is calculated on the assumption that these customers will have higher credit risk. The amount of additional reserve for possible loan losses was ¥785 million ($6,413 thousand) as of March 31, 2022.

(iii) Effects on consolidated financial statements for the year ending March 31, 2023

If changes in a customer's business performance or the effects of COVID-19 on the economy is significantly different from the projections made with assumptions used in the estimates as of March 31, 2022, there may be significant effects on the reserve for possible loan losses in the consolidated financial statements for the year ending March 31, 2023.

2. Significant Accounting Policies (cont’d)

(19) Changes in accounting standards

Adoption of Accounting Standards for Revenue Recognition

The Bank adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Statement No. 29”) and related guidance from the beginning of the year ended March 31, 2022. With the new standard, revenue is recognized at the time of the transfer of promised goods or services to the customer in an amount to which the Bank expects to be entitled in exchange for those goods or services. The application of this standard had no effect on the consolidated financial statements.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of Statement No. 29, notes to “Revenue Recognition” for the fiscal year ended March 31, 2021 were not provided.

Adoption of Accounting Standards for Fair Value Measurement

The Bank adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Statement No. 30”) and the related guidance from the beginning of the year ended March 31, 2022. In accordance with Paragraph 19 of Statement No. 30 and the transitional treatment stipulated in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Bank has decided to apply the new accounting policies stipulated by Statement No. 30 and the related guidance prospectively. As a result, the fair value of available-for-sale securities with available fair market values at the end of the fiscal year was changed from a value based on the average for the last month of the fiscal year to a value based on the market value at the end of the fiscal year.

The fair value of financial instruments and their classification by the level of inputs used in the determination of fair value are disclosed in Note 4, “Financial Instruments.” However, notes for the fiscal year ended March 31, 2021 were not provided in accordance with the transitional treatment stipulated in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

(20) Unadopted accounting standards

The following standard and guidance were issued but not yet adopted.

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

① Overview

The treatment of the fair value measurement of investment trusts, the notes to the fair value of investment trusts and the notes to the fair value of investments in partnerships in which the amount equivalent to equity is recorded in the net amount on the balance sheet have been stipulated.

② Effective date

The guidance shall be effective from the beginning of the fiscal year ending March 31, 2023.

③ Effects of application

The Bank and its consolidated subsidiaries are in the process of determining the effects of the new guidance on the consolidated financial statements.

2. Significant Accounting Policies (cont'd)

(21) Additional information

Executive Compensation BIP (Board Incentive Plan) Trust

The Bank introduced a performance linked stock compensation program using a scheme referred to as the "Executive Compensation BIP (Board Incentive Plan) Trust" (the "BIP") for directors of the Bank (excluding members of the Audit and Supervisory Committee and outside directors) and executive officers (together the "Directors, etc.") to motivate them to contribute to the improvement of the Bank's mid- to long-term business performance and its corporate value.

① Overview of the transaction

Based on internal regulations for the distribution of shares, the Bank's shares and the cash equivalent of the market value of the Bank's shares will be delivered and paid to the Directors, etc., according to points granted based on business performance and the individual's position among Directors, etc., at the time of retirement.

② The remaining balance of the Bank's own stock in the trusts

(i) The Bank records the remaining balance of the Bank's own stock in the BIP as treasury stock in the section of net assets

(ii) The carrying amount and the number of shares of such treasury stock as of March 31, 2021 and 2022 were ¥732 million and ¥704 million ($5,752 thousand) and 210 thousand shares and 202 thousand shares, respectively.

Trust-Based Employee Shareholding Incentive Plan

The Bank introduced a trust-based employee shareholding incentive plan designed for the employees of the Group and to provide incentives for improving the Bank's medium- to long-term corporate value and to support asset building by encouraging employees to acquire and hold shares through the expansion of the employee shareholding association as a measure of enhancing employee welfare and benefits.

2. Significant Accounting Policies (cont'd)

① Overview of the transaction
The Bank established the Awagin Group Employee Shareholding Association Dedicated Trust (the "Trust") in the trust bank. The Trust acquires in advance a certain number of the Bank's shares that are expected to be acquired by the Awagin Group Employee Shareholding Association (the "Shareholding Association") for three years after the establishment. Until the termination of the Trust, the shares will be continually sold to the Shareholding Association. If a significant amount of realized gains on sale of shares remain within the Trust upon its termination, these gains will be distributed as residual assets to the Shareholding Association members who satisfy the eligibility requirements for beneficiaries. Moreover, the Bank provides guarantees for the loans undertaken to acquire its shares. Therefore, if there is a residual loan balance equivalent to a realized loss on the sale of these shares within the Trust upon its termination due to a decline in the Bank's stock price, the Bank shall repay this residual loan balance based on the guarantee agreement.

② The remaining balance of the Bank's own stock in the trusts
(i) The Bank records the remaining balance of the Bank's own stock in the trusts as treasury stock in the section of net assets
(ii) The carrying amount and the number of shares of such treasury stock as of March 31, 2021 and 2022 were ¥647 million and ¥286 million ($2,336 thousand) and 259 thousand shares and 114 thousand shares, respectively.

③ Carrying amounts of debt recorded through the application of the gross price method
The carrying amounts of debt recorded through the application of the gross price method as of March 31, 2021 and 2022 were ¥651 million and ¥337 million ($2,753 thousand), respectively.

Retirement Benefit Plan
On April 1, 2021, the Group transferred its defined benefit pension plan to a risk sharing pension plan, which is classified as a defined contribution plan pursuant to Paragraph 4 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, December 16, 2016). Regarding the accounting treatment associated with the transition, the Practical Solution on Accounting for Risk Sharing Pension Plan (PITF No. 33, December 16, 2016), Accounting for Transfer Between Retirement Benefit Plans (ASBJ Guidance No. 1, December 16, 2016) and Practical Solution on Accounting for Transfer Between Retirement Benefit Plans (PITF No. 2, February 7, 2007) are applied. As a result, a gain on the termination of the retirement benefit plan of ¥44 million ($359 thousand) was recorded in other income for the fiscal year ended March 31, 2022.

In addition, the retirement benefit trust established by the Bank has been cancelled.

3. Cash and Cash Equivalents

A reconciliation between "Cash and due from banks" in the consolidated balance sheets and "Cash and cash equivalents at end of year" in the consolidated statements of cash flows at March 31, 2021 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and due from banks	¥ 632,773	¥ 690,236	$ 5,639,643
Due from banks, excluding deposits with the Bank of Japan	(1,546)	(1,631)	(13,326)
Cash and cash equivalents	¥ 631,227	¥ 688,605	$ 5,626,317

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") provide mainly banking services and other financial services, including leasing. The Group holds financial assets such as loans and securities raised by deposits. In order to effectively manage its assets and liabilities, the Bank works on asset and liability management (ALM) and conducts derivative transactions as part of this ALM.

② Descriptions and risks of financial instruments

The financial assets of the Bank consist mainly of loans to domestic customers. They are subject to credit risk arising from changes in the domestic economy and the financial status of the borrowers. The Group reduces its total credit risk by holding a well-diversified portfolio of loans and not concentrating it lending with certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment and trading purposes. They are subject to credit risk, interest rate risk and market price risk. The Group's portfolio consists mainly of government bonds and municipal bonds, which are low risk.

The financial liabilities of the Bank consist mainly of the deposits of domestic customers, which create liquidity risk in connection with the raising of necessary funds in case of unexpected withdrawal. To manage this risk, the Group tries to maintain and improve the soundness and reliability of its assets and ensure stable cash management.

Derivative transactions include interest rate swaps, currency swaps, forward foreign exchange contracts, currency options and bond futures contracts. The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest rates, market prices and exchange rates related to assets and liabilities. These transactions are also executed in order to provide various services to customers.

For interest rate risk, the Bank applies hedge accounting based on "Industry Committee Report No. 24." The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying hedged items such as deposits and loans and hedging instruments such as interest rate swaps by incidence and remaining period. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest rate fluctuation between the hedged items and the hedging instruments.

For exchange rate risk, the Bank applies hedge accounting based on "Industry Committee Report No. 25." The Bank uses currency swaps and other methods to hedge exchange rate risk and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign currency denominated monetary assets or liabilities being hedged.

Derivative transactions are subject to market risk and credit risk, but the Bank does not engage in complicated or speculative transactions.

③ Risk management systems for financial products

The Bank and its consolidated subsidiaries manage risk as follows:

4. Financial Instruments (cont'd)

(i) Credit risk management

The Bank prescribes "Credit Risk Management Standards" and carries out its credit risk management by division, maintains an appropriate portfolio and seeks to improve on the soundness of its assets. In addition, the Bank reviews the system for credit risk management periodically and works to improve it.

The Credit Division functions independently from the Business Promotion Division to maintain and improve the soundness of assets. The Risk Management Division verifies credit ratings, conducts self assessments, administers the credit portfolio and exerts influence on the system of internal checks to branches and the Credit Division while trying to further enhance the credit rating and self-assessment.

(ii) Market risk management

(Management for interest rate risks, market price risks and foreign exchange risks)

The Bank has set its market risk policy "to take adequate market risk within the Bank's management vitality, assess market risk accurately and execute policy and controls that corresponds to that vitality and the scale and characteristics of the business to earn a profit." In this way, the Bank enhances its system of management and optimizes its market risk management.

The Trading Division of the Bank, in addition to maintaining the Trade Execution Section (front office), maintains the Market Risk Management Section (middle office) and the Administrative Processing Section (back office) to confirm and monitor the transactions of the Trade Execution Section, sets the tolerance levels for risk, measures profit and loss on market risks. The middle office reports these risks to the Board of Directors regularly.

The Risk Management Division, which is independent from the divisions above, monitors risk and profit and loss and reports the information to the ALM Committee regularly. The Group strives to improve risk management, in part, by discussing future measures. The Bank uses the VaR (Value at Risk) method for calculations of interest rate risk, foreign exchange risk and market price risk. For interest rate risk denominated in Japanese yen, the Bank analyzes the gaps in risk, including the deposits and loans of the entire Bank, and uses the BPV (Basis Point Value) method and present value method for detailed management.

4. Financial Instruments (cont'd)

(Quantitative information on market risk)
The Bank measures market risk based on the VaR method. The variance-covariance model is applied in the measurement (holding period: 60 business days (cross-shareholdings: 120 business days), confidence interval: 99% and historical observation period: 250 business days). The amount of market risk (estimated amount of loss) of the Group as of March 31, 2021 and 2022 was ¥72,216 million and ¥71,980 million ($588,119 thousand), respectively.

The Bank identifies the interest rate risk sorted by an internal model for liquid deposits which have had no incoming or outgoing movement to or from the Bank for a considerable period of time as core deposits and categorizing these using maturity periods of up to 10 years.

The Bank periodically performs back-testing to compare VaR measured by the model with the hypothetical profit and loss which are assumed to have been incurred when the portfolio was fixed, as it was at the point the risk amount was measured. The bank believes that the model estimates market risk with sufficient accuracy. As VaR represents the market risk arising with a certain probability using a statistical methodology based on historical market volatilities, however, risks arising from drastic market movements beyond normal estimation may not be captured by this method.

(iii) Liquidity risk management related to fund procurement
The Bank maintains the soundness and reliability of its assets and makes daily analysis of fund procurement and asset management for the stable supply of funds and maintains a sound level of highly negotiable debt securities, such as government bonds. In addition, the Bank sets risk management policies and organizes liquidity risk management to maximize its assurance.

④ Supplementary explanation for the fair value of financial instruments
Since certain assumptions are used in the calculation of the fair value of financial instruments, the results of the calculations may vary if different assumptions are used.

4. Financial Instruments (cont’d)

(2) Fair value of financial instruments

The following table summarizes book values, fair values and any differences between the book value and fair value as of March 31, 2021 and 2022. Stocks with no available fair market values and investments in partnerships were excluded from the table (see Note 1). Notes to “Cash and due from banks,” “Call loans and bills purchased,” “Foreign exchange (assets and liabilities),” “Call money and bills sold” and “Payables under securities lending transactions” have been omitted since their book values approximate the fair value because of their short maturities.

	Millions of yen		
	2021		
	Book value	Fair value	Difference
(1) Commercial paper and other debt purchased	¥ 1,530	¥ 1,530	¥ –
(2) Trading account securities			
Trading securities	775	775	–
(3) Securities			
Held-to-maturity debt securities	–	–	–
Available-for-sale securities	988,305	988,305	–
(4) Loans and bills discounted	2,086,915		
Reserve for possible loan losses (*1)	(17,446)		
	2,069,469	2,072,194	2,724
(5) Lease receivables and investment assets	29,187		
Reserve for lease losses (*1)	(744)		
(*2)	28,442	30,423	1,980
Total assets:	¥ 3,088,524	¥3,093,229	¥ 4,705
(1) Deposits	¥ 3,089,980	¥3,090,133	¥ 152
(2) Negotiable certificates of deposit	128,841	128,844	2
(3) Borrowed money	236,990	236,981	(8)
Total liabilities:	¥ 3,455,812	¥3,455,960	¥ 147
Derivative transactions (*3)			
Hedge accounting not applied	¥ (2,141)	¥ (2,141)	¥ –
Hedge accounting applied (*4)	(5,140)	(5,140)	–
Total derivative transactions:	¥ (7,282)	¥ (7,282)	¥ –

(*1) “General and specific reserves for loan losses related to loans and bills discounted” and “General and specific reserves for loan losses related to lease receivables and investment assets” are excluded.

(*2) The book value after deduction for uncollectible receivables of lease receivables and investment assets for which the fair value was calculated was ¥24,065 million.

(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(*4) Deferred hedging is applied mainly to interest rate swaps and other designated as hedging instruments in offsetting movement in the fair value from changes in interest rates. The “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40, September 29, 2020) is applied to these hedging relationships.

4. Financial Instruments (cont'd)

	Millions of yen			Thousands of U.S. dollars		
	2022			2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Commercial paper and other debt purchased	¥ 1,398	¥ 1,398	¥ −	$ 11,422	$ 11,422	$ −
(2) Trading account securities						
Trading securities	−	−	−	−	−	−
(3) Securities						
Held-to-maturity debt securities	−	−	−	−	−	−
Available-for-sale securities	1,015,286	1,015,286	−	8,295,497	8,295,497	−
(4) Loans and bills discounted	2,117,033			17,297,434		
Reserve for possible loan losses (*1)	(18,518)			(151,303)		
	2,098,514	2,106,060	7,545	17,146,123	17,207,778	61,647
(5) Lease receivables and investment assets	28,935			236,416		
Reserve for lease losses (*1)	(802)			(6,552)		
	28,132	30,087	1,955	229,855	245,828	15,973
Total assets:	¥3,143,332	¥3,152,833	¥ 9,500	$25,682,915	$25,760,544	$ 77,620
(1) Deposits	¥3,167,043	¥3,167,174	¥ 131	$25,876,648	$25,877,718	$ 1,070
(2) Negotiable certificates of deposit	133,504	133,506	1	1,090,808	1,090,824	8
(3) Borrowed money	266,375	266,353	(22)	2,176,444	2,176,264	(179)
Total liabilities:	¥3,566,923	¥3,567,034	¥ 111	$29,143,908	$29,144,815	$ 906
Derivative transactions (*2)						
Hedge accounting not applied	¥ (5,071)	¥ (5,071)	¥ −	$ (41,433)	$ (41,433)	$ −
Hedge accounting applied (*3)	(8,234)	(8,234)	−	(67,276)	(67,276)	−
Total derivative transactions:	¥ (13,306)	¥ (13,306)	¥ −	$ (108,718)	$ (108,718)	$ −

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(*3) Deferred hedging is applied mainly to interest rate swaps and other designated as hedging instruments in offsetting movement in the fair value from changes in interest rates. The "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2022) is applied to these hedging relationships.

(Note 1) Stocks with no available fair market value and investments in partnerships were not included in Available-for-sale securities in "(2) Fair value of financial instruments" above. These financial instruments were as follows:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2021	2022	2022
Unlisted stocks (*1)(*2)	¥ 7,135	¥ 7,601	$ 62,104
Investments in partnerships (*3)	¥ 5,655	¥ 8,975	$ 73,331

(*1) Unlisted stocks are not included in the disclosure of fair value in accordance with Paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020).

(*2) The amount of unlisted stocks impaired during the years ended March 31, 2021 and 2022 was ¥4 million and ¥72 million ($588 thousand), respectively.

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

4. Financial Instruments (cont'd)

(Note 2) Expected collection of monetary claims and securities with maturities:

	Millions of yen					
	2021					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥592,714	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	19,595	−	−	−	−	−
Commercial paper and other debt purchased	1,528	−	−	−	−	−
Securities						
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Available-for-sale securities with maturities	91,207	183,270	146,841	81,518	82,291	124,698
Japanese government bonds	38,500	59,300	23,700	8,700	8,000	43,800
Municipal bonds	18,626	35,877	36,172	30,212	21,603	19,714
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	11,707	31,733	18,068	15,451	16,634	56,987
Others	22,373	56,360	68,900	27,155	36,053	4,196
Loans and bills discounted (*1)	416,293	392,163	318,885	238,897	264,855	397,146
Lease receivables and investment assets (*2)	8,162	12,145	6,348	1,345	527	142
Total	¥1,129,501	¥587,579	¥472,075	¥321,761	¥347,675	¥521,987

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥39,024 million and those without terms in the amount of ¥19,648 million are not included.

(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥515 million are not included. There are no monetary claims or securities without maturities.

4. Financial Instruments (cont'd)

	Millions of yen					
	2022					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥649,826	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	18,358	−	−	−	−	−
Commercial paper and other debt purchased	1,397	−	−	−	−	−
Securities						
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Available-for-sale securities with maturities	101,450	182,374	112,778	82,894	89,426	170,101
Japanese government bonds	33,100	41,600	4,000	12,000	8,000	71,300
Municipal bonds	19,047	37,931	37,148	24,238	19,933	26,690
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	19,454	25,698	20,807	13,210	22,323	67,733
Others	29,848	77,144	50,821	33,445	39,169	4,376
Loans and bills discounted (*1)	422,640	398,914	331,998	242,512	264,249	394,169
Lease receivables and investment assets (*2)	8,318	11,914	6,313	1,238	457	107
Total	¥1,201,993	¥593,203	¥451,090	¥326,645	¥354,132	¥564,378

4. Financial Instruments (cont'd)

	Thousands of U.S. dollars					
	2022					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Due from banks	$5,309,469	$ –	$ –	$ –	$ –	$ –
Call loans and bills purchased	149,995	–	–	–	–	–
Commercial paper and other debt purchased	11,414	–	–	–	–	–
Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Available-for-sale securities with maturities	828,907	1,490,105	921,464	677,293	730,664	1,389,827
Japanese government bonds	270,446	339,897	32,682	98,047	65,364	582,563
Municipal bonds	155,625	309,919	303,521	198,039	162,864	218,073
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	158,950	209,968	170,005	107,933	182,392	553,419
Others	243,876	630,312	415,238	273,265	320,034	35,754
Loans and bills discounted (*1)	3,453,223	3,259,367	2,712,623	1,981,469	2,159,073	3,220,598
Lease receivables and investment assets (*2)	67,963	97,344	51,581	10,115	3,733	874
Total	$9,821,006	$4,846,825	$3,685,676	$2,668,886	$2,893,471	$4,611,308

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥42,985 million ($351,213 thousand) and those without terms in the amount of ¥19,562 million ($159,833 thousand) are not included.

(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥585 million ($4,779 thousand) are not included. There are no monetary claims or securities without maturities.

4. Financial Instruments (cont'd)

(Note 3) Amount payable for borrowed money and other interest-bearing liabilities:

	Millions of yen					
	2021					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,938,949	¥ 137,827	¥ 11,286	¥ 531	¥ 1,385	¥ –
Negotiable certificates of deposit	128,341	500	–	–	–	–
Call money and bills sold	11,071	–	–	–	–	–
Payables under securities lending transactions	42,065	–	–	–	–	–
Borrowed money	187,042	47,835	2,112	–	–	–
Total	¥ 3,307,469	¥ 186,163	¥ 13,399	¥ 531	¥ 1,385	¥ –

	Millions of yen					
	2022					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 3,000,610	¥ 145,207	¥ 19,116	¥ 623	¥ 1,485	¥ –
Negotiable certificates of deposit	133,504	–	–	–	–	–
Call money and bills sold	12,850	–	–	–	–	–
Payables under securities lending transactions	40,945	–	–	–	–	–
Borrowed money	243,871	20,518	1,864	72	50	–
Total	¥ 3,431,782	¥ 165,725	¥ 20,980	¥ 695	¥ 1,535	¥ –

	Thousands of U.S. dollars					
	2022					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	$24,516,790	$1,186,428	$ 156,189	$ 5,090	$ 12,133	$ –
Negotiable certificates of deposit	1,090,808	–	–	–	–	–
Call money and bills sold	104,992	–	–	–	–	–
Payables under securities lending transactions	334,545	–	–	–	–	–
Borrowed money	1,992,572	167,644	15,230	588	408	–
Total	$28,039,725	$1,354,073	$ 171,419	$ 5,678	$ 12,541	$ –

(*) Demand deposits are included in "Within 1 year."

4. Financial Instruments (cont'd)

(3) Fair value of financial instruments and classification by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, the fair value of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 : fair value measured by quoted prices of identical assets or liabilities in active markets.
Level 2 : fair value measured using observable inputs other than Level 1.
Level 3 : fair value measured using unobservable inputs.

When multiple inputs from different levels were used in measuring fair value, the Bank and its subsidiaries classified the fair values into the level from which the lowest level of inputs were used.

① Financial instruments measured at fair value in the consolidated balance sheet

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	¥ −	¥ −	¥ 201	¥ 201
Securities				
Available-for-sale securities				
Japanese government bonds and municipal bonds	173,782	167,769	−	341,552
Corporate bonds	−	154,196	18,912	173,109
Equity securities	127,504	−	−	127,504
Others (*1)	55,097	175,077	−	230,174
Derivative transactions (*2):				
Interest rate related	−	1,727	−	1,727
Currency related	−	6,082	−	6,082
Total assets	¥ 356,384	¥ 504,853	¥ 19,114	¥ 880,351
Derivative transactions (*2):				
Interest rate related	¥ −	¥ 1,859	¥ −	¥ 1,859
Currency related	−	19,256	−	19,256
Total liabilities	¥ −	¥ 21,116	¥ −	¥ 21,116

4. Financial Instruments (cont'd)

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	$ −	$ −	$ 1,642	$ 1,642
Securities				
Available-for-sale securities				
Japanese government bonds and municipal bonds	1,419,903	1,370,773	−	2,790,685
Corporate bonds	−	1,259,874	154,522	1,414,404
Equity securities	1,041,784	−	−	1,041,784
Others (*1)	450,175	1,430,484	−	1,880,660
Derivative transactions (*2):				
Interest rate related	−	14,110	−	14,110
Currency related	−	49,693	−	49,693
Total assets	$ 2,911,871	$ 4,124,953	$ 156,172	$ 7,192,997
Derivative transactions (*2):				
Interest rate related	$ −	$ 15,189	$ −	$ 15,189
Currency related	−	157,333	−	157,333
Total liabilities	$ −	$ 172,530	$ −	$ 172,530

(*1) Investment trusts to which the transitional treatment stipulated in Paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019) was applied were excluded from the above table. The amount of such investment trusts, etc., in the consolidated balance sheet was ¥142,945 million ($1,167,946 thousand).

(*2) Derivative transactions are interest rate swaps designated as hedging instruments in offsetting market fluctuations of loans and bills discounted, etc., and deferred hedging is mainly applied. The Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40, March 17, 2022) is applied to these hedging relationships.

4. Financial Instruments (cont'd)

② Financial instruments other than those measured at fair value in the consolidated balance sheet

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	¥ –	¥ –	¥ 1,197	¥ 1,197
Loans and bills discounted	–	–	2,106,060	2,106,060
Lease receivables and investment assets	–	–	30,087	30,087
Total assets	¥ –	¥ –	¥ 2,137,345	¥ 2,137,345
Deposits	¥ –	¥ 3,167,174	¥ –	¥ 3,167,174
Negotiable certificates of deposit	–	133,506	–	133,506
Borrowed money	–	255,425	10,928	266,353
Total liabilities	¥ –	¥ 3,556,106	¥ 10,928	¥ 3,567,034

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	$ –	$ –	$ 9,780	$ 9,780
Loans and bills discounted	–	–	17,207,778	17,207,778
Lease receivables and investment assets	–	–	245,828	245,828
Total assets	$ –	$ –	$ 17,463,395	$ 17,463,395
Deposits	$ –	$ 25,877,718	$ –	$ 25,877,718
Negotiable certificates of deposit	–	1,090,824	–	1,090,824
Borrowed money	–	2,086,976	89,288	2,176,264
Total liabilities	$ –	$ 29,055,527	$ 89,288	$ 29,144,815

4. Financial Instruments (cont’d)

(Note 1) Valuation techniques and inputs used in measuring fair value

Assets

Commercial paper and other debt purchased

The fair value of trust beneficial rights in other debt purchased is based on the price quoted for corresponding securities. For factoring, these transactions have short contractual terms (within 1 year). Therefore, the fair value is considered to be the book value because the fair value of these items approximates the book value. The fair value is categorized as Level 3.

Securities

When quoted unadjusted prices in active markets are available, fair values are categorized as Level 1. This includes mainly listed equity securities and Japanese government bonds.

When quoted prices are available but not considered to be in active markets, fair values are categorized as Level 2. This includes mainly municipal bonds, corporate bonds and other securities.

When quoted market prices are not available, fair values are determined by using valuation techniques such as the discounted present value method of future cash flows. The valuation is based on the maximum use of observable inputs, which are TIBOR, swap rates, etc. Of corporate bonds, the inputs for bank-guaranteed private placed bonds include credit spreads, with interest rates assumed for similar new underwritings of the total amount of principal and interest for each category based on the issuer’s internal rating and term. The fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts. When significant unobservable inputs are used for valuation, the fair value is categorized as Level 3.

Loans and bills discounted

The fair value of loans and bills discounted with floating interest rates is considered to be equal to the book value since the rate reflects the market rate in a short period and the fair value of these items approximates the book value, unless the creditworthiness of the borrower changes significantly from the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at credit spread with a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts. The fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions. The fair value is categorized as Level 3.

Lease receivables and investment assets

The fair value of lease receivables and investment assets takes into consideration the loan loss ratio of each category of borrower and the discounted market interest rate on the consolidated balance sheet date. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts. The fair value is categorized as Level 3.

4. Financial Instruments (cont'd)

Liabilities

Deposits and negotiable certificates of deposit

The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). The fair value of floating interest rate deposits, time deposits (matured), nonresident Japanese yen deposits and foreign currency time deposits is considered less important and is expected to approximate the book value. The fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a rate that reflects when the Bank received the new deposit. The fair value of deposits with short terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value. The fair value is categorized as Level 2.

Borrowed money

The fair value of borrowed money with floating interest rates is considered to be the book value since the rate reflects the market rate in a short period and the fair value of these items approximate the book value, unless the creditworthiness of the Bank and its consolidated subsidiaries changes significantly from the inception date. The fair value of borrowed money with short contractual terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value. The fair value is categorized as Level 2.

The fair value of borrowed money with a fixed rate is calculated as the present value by discounting the total amount of principal and interest at an interest rate for similar new loans. The fair value is categorized as Level 3.

Derivative Transactions

Derivative transactions for which unadjusted quoted market prices in active markets are available are categorized as Level 1. This mainly includes bond futures contracts and interest rate futures contracts.

However, since most derivative transactions are over-the-counter transactions and there are no published quoted market prices, fair values are calculated using valuation techniques such as the discounted present value method or the Black-Scholes model, depending on the type of transaction and the period to maturity. The main inputs used in these valuation techniques are interest rates, exchange rates, volatility, etc. When unobservable inputs are not used or when they are used but their effect is not material, the fair values are categorized as Level 2. This includes Plain Vanilla interest rate swaps, currency swaps, currency options, and foreign exchange forward contracts.

4. Financial Instruments (cont'd)

(Note 2) Description of the fair value of Level 3 financial instruments carried on the consolidated balance sheet at fair value

① Quantitative information on significant unobservable inputs

2022				
Category	Valuation methodology	Significant unobservable inputs	Input range	Weighted average of inputs
Securities				
Available-for-sale securities				
Corporate bonds	Discounted present value technique	Credit spread	0.4447179% – 3.0155407%	1.1135471%

② Reconciliation from the beginning balance to the ending balance, valuation gains (losses) recognized for the period

	Millions of yen 2022							
		Income (expenses) or other comprehensive income						
	Beginning balance	Recorded in income (expenses) (*1)	Recorded in other comprehensive income (*2)	Net of purchases, sales, issuance and settlement	Reclassification to Level 3 fair value	Reclassification from Level 3 fair value	Ending balance	Valuation gains (losses) on financial assets and liabilities (*1)
Commercial paper and other debt purchased	¥ 319	¥ –	¥ (1)	¥ (116)	¥ –	¥ –	¥ 201	¥ –
Securities								
Available-for-sale securities								
Corporate bonds	18,886	(2)	19	8	–	–	18,912	–

	Thousands of U.S. dollars 2022							
		Income (expenses) or other comprehensive income						
	Beginning balance	Recorded in income (expenses) (*1)	Recorded in other comprehensive income (*2)	Net of purchases, sales, issuance and settlement	Reclassification to Level 3 fair value	Reclassification from Level 3 fair value	Ending balance	Valuation gains (losses) on financial assets and liabilities (*1)
Commercial paper and other debt purchased	$ 2,606	$ –	$ (8)	$ (947)	$ –	$ –	$ 1,642	$ –
Securities								
Available-for-sale securities								
Corporate bonds	154,309	(16)	155	65	–	–	154,522	–

4. Financial Instruments (cont'd)

(*1) The valuation losses are included in "other operating expenses" in the consolidated income statements.
(*2) The valuation gains (losses) are included in "net unrealized holding gains (losses) on securities" in the consolidated statements of comprehensive income.

③ Description of the fair value valuation process
The Group has established policies and procedures for the calculation of fair value in the risk management division, and each trading division calculates fair value in accordance with these policies and procedures. The Group verifies the validity of the valuation techniques and inputs used to calculate fair value and the appropriateness of the level classification of the fair value in the valuation division.

In calculating fair value, the Group uses valuation models that most appropriately reflect the nature, characteristics, and risks of individual assets. When the Group uses quoted prices obtained from third parties, the Group also verifies the appropriateness of the prices by confirming the valuation techniques and inputs used, comparing them with the market prices of similar financial instruments, and by other appropriate methods.

④ Description of the effect on fair value when significant unobservable inputs are changed
The most significant unobservable input used in the calculation of the fair value of bank-guaranteed private placements of bonds is the credit spread. A significant increase (decrease) in this input, by itself, will result in a significant decrease (increase) in the fair value.

5. Securities

Unsecured securities that have been loaned and that allow the borrowers to sell the borrowed securities amounted to ¥56,329 million and ¥56,166 million ($458,910 thousand) as of March 31, 2021 and 2022, respectively, and are included in Japanese government bonds in Securities.

(1) Acquisition costs, book values and fair values of securities with market values

The following tables summarize acquisition costs, book values and fair values of securities with market values as of March 31, 2021 and 2022. The amounts in the following tables include trading account securities and trust beneficiary interests in commercial paper and other debt purchased as well as securities

① Trading securities:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Amount of net unrealized gains (losses) included in statements of income	¥ 3	¥ −	$ −

② Held-to-maturity debt securities for the years ended March 31, 2021 and 2022:

Not applicable.

5. Securities (cont'd)

③ Available-for-sale securities:

※ Book value exceeded acquisition cost.

	Millions of yen		
	2021		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 124,711	¥ 44,839	¥ 79,871
Bonds:			
Japanese government bonds	121,112	116,985	4,126
Municipal bonds	130,394	128,427	1,966
Corporate bonds	81,846	79,846	2,000
Other	277,831	254,124	23,707
Total	¥ 735,896	¥ 624,224	¥ 111,671

※ Book value did not exceed acquisition cost.

Equity securities	¥ 4,327	¥ 4,726	¥ (398)
Bonds:			
Japanese government bonds	66,209	66,945	(735)
Municipal bonds	36,378	36,546	(167)
Corporate bonds	74,863	75,722	(859)
Other	70,949	73,653	(2,703)
Total	¥ 252,728	¥ 257,593	¥ (4,865)
Grand total	¥ 988,624	¥ 881,818	¥ 106,806

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Millions of yen		
	2022		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 122,632	¥ 47,111	¥ 75,520
Bonds:			
Japanese government bonds	116,184	112,330	3,853
Municipal bonds	75,921	74,651	1,269
Corporate bonds	55,065	53,759	1,305
Other	203,163	187,004	16,159
Total	¥ 572,967	¥ 474,857	¥ 98,109
※ Book value did not exceed acquisition cost.			
Equity securities	¥ 4,872	¥ 5,529	¥ (657)
Bonds:			
Japanese government bonds	57,598	59,672	(2,073)
Municipal bonds	91,847	92,627	(779)
Corporate bonds	118,043	119,737	(1,693)
Other	170,158	177,640	(7,482)
Total	¥ 442,520	¥ 455,207	¥ (12,686)
Grand total	¥ 1,015,487	¥ 930,065	¥ 85,422

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Thousands of U.S. dollars		
	2022		
	Book (fair) value	Acquisition cost	Difference
Equity securities	$ 1,001,977	$ 384,925	$ 617,043
Bonds:			
Japanese government bonds	949,293	917,803	31,481
Municipal bonds	620,320	609,943	10,368
Corporate bonds	449,914	439,243	10,662
Other	1,659,964	1,527,935	132,028
Total	$ 4,681,485	$ 3,879,867	$ 801,609

※ Book value did not exceed acquisition cost.

Equity securities	$ 39,807	$ 45,175	$ (5,368)
Bonds:			
Japanese government bonds	470,610	487,556	(16,937)
Municipal bonds	750,445	756,818	(6,364)
Corporate bonds	964,482	978,323	(13,832)
Other	1,390,293	1,451,425	(61,132)
Total	$ 3,615,654	$ 3,719,315	$ (103,652)
Grand total	$ 8,297,140	$ 7,599,191	$ 697,949

④ Held-to-maturity debt securities sold for the years ended March 31, 2021 and 2022:

Not applicable.

5. Securities (cont'd)

⑤ Available-for-sale securities sold in the years ended March 31, 2021 and 2022:

	Millions of yen		
	2021		
	Amount sold	Gains	Losses
Equity securities	¥ 6,945	¥ 2,547	¥ 936
Bonds:			
Japanese government bonds	20,792	30	242
Municipal bonds	17,197	7	37
Corporate bonds	2,431	1	1
Other	17,645	1,155	401
Total	¥ 65,012	¥ 3,743	¥ 1,620

	Millions of yen		
	2022		
	Amount sold	Gains	Losses
Equity securities	¥ 4,152	¥ 1,451	¥ 348
Bonds:			
Japanese government bonds	9,830	79	11
Municipal bonds	9,717	7	48
Corporate bonds	7,767	34	44
Other	43,619	1,469	1,722
Total	¥ 75,087	¥ 3,043	¥ 2,175

	Thousands of U.S. dollars		
	2022		
	Amount sold	Gains	Losses
Equity securities	$ 33,924	$ 11,855	$ 2,843
Bonds:			
Japanese government bonds	80,317	645	89
Municipal bonds	79,393	57	392
Corporate bonds	63,461	277	359
Other	356,393	12,002	14,069
Total	$ 613,506	$ 24,863	$ 17,771

5. Securities (cont'd)

⑥ Securities reclassified for the years ended March 31, 2021 and 2022:

Not applicable.

⑦ Available-for-sale securities with market values are considered impaired if the market value decreases materially below the acquisition cost and the decline is not considered recoverable. The market value is used for the balance sheet amount, and the amount of write-down is accounted for as an impairment loss for the fiscal year. Impairment loss for the fiscal years ended March 31, 2021 was ¥408 million, including ¥408 million of equity securities and nil of other. Impairment loss for the fiscal years ended March 31, 2022 was ¥95 million ($776 thousand), including ¥93 million ($759 thousand) of equity securities and ¥2 million ($16 thousand) of other.

The market value is deemed to have decreased materially when it has fallen by 50% or more from the acquisition cost. In such cases, impairment accounting is applied uniformly. In cases in which the market value has fallen by 30% or more but less than 50%, historical price trends over a specific period and the recent business performance of the issuing company are taken into account to determine whether or not the acquisition cost can be recovered. Securities whose acquisition costs are deemed not to be recoverable are written down to the current market value.

(2) Net unrealized holding gains on securities stated at market value

Net unrealized holding gains on securities stated at market value at March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Available-for-sale securities	¥ 106,806	¥ 85,504	$ 698,619
Deferred tax liabilities	(32,281)	(25,800)	(210,801)
Net unrealized holding gains on securities (before adjustment for noncontrolling interests)	74,524	59,704	487,817
Noncontrolling interests	(1,329)	(1,329)	(10,858)
Net unrealized holding gains on securities	¥ 73,194	¥ 58,375	$ 476,958

(*) Net unrealized holding gains for the year ended March 31, 2022 included net unrealized gains of ¥82 million ($669 thousand) on available-for sales securities which are components of partnerships, etc.

(3) Guarantee obligations for privately placed bonds

At March 31, 2021 and 2022, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥19,189 million and ¥19,198 million ($156,859 thousand), respectively.

6. Loans and Bills Discounted

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are those recorded in the following accounts in the consolidated balance sheets: the corporate bonds in "securities" (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), "loans and bills discounted," "foreign exchange," accrued interest and suspense payments in "other assets," "customers' liabilities for acceptances and guarantees," and "lease receivables and investment assets," and those securities as noted as securities on loan (limited to those under a loan-for-use or a lease agreement).

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Legal bankruptcy and de facto bankruptcy	¥ 16,383	¥ 16,384	$ 133,867
Bankruptcy risk	23,612	27,497	224,667
Loans past due three months or more	741	254	2,075
Restructured loans	6,744	7,328	59,874
Total	¥ 47,482	¥ 51,464	$ 420,491

"Legal bankruptcy and de facto bankruptcy" are claims against borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings, the commencement or petition for commencement of rehabilitation proceedings and claims equivalent thereto.

"Bankruptcy risk" are loans to borrowers who are not currently in bankruptcy but are in difficult financial situations and with a high possibility that the principal and interest cannot be collected according to the contract, excluding "legal bankruptcy and de facto bankruptcy."

"Loans past due three months or more" are loans for which the payment of the principal and/or interest is past due three months or more from the day following the contractual payment date, excluding "legal bankruptcy and de facto bankruptcy" and "bankruptcy risk."

"Restructured loans" are loans for which the Bank has relaxed its lending conditions for borrowers in financial difficulties, such as by a reduction of the original interest rate, the forbearance of interest payments, the granting of a maturity date extension and/or the renunciation of claims in order to support the borrower's financial recovery or restructuring. These loans exclude those in "legal bankruptcy and de facto bankruptcy," "bankruptcy risk" and "loans past due three months or more."

The above claim amounts are before deducting any reserve for possible loan losses.

Changes in presentation method

In accordance with the Cabinet Office Ordinance Partially Amending Enforcement Regulations of the Banking Act (Cabinet Office Ordinance No. 3, January 24, 2020), which came into effect on March 31, 2022, the classifications of "risk monitored loans" under the Banking Act is presented in accordance with the classifications of disclosed claims under the Act on Emergency Measures for Revitalization of Financial Functions.

7. Commercial Bills

Discounts of commercial bills are accounted for as financing transactions as stipulated in Industry Committee Report No. 24. The Bank has rights to use commercial bills discounted or foreign exchange purchased in the form of sale or use as (re)collateral. The total face value of commercial bills obtained as a result of discounting was ¥6,944 million and ¥6,812 million ($55,658 thousand) at March 31, 2021 and 2022, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit agreed to in advance. The Bank and its consolidated subsidiaries lend the funds upon the request of the borrower to draw down funds under the agreement as long as there is no breach of the various terms and conditions stipulated in the agreement. The unused commitment balances related to these agreements at March 31, 2021 and 2022 amounted to ¥382,712 million and ¥384,093 million ($3,138,271 thousand), respectively. Of these amounts, ¥372,245 million and ¥370,558 million ($3,027,682 thousand), respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement expires without the loan ever being drawn down. In these cases, the unused loan commitment does not necessarily affect future cash flows. Conditions are also included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan drawdown or to reduce the agreed limit when there is a reason such as a change in financial circumstances or necessity of credit risk management.

The Bank and its consolidated subsidiaries take various measures to manage credit risk. Such measures include having the obligor pledge collateral such as real estate or securities on signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

9. Assets Pledged

At March 31, 2021 and 2022, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Securities	¥ 288,809	¥ 313,062	$ 2,557,905

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deposits	¥ 13,401	¥ 12,695	$ 103,725
Payables under securities lending transactions	42,065	40,945	334,545
Borrowed money	224,000	254,000	2,075,332

At March 31, 2021 and 2022, certain investment securities amounting to ¥1,421 million and ¥1,578 million ($12,893 thousand), respectively, and other assets of ¥30,049 million including deposits with the central counterparty of ¥30,000 million and other of ¥49 million and other assets of ¥20,049 million ($163,812 thousand) including deposits with the central counterparty of ¥20,000 million ($163,412 thousand) and other of ¥49 million ($400 thousand), respectively, were pledged as collateral for exchange settlement and handling and others of government funds or in substitution for clearing margins on futures and others.

At March 31, 2021 and 2022, other assets included cash collateral paid for financial instruments of ¥5,037 million and ¥11,507 million ($94,019 thousand), respectively, and guarantee deposits of ¥292 million and ¥274 million ($2,238 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2021 and 2022 amounted to ¥32,180 million and ¥32,817 million ($268,134 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2021 and 2022 amounted to ¥734 million and ¥734 million ($5,997 thousand), respectively. No such offset was newly recorded for the years ended March 31, 2021 and 2022.

11. Land Revaluation Account

In accordance with the Land Revaluation Law, the Bank revalued land used in the ordinary course of business as of March 31, 1999. The revaluation excess, net of deferred taxes, is shown as land revaluation account, a separate component of shareholders' equity. At March 31, 2021 and 2022, the market values of the revalued land decreased from the revalued amount by ¥7,117 million and ¥7,584 million ($61,965 thousand), respectively.

12. Other Assets

As of March 31, 2022, other assets included receivables from contracts with customers of ¥386 million ($3,153 thousand).

13. General and Administrative Expenses

For the years ended March 31, 2021 and 2022, general and administrative expenses included salaries and allowances of ¥9,482 million and ¥8,904 million ($72,751 thousand), respectively, depreciation expenses of ¥2,923 million and ¥3,120 million ($25,492 thousand), respectively, and outsourcing expenses of ¥3,649 million and ¥3,690 million ($30,149 thousand), respectively.

14. Other Income

For the years ended March 31, 2021 and 2022, other income included gain on sale of securities of ¥3,574 million and ¥2,661 million ($21,741 thousand), respectively.

15. Other Expenses

(1) Loss on loans and securities

For the years ended March 31, 2021 and 2022, other expenses included loans written off of ¥26 million and ¥27 million ($220 thousand), respectively, losses on the sale of securities of ¥1,264 million and ¥505 million ($4,126 thousand), respectively, and securities written off of ¥413 million and ¥165 million ($1,348 thousand), respectively.

(2) Impairment loss

For the year ended March 31, 2021, the Bank reduced the book value of business use assets whose operating cash flows had decreased and real estate values had declined and assets that were to be disposed of due to relocation and rebuilding to the recoverable amounts and recognized impairment loss of ¥374 million.

	Area	Purpose of use		Type		Impairment loss Millions of yen 2021
Operating assets	Tokushima area	Branches and others	14 locations	Land and buildings	¥	365
				(Land)		147
				(Buildings)		218
	Other area	Branch	1 location	Buildings		7
Idle assets	Tokushima area	Idle assets	1 location	Land		0
Total				Land and buildings	¥	374
				(Land)	¥	148
				(Buildings)		226

The Bank allocates its assets to each branch (or group of branches if the management is in a group), which is the smallest unit of an asset group, and the consolidated subsidiaries regard each entity as a unit in a group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on Real Estate Appraisal Standards less the expected disposal cost or zero for assets to be disposed of due to relocation or rebuilding.

15. Other Expenses (cont'd)

(2) Impairment loss (cont'd)

For the year ended March 31, 2022, the Bank reduced the book value of business use assets whose operating cash flows had decreased and real estate values had declined and assets that were to be disposed of due to relocation and rebuilding to the recoverable amounts and recognized impairment loss of ¥140 million ($1,143 thousand).

					Impairment loss	
	Area	Purpose of use		Type	Millions of yen	Thousands of U.S. dollars
					2022	
Operating assets	Tokushima area	Branches and others	5 locations	Land and buildings	¥ 135	$ 1,103
				(Land)	67	547
				(Buildings)	68	555
Idle assets	Tokushima area	Idle assets	2 locations	Land	4	32
Total				Land and buildings	¥ 140	$ 1,143
				(Land)	¥ 72	$ 588
				(Buildings)	68	555

The Bank allocates its assets to each branch (or group of branches if the management is in a group), which is the smallest unit of an asset group, and the consolidated subsidiaries regard each entity as a unit in a group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on Real Estate Appraisal Standards less the expected disposal cost or zero for assets to be disposed of due to relocation or rebuilding.

16. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ 48,703	¥ (20,536)	$ (167,791)
Reclassification adjustments	(1,711)	(765)	(6,250)
Subtotal, before tax	46,992	(21,301)	(174,041)
Tax (expense) benefit	(14,313)	6,481	52,953
Subtotal, net of tax	32,678	(14,819)	(121,080)
Net deferred gains (losses) on derivatives under hedge accounting			
Increase (decrease) during the year	157	1,119	9,142
Reclassification adjustments	1,209	1,043	8,521
Subtotal, before tax	1,367	2,162	17,664
Tax (expense) benefit	(416)	(658)	(5,376)
Subtotal, net of tax	950	1,503	12,280
Remeasurements of defined benefit plans			
Increase (decrease) during the year	3,090	–	–
Reclassification adjustments	(1,878)	(26)	(212)
Subtotal, before tax	1,212	(26)	(212)
Tax (expense) benefit	(369)	8	65
Subtotal, net of tax	843	(18)	(147)
Total other comprehensive income	¥ 34,472	¥ (13,334)	$ (108,946)

17. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, including corporation tax, inhabitants tax and enterprise tax.

A reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2021 and 2022 was not disclosed because the difference between the statutory tax rate and effective tax rate was less than 5% of the statutory tax rate.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 10,374	¥ 10,566	$ 86,330
Excess depreciation	702	702	5,735
Net defined benefit liability	21	−	−
Tax loss carryforwards	2	3	24
Net deferred gains (losses) on derivatives under hedge accounting	669	10	81
Others	2,042	2,211	18,065
Valuation allowance	(2,557)	(2,657)	(21,709)
Total deferred tax assets	11,255	10,837	88,544
Deferred tax liabilities:			
Deferred gains on real property	(245)	(245)	(2,001)
Unrealized gains on securities	(32,281)	(25,800)	(210,801)
Others	(2)	(5)	(40)
Total deferred tax liabilities	(32,529)	(26,050)	(212,844)
Net deferred tax liabilities	¥ (21,273)	¥ (15,213)	$ (124,299)

18. Acceptances and Guarantees

All commitments and contingent liabilities arising in connection with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees" in Liabilities in the Consolidated Balance Sheets. A contra account, "Customers' liabilities for acceptances and guarantees," representing the Bank's right of indemnity from customers is shown in Assets.

19. Borrowed Money

Borrowed money at March 31, 2021 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Borrowings from banks and others	¥ 236,990	¥ 266,375	$ 2,176,444
Lease obligations (payable within 1 year)	¥ 104	¥ 64	$ 522
Lease obligations (excluding those payable within 1 year)	¥ 63	¥ 57	$ 465

(Lease obligations are included in other liabilities.)

The following is a summary of aggregate annual maturities of borrowings from banks and others and lease obligations within 5 years at March 31, 2022.

・Borrowings from banks and others:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2023	¥ 243,871	$ 1,992,572
2024	18,220	148,868
2025	2,297	18,767
2026	1,385	11,316
2027	479	3,913

・Lease obligations:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2023	¥ 64	$ 522
2024	31	253
2025	16	130
2026	6	49
2027	2	16

20. Employees' Severance and Retirement Benefits

(1) Overview of retirement benefit plan

The Bank and its consolidated subsidiaries apply risk sharing pension plans and defined contribution pension plans as their defined contribution plans.

Previously, the Bank and its consolidated subsidiaries applied funded contributory pension plans and lump-sum payment plans as their defined benefit plans as well as defined contribution pension plans. Of these defined benefit plans, the defined benefit pension plans have been transferred to risk sharing pension plans which are classified as defined contribution plans stipulated in Paragraph 4 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, December 16, 2016) on April 1, 2021. In addition, the retirement benefit trust established by the Bank has was cancelled on the same day.

Risk sharing pension plans are designed to maintain the financial balance of the pensions, because in addition to the standard contribution equivalent, a risk-taking contribution equivalent is stipulated in advance in the policies so that the amount of benefits increases or decreases according to the financial status of the risk sharing pension plan in each consolidated fiscal year.

Regarding the accounting treatment associated with the transition of retirement benefit plan, "Practical Solution on Accounting for Risk Sharing Pension Plan" (PITF No. 33, December 16, 2016), "Accounting for Transfer between Retirement Benefit Plans (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) are applied. As a result, loss on termination of retirement benefit plan of ¥75 million was recorded in other expenses for the fiscal year ended March 31, 2021 and gain on termination of retirement benefit plan of ¥44 million ($359 thousand) was recorded in other income for the fiscal year ended March 31, 2022.

(2) Defined benefit plans

① Movement in projected benefit obligation (excluding plans to which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Projected benefit obligation at beginning of year	¥ 30,073	¥ 24,853	$ 203,063
Service cost	769	–	–
Interest cost	176	–	–
Actuarial differences	421	–	–
Retirement benefits paid	(1,511)	–	–
Effects of transition to risk sharing pension plan	(5,076)	(24,853)	(203,063)
Projected benefit obligation at end of year	¥ 24,853	¥ –	$ –

20. Employees' Severance and Retirement Benefits (cont'd)

② Movement in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Plan assets at beginning of year	¥ 34,940	¥ 31,038	$ 253,599
Expected return on plan assets	671	–	–
Actuarial differences	3,512	–	–
Employer contribution	45	–	–
Employee contribution	30	–	–
Retirement benefits paid	(1,077)	–	–
Effects of transition to risk sharing pension plan	(7,083)	(31,038)	(253,599)
Plan assets at end of year	¥ 31,038	¥ –	$ –

(*)

Plan assets include the assets of the retirement benefits trust.

③ Reconciliation of net defined benefit liability applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net defined benefit liability at beginning of year	¥ 111	¥ 119	$ 972
Net retirement benefit expenses	8	–	–
Retirement benefits paid	(0)	–	–
Effects of transition to risk sharing pension plan	–	(119)	(972)
Net defined benefit liability at end of year	¥ 119	¥ –	$ –

20. Employees' Severance and Retirement Benefits (cont'd)

④ Reconciliation from the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded projected benefit obligation	¥ 24,853	¥ –	$ –
Plan assets	(31,038)	–	–
	(6,185)	–	–
Unfunded projected benefit obligation	119	–	–
Net liability and asset recorded on the consolidated balance sheet	¥ (6,066)	¥ –	$ –
Net defined benefit liability	¥ 44	¥ –	$ –
Net defined benefit asset	(6,111)	–	–
Net liability and asset recorded on the consolidated balance sheet	¥ (6,066)	¥ –	$ –

(*1) Plan assets include the assets of the retirement benefits trust.
(*2) The above table includes plans applying the simplified method.

⑤ Net retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥ 747	¥ –	$ –
Interest cost	176	–	–
Expected return on plan assets	(671)	–	–
Amortization of actuarial differences	52	–	–
Net retirement benefit expenses	¥ 306	¥ –	$ –

(*1) Retirement benefit expenses of the consolidated subsidiaries applying the simplified method were included in "service cost".
(*2) Employee contributions to the funded contributory pension plan were not included in service cost.
(*3) In addition to the net retirement benefit expenses described above, loss on termination of retirement benefit plan of ¥75 million was recorded in other expenses for the fiscal year ended March 31, 2021.
(*4) In addition to the net retirement benefit expenses described above, gain on termination of retirement benefit plan of ¥44 million ($359 thousand) was recorded in other income for the fiscal year ended March 31, 2022.

20. Employees' Severance and Retirement Benefits (cont'd)

⑥ The components of remeasurements of defined benefit plans in other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Prior service costs	¥ –	¥ –	$ –
Actuarial differences	1,212	(26)	(212)
Total	¥ 1,212	¥ (26)	$ (212)

(*) The remeasurements of defined benefit plans include consolidation adjustments of negative ¥43 million for the fiscal year ended March 31, 2021.

⑦ The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized prior service costs	¥ –	¥ –	$ –
Unrecognized actuarial differences	(26)	–	–
Total	¥ (26)	¥ –	$ –

⑧ Plan assets

(i) Plan assets comprise:

	2021	2022
Debt securities	24.9%	–%
Equity securities	26.6	–
Life insurance general accounts	9.7	–
Cash and due from banks and others	33.4	–
Other	5.4	–
Total	100.0%	–%

(*)As of March 31, 2021 and 2022, plan assets consisted of 2.4% and –%, respectively, of assets of the retirement benefit trust established for the funded contributory pension plan and 13.5% and –%, respectively, of assets of the retirement benefit trust established for the lump-sum payment plans.

(ii) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering the current and future portfolio of plan assets and current and expected long-term rate of return generated from various components of the plan assets.

20. Employees' Severance and Retirement Benefits (cont'd)

⑨ Actuarial assumptions at end of year:

	2021	2022
Discount rate	0.6%	–%
Expected long-term rate of return on plan assets		
Funded contributory pension plan	2.0%	–%
Employee retirement benefit trust		
Funded contributory pension plan	0.0%	–%
Lump-sum payment plan	2.0%	–%
Expected rate of salary increase		
Funded contributory pension plan	2.5%	–%
Lump-sum payment plan	2.4%	–%

(*1) The discount rate for the year ended March 31, 2021 was presented using a weighted average rate.
(*2) The expected rate of salary increase is based on the expected rate of increase in points calculated for each plan as a point system is used to determine retirement benefits.

(3) Defined contribution plans

(i) The amount of retirement benefit expenses related to the defined contribution plans
The amount of required contribution to the defined contribution plans was ¥125 million and ¥847 million ($6,920 thousand) as of March 31, 2021 and 2022, respectively.
(ii) Matters related to the amount of risk-taking contribution equivalent
The amount of risk-taking contribution equivalent required from the fiscal year ending March 31, 2023 and after is nil.

21. Derivative Transactions

The Bank enters into various derivative contracts, including swaps, options, forwards and futures, that cover interest rates, foreign currencies and stocks and bonds in order to meet customers' needs and manage the risks of market fluctuations related to the assets, liabilities and interest rates of the Bank and its consolidated subsidiaries. In connection with these transactions, the Bank has established procedures and controls to minimize market and credit risk, including limits on transaction levels, hedging exposed positions, daily reporting to management and the outside review of trading department activities. At March 31, 2021 and 2022, outstanding derivatives were as follows:

21. Derivative Transactions (cont'd)

Currency and foreign exchange transactions:

	Millions of yen			
	2021			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 3,132	¥ 3,132	¥ −	¥ −
Forward exchange contracts				
Sell	88,833	25,323	(5,005)	(5,005)
Buy	28,054	23,884	2,863	2,863
Currency options				
Sell	51,754	−	(1,120)	(786)
Buy	51,754	−	1,120	1,005

	Millions of yen				Thousands of U.S. dollars
	2022				2022
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Currency swaps	¥ 6,159	¥ 6,159	¥ −	¥ 4	$ 32
Forward exchange contracts					
Sell	117,022	27,124	(9,739)	(9,739)	(79,573)
Buy	30,690	27,358	4,667	4,667	38,132
Currency options					
Sell	54,960	−	(1,376)	(1,008)	(8,235)
Buy	54,960	−	1,376	1,266	10,343

The above transactions were recorded at fair values, and recognized gains and losses were included in the consolidated statements of income.

22. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

	Millions of yen				
	2022				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Service revenues	¥ 8,193	¥ －	¥ 8,193	¥ －	¥ 8,193
Deposit services	1,028	－	1,028	－	1,028
Exchange services	1,458	－	1,458	－	1,458
Securities related services	2,293	－	2,293	－	2,293
Agency services	1,022	－	1,022	－	1,022
Others	2,390	－	2,390	－	2,390
Ordinary income arising from contracts with customers	¥ 8,193	¥ －	¥ 8,193	¥ －	¥ 8,193
Other ordinary income	¥ 44,974	¥ 14,770	¥ 59,745	¥ (0)	¥ 59,745
Ordinary income from external customers	¥ 53,168	¥ 14,770	¥ 67,939	¥ (0)	¥ 67,938

	Thousands of U.S. dollars				
	2022				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Service revenues	$ 66,941	$ －	$ 66,941	$ －	$ 66,941
Deposit services	8,399	－	8,399	－	8,399
Exchange services	11,912	－	11,912	－	11,912
Securities related services	18,735	－	18,735	－	18,735
Agency services	8,350	－	8,350	－	8,350
Others	19,527	－	19,527	－	19,527
Ordinary income arising from contracts with customers	$ 66,941	$ －	$ 66,941	$ －	$ 66,941
Other ordinary income	$ 367,464	$ 120,679	$ 488,152	$ (0)	$ 488,152
Ordinary income from external customers	$ 434,414	$ 120,679	$ 555,102	$ (0)	$ 555,094

(2) Understanding revenue from contracts with customers

Information that provides a basis for understanding revenue from contracts with customers is as described in Note 2(13), "Significant Accounting Policies –Recognition of revenue and expense."

23. Segment Information

(1) General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information is provided to and used by the ALM Committee and Management Meeting periodically to determine the allocation of resources and assess performance.

The Group is engaged mainly in commercial banking and leasing services. Therefore, the Bank and its consolidated subsidiaries recognize reportable segments by the financial services provided: 'Commercial banking' and 'Leasing.'

'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking services and the consolidated subsidiaries' credit guarantee services, credit card services, management consulting services, online mall operation services and investment services to growing companies.

'Leasing' includes the leasing services of Awagin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Reporting segment ordinary income, profit or loss, segment assets, segment liabilities and other material items

The accounting policies for the reportable segments are the same as the Group's accounting policies described in Note 2, "Significant Accounting Policies." Reportable segment profit is based on operating profit, and intersegment ordinary income is based on arm's length pricing.

As described in Note. 2(19) "Changes in accounting standards," the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related guidance were adopted from the beginning of the fiscal year ended March 31, 2022, and the accounting method for revenue recognition was changed. The method used to calculate of segment profit or loss was changed accordingly. This change had no effect on the consolidated financial statements.

23. Segment Information (cont'd)

(3) Information about reported segment ordinary income, profit or loss and amounts of assets, liabilities and other material items

Segment information as of and for the years ended March 31, 2021 and 2022 was as follows:

	Millions of yen				
	2021				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 50,735	¥ 14,852	¥ 65,587	¥ –	¥ 65,587
Intersegment	567	178	745	(745)	–
Total	¥ 51,302	¥ 15,030	¥ 66,333	¥ (745)	¥ 65,587
Segment profit	¥ 12,260	¥ 802	¥ 13,063	¥ (399)	¥ 12,663
Segment assets	¥ 3,834,912	¥ 42,691	¥ 3,877,603	¥ (11,528)	¥ 3,866,075
Segment liabilities	¥ 3,558,382	¥ 26,309	¥ 3,584,692	¥ (11,512)	¥ 3,573,180
Other items					
Depreciation	¥ 2,733	¥ 138	¥ 2,872	¥ 51	¥ 2,923
Interest income received	37,876	62	37,939	(429)	37,509
Interest expense paid	2,099	57	2,156	(29)	2,127
Extraordinary income	0	8	8	–	8
Gains on disposal of fixed assets	0	8	8	–	8
Gain on termination of retirement benefit plan	–	–	–	–	–
Extraordinary losses	477	22	499	(8)	491
Losses on disposal of fixed assets	41	0	41	0	41
Impairment loss	352	22	374	–	374
Loss on termination of retirement benefit plan	84	–	84	(8)	75
Tax expenses	3,436	245	3,682	0	3,682
Increase in tangible fixed assets and intangible fixed assets	2,196	14	2,211	48	2,259

(*1) Ordinary income is presented as the counterpart of sales of companies in other industries.
(*2) Adjustments are as below.

1. Adjustment of segment profit of negative ¥399 million is for the elimination of intersegment transactions.
2. Adjustment of segment assets of negative ¥11,528 million is for the elimination of intersegment transactions and others.
3. Adjustment of segment liabilities of negative ¥11,512 million is for the elimination of intersegment transactions and others.
4. Adjustment of depreciation of ¥51 million is due to intersegment transactions.
5. Adjustment of interest income received of negative ¥429 million is for the elimination of intersegment transactions.
6. Adjustment of interest expense paid of negative ¥29 million is for the elimination of intersegment transactions.
7. Adjustment of losses on disposal of fixed assets of ¥0 million is due to intersegment transactions.
8. Adjustment of loss on termination of retirement benefit plan of negative ¥8 million is for the adjustment associated with the termination of the retirement benefit plan.
9. Adjustment of tax expenses of ¥0 million is due to intersegment transactions.
10. Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥48 million is due to intersegment transactions.

(*3) Segment profit is reconciled to net income in the consolidated statements of income.

23. Segment Information (cont'd)

	Millions of yen				
	2022				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 53,168	¥ 14,770	¥ 67,939	¥ (0)	¥ 67,938
Intersegment	684	177	861	(861)	–
Total	¥ 53,852	¥ 14,948	¥ 68,800	¥ (861)	¥ 67,938
Segment profit	¥ 15,873	¥ 781	¥ 16,655	¥ (520)	¥ 16,134
Segment assets	¥ 3,947,255	¥ 42,870	¥ 3,990,125	¥ (12,399)	¥ 3,977,726
Segment liabilities	¥ 3,675,097	¥ 26,611	¥ 3,701,709	¥ (12,387)	¥ 3,689,322
Other items					
Depreciation	¥ 2,931	¥ 135	¥ 3,066	¥ 54	¥ 3,120
Interest income received	39,281	68	39,349	(547)	38,801
Interest expense paid	1,597	56	1,653	(27)	1,626
Extraordinary income	0	9	10	35	45
Gains on disposal of fixed assets	0	–	0	–	0
Gain on termination of retirement benefit plan	–	9	9	35	44
Extraordinary losses	230	0	230	0	230
Losses on disposal of fixed assets	89	0	89	0	89
Impairment loss	140	–	140	–	140
Loss on termination of retirement benefit plan	–	–	–	–	–
Tax expenses	4,583	241	4,825	12	4,838
Increase in tangible fixed assets and intangible fixed assets	4,124	26	4,150	62	4,213

23. Segment Information (cont'd)

	Thousands of U.S. dollars				
	2022				
	Reportable segment				
	Commercial banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	$ 434,414	$ 120,679	$ 555,102	$ (0)	$ 555,094
Intersegment	5,588	1,446	7,034	(7,034)	–
Total	$ 440,003	$ 122,134	$ 562,137	$ (7,034)	$ 555,094
Segment profit	$ 129,691	$ 6,381	$ 136,081	$ (4,248)	$ 131,824
Segment assets	$ 32,251,450	$ 350,273	$ 32,601,723	$ (101,307)	$ 32,500,416
Segment liabilities	$ 30,027,755	$ 217,427	$ 30,245,191	$ (101,209)	$ 30,143,982
Other items					
Depreciation	$ 23,948	$ 1,103	$ 25,051	$ 441	$ 25,492
Interest income received	320,949	555	321,505	(4,469)	317,027
Interest expense paid	13,048	457	13,506	(220)	13,285
Extraordinary income	0	73	81	285	367
Gains on disposal of fixed assets	0	–	0	–	0
Gain on termination of retirement benefit plan	–	73	73	285	359
Extraordinary losses	1,879	0	1,879	0	1,879
Losses on disposal of fixed assets	727	0	727	0	727
Impairment loss	1,143	–	1,143	–	1,143
Loss on termination of retirement benefit plan	–	–	–	–	–
Tax expenses	37,445	1,969	39,423	98	39,529
Increase in tangible fixed assets and intangible fixed assets	33,695	212	33,907	506	34,422

(*1) Ordinary income is presented as the counterpart of sales of companies in other industries.

(*2) Adjustments are as below.

1. Adjustment of ordinary income from customers of negative ¥0 million ($0 thousand) is for the adjustment of gain on sale of shares.
2. Adjustment of segment profit of negative ¥520 million ($4,248 thousand) is for the adjustment of gain on sale of shares and the elimination of intersegment transactions.
3. Adjustment of segment assets of negative ¥12,399 million ($101,307 thousand) is for the elimination of intersegment transactions and others.
4. Adjustment of segment liabilities of negative ¥12,387 million ($101,209 thousand) is for the elimination of intersegment transactions and others.
5. Adjustment of depreciation of ¥54 million ($441 thousand) is due to intersegment transactions.
6. Adjustment of interest income received of negative ¥547 million ($4,469 thousand) is for the elimination of intersegment transactions.
7. Adjustment of interest expense paid of negative ¥27 million ($220 thousand) is for the elimination of intersegment transactions.
8. Adjustment of gain on termination of retirement benefit plan of ¥35 million ($285 thousand) is for the adjustment associated with the termination of the retirement benefit plan.
9. Adjustment of losses on disposal of fixed assets of ¥0 million ($0 thousand) is due to intersegment transactions.
10. Adjustment of tax expenses of ¥12 million ($98 thousand) is due to intersegment transactions and termination of the retirement benefit plan.
11. Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥62 million ($506 thousand) is due to intersegment transactions.

(*3) Segment profit is reconciled to net income in the consolidated statements of income.

23. Segment Information (cont'd)

(4) Related information

For the years ended March 31, 2021 and 2022:
Information by service:

	Millions of yen				
	2021				
	Loans	Security investments	Leasing	Other businesses	Total
Ordinary income					
Customers	¥ 24,199	¥ 17,299	¥ 14,852	¥ 9,236	¥ 65,587

	Millions of yen				
	2022				
	Loans	Security investments	Leasing	Other businesses	Total
Ordinary income					
Customers	¥ 24,398	¥ 17,326	¥ 14,770	¥ 11,442	¥ 67,938

	Thousands of U.S. dollars				
	2022				
	Loans	Security investments	Leasing	Other businesses	Total
Ordinary income					
Customers	$ 199,346	$ 141,563	$ 120,679	$ 93,488	$ 555,094

(5) Impairment loss on tangible fixed assets by reportable segment

For the years ended March 31, 2021 and 2022:

	Millions of yen		
	2021		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment loss	¥ 352	¥ 22	¥ 374

	Millions of yen		
	2022		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment loss	¥ 140	¥ –	¥ 140

	Thousands of U.S. dollars		
	2022		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment loss	$ 1,143	$ –	$ 1,143

24. Transactions with Related Parties

There were no transactions with related parties for the years ended March 31, 2021 and 2022.

There were no related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2021 and 2022.

25. Changes in Net Assets

(1) Type and number of shares

The type and number of shares issued and treasury stock for the years ended March 31, 2021 and 2022 were as follows:

For the year ended March 31, 2021:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	43,240	–	–	43,240
Total	43,240	–	–	43,240
Treasury stock				
Common stock	1,049	371	114	(*1 and *2) 1,305
Total	1,049	371	114	1,305

(*1) The number of treasury stock as of March 31, 2020 and 2021 included the Bank's own shares of 214 thousand shares and 210 thousand shares, respectively, held by the BIP and the number of treasury stock as of March 31, 2021 included the Bank's own shares of 259 thousand shares held by the Trust.

(*2) The 371 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (0 thousand shares) and acquisition by the Trust (370 thousand shares). The 114 thousand decrease in the number of shares of treasury stock was due to the delivery of the Bank's own shares by the BIP (3 thousand shares) and the sales of the Bank's own shares by the Trust (111 thousand shares).

For the year ended March 31, 2022:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	43,240	–	–	43,240
Total	43,240	–	–	43,240
Treasury stock				
Common stock	1,305	450	152	(*1 and *2) 1,603
Total	1,305	450	152	1,603

(*1) The number of treasury stock as of March 31, 2021 and 2022 included the Bank's own shares of 210 thousand shares and 202 thousand shares, respectively, held by the BIP and the Bank's own shares of 259 thousand shares and 114 thousand shares, respectively, held by the Trust.

(*2) The 450 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (0 thousand shares) and acquisition through the market (450 thousand shares). The 152 thousand decrease in the number of shares of treasury stock was due to the sales of fractional shares (0 thousand shares), the delivery of the Bank's own shares by the BIP (8 thousand shares) and the sales of the Bank's own shares by the Trust (144 thousand shares).

25. Changes in Net Assets (cont'd)

(2) Dividends

The following dividends were paid in the years ended March 31, 2021 and 2022:

Year ended March 31, 2021:

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Directors' meeting held on May 15, 2020	Common stock	¥ 954	¥ 22.50	March 31, 2020	June 10, 2020
Directors' meeting held on November 13, 2020	Common stock	¥ 848	¥ 20.00	September 30, 2020	December 7, 2020

Year ended March 31, 2022:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Directors' meeting held on May 14, 2021	Common stock	¥ 848	$ 6,928	¥ 20.00	$ 0.16	March 31, 2021	June 10, 2021
Directors' meeting held on November 12, 2021	Common stock	¥ 848	$ 6,928	¥ 20.00	$ 0.16	September 30, 2021	December 6, 2021

(*1) The amount of dividends resolved at the Directors' meeting held on May 14, 2021 includes ¥4 million ($32 thousand) of dividends for the Bank's own shares held by the BIP and ¥5 million ($40 thousand) of dividends for the Bank's own shares held by the Trust.

(*2) The amount of dividends resolved at the Directors' meeting held on November 12, 2021 includes ¥4 million ($32 thousand) of dividends for the Bank's own shares held by the BIP and ¥3 million ($24 thousand) of dividends for the Bank's own shares held by the Trust.

25. Changes in Net Assets (cont'd)

The following dividends were recorded during the fiscal years ended March 31, 2021 and 2022 and became effective after March 31, 2021 and 2022:

For the fiscal year ended March 2021, the dividends became effective after March 31, 2021:

Date of resolution	Type of shares	Amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Directors' meeting held on May 14, 2021	Common stock	¥ 848	Retained earnings	¥ 20.00	March 31, 2021	June 10, 2021

For the fiscal year ended March 2022, the dividends became effective after March 31, 2022:

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Directors' meeting held on May 13, 2022	Common stock	¥ 943	$ 7,704	Retained earnings	¥ 22.50	$ 0.18	March 31, 2022	June 10, 2022

(*) The amount of dividends includes ¥4 million ($32 thousand) of dividends for the Bank's own shares held by the BIP and ¥2 million ($16 thousand) of dividends for the Bank's own shares held by the Trust.

26. Subsequent Events

Acquisition of treasury stock

Implementing its flexible financial management policy and furthering the return of profits to its shareholders in response to changes in the business environment, the Bank, at the Directors' meeting held on May 13, 2022 and pursuant to Article 156 of the Companies Act, which is applied by replacing Paragraph 3 of Article 165, resolved to acquire its own shares and then completed the acquisition during the acquisition period as follows:

Class of shares acquired:	Common stock of the Bank
Total numbers of shares acquired:	500,000 shares
Aggregate acquisition cost:	¥1,067 million ($8,718 thousand)
Acquisition date:	May 16, 2022
Acquisition method:	Purchase through ToSTNeT-3

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