

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The Shiga Bank, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

The Determination of the Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As a regional financial institution, The Shiga Bank, Ltd. (the "Bank") plays a role as a financial intermediary that supports sustainable development in the region, and recognizes credit risk, mainly in loans, as the most important risk because of its impact. In developing sales activities rooted in the local community, the Bank is particularly focusing on strengthening the sales force by providing consulting services. The Bank maintains an allowance for loan losses to absorb incurred probable losses resulting from defaults by borrowers, assessment of the borrowers' financial conditions and repayment statuses, the fair value of collateral, the borrowers' business environments and so forth. As of March 31, 2023, loans and bills discounted of ¥4,343.6 billion and an allowance for loan losses of ¥32.1 billion against these loans and bills were recorded on the consolidated balance sheet.</p> <p>As described in 2. Summary of significant accounting policies (k) Allowance for loan losses and (v) Significant accounting estimates, the determination of the allowance for loan losses is based on the Bank's internal rules for credit ratings and self-assessment of asset quality, which depends on the degree of risk, by categorizing the loans into five debtor classifications: normal debtors, debtors on close watch, debtors who are likely to go bankrupt, debtors who are virtually bankrupt and debtors who are legally bankrupt. In the self-assessment of asset quality, an operating division, such as a branch, assesses borrower credit ratings and the debtor classifications that are commensurate with the credit ratings, and then the credit risk management division in the Credit Supervision Department approves both of them. Through the process of determining the debtor classifications, the borrowers' conditions are considered by assessing their repayment capabilities based on their financial positions, cash flows, earning capacities and so on. The determination of debtor classifications may depend on future performance estimates, such as the borrower's business improvement plan. To secure the accuracy of the results of such self-assessment of asset quality, the Risk Management Division, which is independent of the operating division and the credit risk management division, inspects selected borrowers in accordance with certain criteria.</p>	<p>Our audit procedures to address this key audit matter included the following, among others:</p> <p>(1) Test of internal controls</p> <ul style="list-style-type: none"> We tested the effectiveness of internal controls, including the inspection and approval, over the determination of borrower credit ratings and the debtor classifications that were commensurate with the credit ratings based on the Bank's internal rules for credit ratings and self-assessment of asset quality for the borrowers related to this key audit matter. <p>(2) Examination of business improvement plan</p> <ul style="list-style-type: none"> We evaluated the reasonableness of the borrowers' management measures, including cost-cutting and revenue improvement measures, by inspecting the related materials used in developing such measures to determine whether they were supported by concrete figures. In order to evaluate the reasonableness of the assumption regarding the borrowers' recovery from the impacts of COVID-19, we inspected the self-assessment materials prepared by the Bank regarding the businesses and current conditions of the borrowers and performed transition analyses of the financial positions and results of operations of the borrowers. Also, in order to evaluate the progress of borrowers' management measures and the degree of recovery from the impacts of COVID-19, we inspected borrowers' financial statements and their latest trial balances and compared the planned forecasts with actual results. <p>In addition to the procedures described above, we performed the following procedures for certain borrowers that would have a considerable impact on the Bank's results of operations in the event of a downgrade of debtor classifications.</p> <ul style="list-style-type: none"> We evaluated the reasonableness of the future forecasts of business environments, including future growth of industries to which borrowers belong, supply and demand environments of markets and price trends by testing the consistency between the underlying figures used as premises for forecasts and objective facts, such as statistical research and research institutions' reports.

The Determination of the Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>When the determination of debtor classifications depends on future performance estimates, such as a business improvement plan, future forecasts of business environments, including the future growth of the industry to which a borrower belongs, supply and demand environments of markets, price trends, and the feasibility of management measures, including cost-cutting and revenue improvement measures, are significant factors to determine the debtor classifications. As a result, the determination of debtor classifications is highly dependent on management's subjective judgments, and the risk of management bias and misjudgments in making estimates may increase. Furthermore, the uncertainty in the estimation of future performances increases for borrowers that are significantly affected by the novel coronavirus infection ("COVID-19") and the increase in operating costs due to soaring resource prices since beginning of the current fiscal year.</p> <p>Therefore, we identified the determination of the allowance for loan losses for the borrowers whose debtor-classification determination is highly dependent on the estimation of future performances and quantitatively significant to the Bank in the event of a downgrade of debtor classifications as a key audit matter.</p>	<ul style="list-style-type: none"> We inquired of the Credit Supervision Management, which is responsible for approving the determination of the debtor classifications, and inspected the records of interviews with borrowers and the records of consultations with financial institutions that supported borrowers to evaluate the progress of the management measures, considering the impacts of COVID-19 and increase in operating costs due to soaring resource prices since beginning of the current fiscal year.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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 and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 an 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. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board, 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Deloitte Touche Tohmatsu LLC

July 18, 2023

Consolidated Balance Sheet

As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets			
Cash and due from banks (Notes 3 and 33)	¥ 1,201,938	¥ 1,751,539	\$ 9,001,258
Call loans and bills bought	17,759	8,444	132,996
Debt purchased	2,514	3,594	18,827
Trading securities (Note 4)	488	468	3,654
Money held in trust (Note 5)	27,059	15,359	202,643
Investment securities (Notes 4, 7, 12, 19 and 33)	1,515,578	1,511,864	11,350,093
Loans and bills discounted (Notes 7, 12, 13, 33 and 39)	4,343,641	4,064,683	32,529,326
Foreign exchange assets (Notes 7 and 8)	6,730	7,063	50,400
Other assets (Notes 7, 9 and 12)	119,185	109,742	892,570
Tangible fixed assets (Notes 10, 11 and 14)	52,349	50,114	392,039
Intangible fixed assets	2,180	1,641	16,325
Asset for retirement benefits (Note 31)	19,650	13,323	147,157
Deferred tax assets (Note 32)	572	593	4,283
Customers' liabilities for acceptances and guarantees (Notes 7 and 19)	28,226	32,340	211,383
Allowance for loan losses	(32,177)	(32,815)	(240,972)
Total assets	7,305,698	7,537,956	54,712,034
Liabilities			
Deposits (Notes 12, 15 and 33)	5,714,368	5,611,084	42,794,637
Negotiable certificates of deposit (Note 33)	30,332	41,880	227,154
Call money and bills sold (Note 33)	237,906	145,809	1,781,667
Payables under securities lending transactions (Notes 12 and 33)	205,572	185,680	1,539,519
Borrowed money (Notes 12, 16 and 33)	538,456	936,840	4,032,472
Foreign exchange liabilities (Note 8)	377	246	2,823
Borrowed money from trust account (Note 17)	187	214	1,400
Other liabilities (Notes 18 and 39)	61,346	59,226	459,417
Liability for retirement benefits (Note 31)	159	157	1,190
Liability for retirement benefits of directors and Audit & Supervisory Board Members	4	4	29
Liability for reimbursement of deposits	—	83	—
Allowance for repayment of excess interest	10	12	74
Reserve for other contingent losses	140	134	1,048
Deferred tax liabilities (Note 32)	41,893	54,507	313,734
Deferred tax liabilities for land revaluation (Note 14)	5,495	5,520	41,151
Acceptances and guarantees (Note 19)	28,226	32,340	211,383
Total liabilities	6,864,476	7,073,742	51,407,743
Equity (Notes 20, 21 and 37)			
Common stock, authorized, 100,000,000 shares; issued, 53,090,081 shares as of March 31, 2023 and 2022	33,076	33,076	247,704
Capital surplus	24,540	24,536	183,778
Stock acquisition rights	—	103	—
Retained earnings	258,053	248,089	1,932,546
Treasury stock – at cost 5,613,090 shares and 4,502,938 shares as of March 31, 2023 and 2022, respectively	(14,488)	(11,619)	(108,499)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6)	107,785	148,955	807,196
Deferred gains on derivatives under hedge accounting	15,599	6,045	116,820
Land revaluation surplus (Note 14)	8,312	8,369	62,248
Defined retirement benefit plans	8,343	6,656	62,480
Total equity	441,222	464,214	3,304,291
Total liabilities and equity	¥ 7,305,698	¥ 7,537,956	\$ 54,712,034

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income (Notes 22 and 38)			
Interest income:			
Interest on loans and discounts	¥ 38,192	¥ 33,414	\$ 286,018
Interest and dividends on securities	19,024	14,521	142,469
Other interest income	821	1,792	6,148
Trust fees	0	0	0
Fees and commissions	17,651	17,366	132,187
Other operating income (Note 23)	20,188	16,198	151,186
Other income (Note 24)	19,619	15,013	146,925
Total income	115,498	98,307	864,959
Expenses			
Interest expenses:			
Interest on deposits	1,194	632	8,941
Interest on borrowing and rediscounts	4,746	418	35,542
Other interest expenses	3,069	1,897	22,983
Fees and commissions	4,873	4,092	36,493
Other operating expenses (Note 25)	33,788	15,818	253,036
General and administrative expenses (Note 26)	44,420	46,382	332,659
Other expenses (Note 27)	3,236	5,657	24,234
Total expenses	95,330	74,899	713,921
Income before income taxes	20,168	23,408	151,037
Income taxes (Note 32)			
Current	4,731	6,186	35,430
Deferred	578	(493)	4,328
Net income	14,858	17,715	111,270
Net income attributable to owners of the parent	¥ 14,858	¥ 17,715	\$ 111,270
	Yen		U.S. dollars
	2023	2022	2023
Per share information (Note 36)			
Basic net income	¥ 310.57	¥ 359.50	\$ 2.325
Diluted net income	310.49	359.20	2.325
Cash dividends applicable to the year	80.00	80.00	0.599

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥ 14,858	¥ 17,715	\$ 111,270
Other comprehensive income (Note 35):			
Net unrealized losses on available-for-sale securities	(41,170)	(46,218)	(308,320)
Deferred gains on derivatives under hedge accounting	9,553	4,410	71,541
Defined retirement benefit plans	1,687	(2,600)	12,633
Total other comprehensive loss	(29,930)	(44,408)	(224,144)
Comprehensive loss	¥ (15,071)	¥ (26,692)	\$ (112,866)
Attributable to			
Owners of the parent	¥ (15,071)	¥ (26,692)	\$ (112,866)

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Years ended March 31, 2023 and 2022

	Thousands	Millions of yen									
		Accumulated Other Comprehensive Income									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Deferred gains on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total equity
Balance as of April 1, 2021.....	49,745	¥33,076	¥24,536	¥84	¥232,289	¥(9,116)	¥195,174	¥1,634	¥8,532	¥9,257	¥495,469
Cumulative effects of changes in accounting policies					(97)						(97)
Restated balance	49,745	33,076	24,536	84	232,191	(9,116)	195,174	1,634	8,532	9,257	495,372
Changes during the year:											
Net income attributable to owners of the parent.....					17,715						17,715
Cash dividends, ¥40.00 per share					(1,981)						(1,981)
Purchase of treasury stock.....	(1,158)					(2,502)					(2,502)
Sales of treasury stock.....					(0)	0					0
Reversal of land revaluation surplus					162						162
Other changes	0			18			(46,218)	4,410	(162)	(2,600)	(44,552)
Net change in the year		—	—	18	15,897	(2,502)	(46,218)	4,410	(162)	(2,600)	(31,157)
Balance as of March 31, 2022 ..	48,587	33,076	24,536	103	248,089	(11,619)	148,955	6,045	8,369	6,656	464,214
Changes during the year:											
Net income attributable to owners of the parent.....					14,858						14,858
Cash dividends, ¥102.50 per share					(4,951)						(4,951)
Purchase of treasury stock.....	(1,161)					(3,002)					(3,002)
Sales of treasury stock.....	51		3			133					137
Reversal of land revaluation surplus					56						56
Other changes				(103)			(41,170)	9,553	(56)	1,687	(30,090)
Net change in the year		—	3	(103)	9,963	(2,869)	(41,170)	9,553	(56)	1,687	(22,992)
Balance as of March 31, 2023 ..	47,476	¥ 33,076	¥ 24,540	¥ —	¥258,053	¥(14,488)	¥107,785	¥15,599	¥8,312	¥8,343	¥441,222

	Thousands of U.S. dollars (Note 1)									
	Accumulated Other Comprehensive Income									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Deferred gains on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total equity
Balance as of April 1, 2022.....	\$247,704	\$183,748	\$771	\$1,857,927	\$ (87,014)	\$1,115,517	\$45,270	\$62,675	\$49,846	\$3,476,477
Changes during the year:										
Net income attributable to owners of the parent.....				111,270						111,270
Cash dividends, \$0.76 per share				(37,077)						(37,077)
Purchase of treasury stock.....					(22,481)					(22,481)
Sales of treasury stock.....		22			996					1,025
Reversal of land revaluation surplus				419						419
Other changes			(771)			(308,320)	71,541	(419)	12,633	(225,342)
Net change in the year	—	22	(771)	74,612	(21,485)	(308,320)	71,541	(419)	12,633	(172,186)
Balance as of March 31, 2023 ..	\$247,704	\$183,778	\$ —	\$1,932,546	\$ (108,499)	\$807,196	\$116,820	\$62,248	\$62,480	\$3,304,291

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Operating activities:			
Income before income taxes	¥ 20,168	¥ 23,408	\$ 151,037
Depreciation	1,846	2,247	13,824
Losses on impairment of long-lived assets	—	509	—
Decrease in allowance for loan losses	(637)	(877)	(4,770)
Increase (decrease) in reserve for other contingent losses	6	(22)	44
Increase in asset for retirement benefits	(6,326)	(353)	(47,375)
Increase in liability for retirement benefits	1	14	7
Increase (decrease) in liability for retirement benefits of directors and Audit & Supervisory Board Members	0	(0)	0
Decrease in liability for reimbursement of deposits	(83)	(184)	(621)
Decrease in allowance for repayment of excess interest	(2)	(7)	(14)
Interest income	(58,038)	(49,728)	(434,643)
Interest expense	9,010	2,948	67,475
Losses (gains) on sales and write-down of investment securities	5,424	(8,307)	40,620
Gains on money held in trust	(66)	(265)	(494)
Foreign exchange gains	(2)	(2)	(14)
Losses (gains) on disposals of fixed assets – net	(126)	81	(943)
Net increase in loans and bills discounted	(278,957)	(62,984)	(2,089,096)
Net increase in deposits	103,283	212,232	773,481
Net decrease in negotiable certificate of deposits	(11,548)	(7,679)	(86,482)
Net increase (decrease) in borrowed money (excluding subordinated loans)	(398,383)	37,785	(2,983,471)
Net decrease in due from banks (excluding deposits in Bank of Japan)	222	94	1,662
Net decrease (increase) in call loans and others	(8,234)	2,178	(61,664)
Net increase (decrease) in call money and bills sold	92,096	(370,267)	689,702
Net increase (decrease) in payables under securities lending transactions	19,892	(86,974)	148,970
Net decrease in foreign exchange assets	332	1,271	2,486
Net increase (decrease) in foreign exchange liabilities	131	(57)	981
Net increase (decrease) in borrowed money from trust account	(26)	48	(194)
Interest received (cash basis)	57,582	50,756	431,228
Interest paid (cash basis)	(5,848)	(2,970)	(43,795)
Other	(18,521)	(14,678)	(138,702)
Subtotal	(476,807)	(271,786)	(3,570,785)
Income taxes – paid	(6,626)	(7,172)	(49,621)
Net cash used in operating activities	(483,433)	(278,958)	(3,620,407)
Investing activities:			
Purchases of securities	(700,336)	(1,003,543)	(5,244,783)
Proceeds from sales of securities	571,189	915,771	4,277,608
Proceeds from redemptions of securities	87,575	115,356	655,845
Increase in money held in trust	(11,840)	(681)	(88,669)
Purchases of tangible fixed assets	(4,235)	(4,660)	(31,715)
Proceeds from sales of tangible fixed assets	509	32	3,811
Purchases of intangible fixed assets	(849)	(451)	(6,358)
Net cash provided by (used in) investing activities	(57,989)	21,823	(434,276)
Financing activities:			
Purchases of treasury stock	(3,002)	(2,502)	(22,481)
Proceeds from sales of treasury stock	—	0	—
Dividends paid	(4,951)	(1,981)	(37,077)
Net cash used in financing activities	(7,954)	(4,483)	(59,567)
Foreign currency translation adjustments on cash and cash equivalents	(0)	0	(0)
Net decrease in cash and cash equivalents	(549,377)	(261,618)	(4,114,258)
Cash and cash equivalents, beginning of year	1,750,676	2,012,295	13,110,731
Cash and cash equivalents, end of year (Note 3)	¥ 1,201,299	¥ 1,750,676	\$ 8,996,472

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2023 and 2022

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. (the “Bank”) and its significant subsidiaries (together the “Group”) in accordance with the provisions set forth in the Companies Act of Japan, the Japanese Financial Instruments and Exchange Act, and the Japanese Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in yen of respective accounts included in the accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding fractional amounts less than ¥1 million. Therefore, total or subtotal amounts do not necessarily tie in with the aggregation of such account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥133.53 to U.S.\$1, the rate of exchange at March 31, 2023, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and seven consolidated subsidiaries for the years ended March 31, 2023 and 2022.

The consolidated subsidiaries’ respective fiscal periods end March 31 for the years ended March 31, 2023 and 2022.

The Bank has two other nonconsolidated subsidiaries in 2023 and 2022, respectively, in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank’s equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Group’s financial position or business performance.

All significant intercompany transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Shigagin Growth Strategy Fund Investment Limited Partnership was dissolved on April 29, 2022 and its liquidation was completed on April 28, 2023.

(b) Cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(c) Trading securities

Trading securities held by the Bank are stated at fair value at the fiscal year end (cost of sales, in principle, is computed by the moving-average method).

(d) Investment securities

i. Marketable securities held for trading purposes are stated at fair value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available-for-sale are stated at fair value (cost of sales, in principle, is computed by the moving-average method). Shares, etc. that do not have market price are stated at cost using the moving-average method. Investment in capital of investment partnership and others are recorded at the net amount of the Bank’s share of their assets based on the most recent financial statements of the partnership and others. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at

fair value at the fiscal year-end. Securities that constitute trust assets in money held in trust are stated using the same methods described in (i) above.

iii. Beneficiary rights included in “debt purchased” are stated using the same methods described in (i) above.

(e) Derivatives and hedging activities

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless they are used for hedging purposes.

i. Interest rate risk hedges

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities which includes the method of designating hedging instruments to hedged items as well as the method stipulated in “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 24, March 17, 2022).

With regard to the assessment of hedge effectiveness, for the hedges that offset the fluctuations in the fair value of fixed interest rates classified as available-for-sale securities, interest rate swaps are assigned to hedged items collectively by bond type as the hedging instrument. The Bank designates the hedges so as to ensure that the critical conditions related to the hedged items and hedging instruments are largely identical; therefore, the hedges are considered to be highly effective, and the assessment of the effectiveness is based on the similarity of the conditions.

With regard to the effectiveness of cash flow hedges, hedge effectiveness is assessed by verifying the relationship of the interest rate fluctuation factors of the hedged items and the hedging instruments.

ii. Currency exchange risk hedges

Regarding the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).

The Bank assesses the effectiveness of exchange swaps executed to reduce the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

To hedge foreign exchange fluctuation risks of foreign currency-denominated securities (other than bonds), the Bank identifies in advance the specific foreign currency-denominated securities to be hedged and applies fair value hedging as a comprehensive hedge on the conditions, including but not limited to the Bank having direct liabilities for such foreign currency-denominated securities in excess of the acquisition cost on a foreign currency basis.

(f) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guidelines No. 24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions.

(g) Tangible fixed assets (except for lease assets)

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at a rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998 (excluding fittings and equipment), and fittings and equipment and structures purchased on or after April 1, 2016, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥3,487 million (\$26,113 thousand) and ¥3,538

million at March 31, 2023 and 2022, respectively.

(h) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective fixed assets.

(i) Intangible fixed assets (except for lease assets)

Depreciation for intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated using the straight-line method over the estimated useful lives of 5 years.

(j) Lease assets

Lease assets in “Tangible fixed assets” or “Intangible fixed assets” of the finance leases other than those that were deemed to transfer the ownership of the leased property to the lessee are computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(k) Allowance for loan losses

Allowance for loan losses of the Bank is provided as detailed below, pursuant to internal rules for write-offs and allowances.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to become bankrupt, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees, using the following methods.

- (i) For large debtors with credit exposure above a certain amount, an allowance is provided for the non-protected amount, net of an estimate of the amount collectible through cash flow based on a comprehensive assessment of the debtor’s situation (cash flow deduction method).
- (ii) For loans to debtors other than (i), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over three years with required adjustments for future forecasts and others.

For loans to other debtors, with regard to debtors who are recognized as having good business conditions and no particular problems with their financial conditions (hereinafter, “normal debtors”) and debtors who require careful management (hereinafter, “debtors on close watch”) such as debtors that have problems with loan terms, debtors with performance issues, debtors with weak or unstable business conditions, and debtors that have problems with their financial conditions, an allowance is provided for the expected losses for subsequent one year. Among the debtors on close watch, for debtors whose loans are in need of management (restructured loans and loans that are delinquent for three months or more), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over one year or three years with required adjustments for future forecasts and others.

*Necessary revision and determination method of the expected loss ratio due to future forecasts, etc.

The expected loss ratio used in the calculation of the allowance is determined by comparing the average value of the most recent three calculation periods with the long-term average value that takes into account the business cycle. The average of the three most recent calculation periods is calculated after reviewing the current situation, future forecasts, and other necessary adjustments.

All loans are assessed by the branches and the operating divisions based on the Bank’s internal rules for self-assessment of assets. The risk management sector, which is independent from the branches and the operating

divisions, subsequently verifies the appropriateness of self-assessment results, write-offs and allowances.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, which is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥8,161 million (\$61,117 thousand) and ¥9,235 million as of March 31, 2023 and 2022, respectively.

Allowance for loan losses of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific claims.

(l) Retirement and Pension Plans

The Bank has a contributory funded pension plan and lump-sum severance payment plan. Consolidated subsidiaries have unfunded lump-sum severance payment plans.

The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period from the fiscal year following the respective fiscal year in which the difference is recognized.

Consolidated subsidiaries adopt a simplified method where the amount to be required for voluntary termination at the fiscal year end is recorded as projected benefit obligations in the calculation of their liability for retirement benefits and retirement benefit costs.

(m) Liability for retirement of directors and Audit & Supervisory Board Members

Consolidated subsidiaries provide Liability for retirement benefits of directors and Audit & Supervisory Board Members at the amount required if they all retired at the fiscal year-end, which is calculated based on the internal rules of the Group.

(n) Liability for reimbursement of deposits

Liability for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for losses on the future claims of withdrawal based on historical reimbursement experience.

(o) Allowance for repayment of excess interest

Allowance for repayment of excess interest is provided at the estimated amount based on payment experience that the Bank's consolidated subsidiaries may be required to refund upon customers' claims.

(p) Reserve for other contingent losses

The Bank provides reserves for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(q) Foreign currency transactions

Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

(r) Accounting for leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

i. As lessee

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

ii. As lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

Lease revenue and lease costs are recognized over the lease period.

(s) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(t) Appropriations of retained earnings

The consolidated statements of changes in equity reflect the appropriation resolved by the general shareholders' meeting when duly resolved and paid.

(u) Per share information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

(v) Significant accounting estimates

Items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

Allowance for loan losses

(1) Amounts recorded in the consolidated financial statements

Allowance for loan losses was ¥32,177 million (\$240,972 thousand) and ¥32,815 million at March 31, 2023 and 2022, respectively.

(2) Information that contributes to an understanding of the content of significant accounting estimates for identified items

i. Calculation method

The method of calculating the allowance for loan losses is described in “(k) Allowance for loan losses” in “2. Summary of significant accounting policies.” In addition, the Bank has recorded an allowance for loan losses by revising the debtor classifications based on the current deterioration in business performance and estimates related to impacts that are not yet reflected in financial information in order to prepare for expected losses due to such impacts based on the following assumptions. For certain borrowers in specific industries that have been materially impacted by the spread of the novel coronavirus infection, an additional allowance for loan losses is provided based on the expected loss ratio, with necessary adjustments to the loan loss ratio, in consideration of the expected deterioration in their business performance.

ii. Major assumptions

The major assumption is the “future forecasts of business environments of the borrower in determining the debtor classifications.” It is set based on the individual evaluation of each debtor's ability to earn income. In addition, assumptions regarding the impact of the novel coronavirus infection that may have a significant impact on the “future forecasts of business environments of the borrower in determining the debtor classifications” are as follows.

(Assumptions regarding the impact of novel coronavirus infections)

Since the end of March 2022, the Group has been making accounting estimates for the allowance for loan losses, etc. based on the assumption that the spread of the novel coronavirus infection would continue to be a constraint on various economic activities, and its impact would continue at least until March 2023.

However, based on the schedule for changes in the position of the novel coronavirus infection under the Infectious Diseases Control Law, as of the end of March 2023, the Group has revised its assumptions regarding the impact of the novel coronavirus infection as follows.

Assumptions regarding the impact of novel coronavirus infections as of the end of March 2023

Although restrictions on various economic activities are changing due to the schedule for changes in the position under the Infectious Diseases Control Law, the impact of the novel coronavirus infection remains.

The credit risk inherent in loans to certain borrowers in specific industries affected by the spread of the novel coronavirus infection remains high.

iii. Impacts on the consolidated financial statements for the following fiscal year

The Group conducts self-assessment with scrutiny and takes measures such as setting aside an allowance for loan losses as deemed necessary. However, due to the high degree of uncertainty in the above assumptions, changes in the assumptions used for the initial estimates due to changes in the performance of individual borrowers or other factors, as well as the future spread of the novel coronavirus infection and its impact on the economy, may have a significant impact on the allowance for loan losses in the consolidated financial statements for the following fiscal year (ending March 31, 2024) and thereafter.

In addition, the uncertainty may grow even greater when the determination of the debtor classifications depends on future forecasts of business environments, such as the business improvement plan of the borrower.

(w) Changes in accounting policies

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective April 1, 2022, the Bank has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as “Fair Value Measurement Standard Implementation Guidance”), and has applied the new accounting policy set by the Fair Value Measurement Standard Implementation Guidance prospectively, in accordance with the transitional treatment set forth in Paragraph 27-2 of the said Guidance.

The new standard did not have an impact on the Bank’s consolidated financial statements.

In addition, Paragraph 27-3 of the Fair Value Measurement Standard Implementation Guidance does not require the disclosure of prior year information regarding the disclosure of investment trusts in the notes on fair value information (Note 33) by level within the fair value hierarchy under the notes on financial instruments. Therefore, the disclosure pertaining to the prior fiscal year is not presented.

(x) New accounting pronouncements

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 issued on October 28, 2022)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 issued on October 28, 2022)

“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 issued on October 28, 2022)

(1) Summary

Provisions on the classification of recording of income taxes, etc. when taxing other comprehensive income and the treatment of tax effects related to the sale of subsidiary shares, etc. when the group corporate tax system is applied.

(2) Effective date

The Group expects to apply the new guidance effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

The Group is currently evaluating the impact of applying this guidance.

3. Cash and cash equivalents

The reconciliation of “Cash and cash equivalents” and “Cash and due from banks” in the consolidated balance sheets at March 31, 2023 and 2022, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and due from banks	¥ 1,201,938	¥ 1,751,539	\$ 9,001,258
Other due from banks	(639)	(862)	(4,785)
Cash and cash equivalents	¥ 1,201,299	¥ 1,750,676	\$ 8,996,472

4. Securities

Securities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japanese government bonds	¥ 324,224	¥ 334,714	\$ 2,428,098
Japanese local government bonds	228,191	198,178	1,708,911
Japanese corporate bonds	310,074	307,851	2,322,129
Corporate stocks	284,360	315,263	2,129,558
Other securities	368,726	355,857	2,761,371
Total	¥ 1,515,578	¥ 1,511,864	\$ 11,350,093

Securities lent under unsecured loan (bond lending transactions) amounted to ¥52,819 million (\$395,559 thousand) and ¥53,103 million are included in Japanese government bonds of securities at March 31, 2023 and 2022, respectively.

Fair value and other information on securities at March 31, 2023 and 2022 were as follows. Securities include “Trading securities” and trust beneficiary right under “Debt purchased,” in addition to “Investment securities,” which are presented on the consolidated balance sheet.

Securities

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
	Losses included in loss during the fiscal year		
Trading securities	¥ 0	¥ (1)	\$ 0

(2) Held-to-maturity securities

Held-to-maturity securities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		
	2023		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds	¥ —	¥ —	¥ —
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Others	—	—	—
Subtotal	¥ —	¥ —	¥ —
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds	¥ 66,958	¥ 61,806	¥ (5,152)
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Others	—	—	—
Subtotal	66,958	61,806	(5,152)
Total	¥ 66,958	¥ 61,806	¥ (5,152)

	Millions of yen		
	2022		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds	¥ 4,816	¥ 4,826	¥ 10
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Others	—	—	—
Subtotal	¥ 4,816	¥ 4,826	¥ 10
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds	¥ 55,130	¥ 52,953	¥ (2,177)
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Others	—	—	—
Subtotal	55,130	52,953	(2,177)
Total	¥ 59,946	¥ 57,779	¥ (2,166)

Thousands of U.S. dollars				
2023				
	Consolidated balance sheet amount	Fair value	Difference	
Fair value exceeding consolidated balance sheet amount:				
Japanese government bonds	\$ —	\$ —	\$	—
Japanese local government bonds	—	—		—
Japanese corporate bonds	—	—		—
Others	—	—		—
Subtotal	\$ —	\$ —	\$	—
Fair value not exceeding consolidated balance sheet amount:				
Japanese government bonds	\$ 501,445	\$ 462,862	\$	(38,583)
Japanese local government bonds	—	—		—
Japanese corporate bonds	—	—		—
Others	—	—		—
Subtotal	501,445	462,862		(38,583)
Total	\$ 501,445	\$ 462,862	\$	(38,583)

(3) Available-for-sale securities

Available-for-sale securities as of March 31, 2023 and 2022 were as follows:

Millions of yen				
2023				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	
Consolidated balance sheet amount exceeding cost:				
Stocks	¥ 267,227	¥ 82,563	¥ 184,663	
Bonds:	214,445	211,130	3,315	
Japanese government bonds	82,915	80,784	2,130	
Japanese local government bonds	48,773	48,462	311	
Japanese corporate bonds	82,757	81,883	873	
Others	86,486	83,598	2,887	
Subtotal	¥ 568,159	¥ 377,292	¥ 190,866	
Consolidated balance sheet amount not exceeding cost:				
Stocks	¥ 13,717	¥ 14,410	¥ (692)	
Bonds:	581,086	595,456	(14,370)	
Japanese government bonds	174,350	181,991	(7,640)	
Japanese local government bonds	179,418	181,699	(2,281)	
Japanese corporate bonds	227,317	231,765	(4,448)	
Others	268,677	293,987	(25,309)	
Subtotal	863,481	903,854	(40,372)	
Total	¥ 1,431,641	¥ 1,281,146	¥ 150,494	

Millions of yen				
2022				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	
Consolidated balance sheet amount exceeding cost:				
Stocks	¥ 301,821	¥ 79,211	¥ 222,609	
Bonds:	307,718	305,449	2,269	
Japanese government bonds	119,049	118,626	422	
Japanese local government bonds	61,590	61,190	399	
Japanese corporate bonds	127,078	125,631	1,446	
Others	104,200	101,487	2,713	
Subtotal	¥ 713,740	¥ 486,147	¥ 227,592	
Consolidated balance sheet amount not exceeding cost:				
Stocks	¥ 9,564	¥ 9,961	¥ (396)	
Bonds:	473,078	479,149	(6,071)	
Japanese government bonds	155,718	159,323	(3,605)	
Japanese local government bonds	136,588	137,612	(1,024)	
Japanese corporate bonds	180,772	182,213	(1,441)	
Others	244,062	255,439	(11,377)	
Subtotal	726,705	744,550	(17,845)	
Total	¥ 1,440,446	¥ 1,230,698	¥ 209,747	

Thousands of U.S. dollars			
2023			
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks	\$ 2,001,250	\$ 618,310	\$ 1,382,932
Bonds:	1,605,968	1,581,142	24,825
Japanese government bonds	620,946	604,987	15,951
Japanese local government bonds	365,258	362,929	2,329
Japanese corporate bonds	619,763	613,218	6,537
Others	647,689	626,061	21,620
Subtotal	\$ 4,254,916	\$ 2,825,522	\$ 1,429,386

Consolidated balance sheet amount not exceeding cost:			
Stocks	\$ 102,725	\$ 107,915	\$ (5,182)
Bonds:	4,351,726	4,459,342	(107,616)
Japanese government bonds	1,305,699	1,362,922	(57,215)
Japanese local government bonds	1,343,653	1,360,735	(17,082)
Japanese corporate bonds	1,702,366	1,735,677	(33,310)
Others	2,012,109	2,201,655	(189,537)
Subtotal	6,466,569	6,768,920	(302,344)
Total	\$ 10,721,493	\$ 9,594,443	\$ 1,127,042

(4) Bonds classified as held to maturity were not sold for the years ended March 31, 2023 and 2022.

(5) Available-for-sale securities sold

Millions of yen			
2023			
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 53,825	¥ 17,616	¥ 985
Bonds:	289,507	685	4,943
Japanese government bonds	272,955	678	4,898
Japanese local government bonds	—	—	—
Japanese corporate bonds	16,552	7	44
Others	170,584	555	18,511
Total	¥ 513,917	¥ 18,857	¥ 24,440

Millions of yen			
2022			
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 41,071	¥ 13,560	¥ 2,652
Bonds:	596,745	958	2,469
Japanese government bonds	548,481	780	2,459
Japanese local government bonds	45,087	131	9
Japanese corporate bonds	3,176	46	—
Others	223,406	3,131	4,126
Total	¥ 861,223	¥ 17,650	¥ 9,248

Thousands of U.S. dollars			
2023			
	Sales amount	Gains on sales	Losses on sales
Stocks	\$ 403,092	\$ 131,925	\$ 7,376
Bonds:	2,168,104	5,129	37,017
Japanese government bonds	2,044,147	5,077	36,680
Japanese local government bonds	—	—	—
Japanese corporate bonds	123,957	52	329
Others	1,277,495	4,156	138,628
Total	\$ 3,848,700	\$ 141,219	\$ 183,030

(6) Reclassification of investment securities due to change in intent of holding

There were no reclassifications of investment securities due to change in intent of holding for the years ended March 31, 2023 and 2022.

(7) Impairment losses on securities

For available-for-sale securities with market quotations (other than shares, etc. that do not have market price and investment in capital of investment partnership and others), in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery in the acquisition cost level, said securities are shown on the balance sheets at fair value and the difference between the fair value and the acquisition cost is posted as a loss (hereinafter “impairment loss”).

Impairment losses amounted to less than a million yen (less than a thousand dollars) which consisted of all bonds of less than a million yen (less than a thousand dollars); and ¥83 million which consisted of stocks of ¥82 million and bonds of ¥1 million; as of March 31, 2023 and 2022, respectively.

In addition, the Bank recognizes that fair value has fallen significantly based on standards that have been set out in the self-assessment standards for assets by the issuing companies of securities. The details are as follows:

The Bank recognizes that the fair value of available-for-sale securities of legally bankrupt debtors, virtually bankrupt debtors, or debtors who are likely to go bankrupt, has fallen significantly when the fair value of such instruments as of the consolidated balance sheet date has decreased from the acquisition cost. For debtors on close watch, the Bank recognizes that the fair value has fallen significantly when the fair value as of the consolidated balance sheet date has decreased 30% or more from the acquisition cost. For normal debtors, it recognizes this when the fair value as of the consolidated balance sheet date has fallen 50% or more from the acquisition cost or when the fair value as of the consolidated balance sheet date has fallen 30% or more from the acquisition cost and the market prices remain below certain levels.

Debtors on close watch are defined as those who will require close monitoring in the future and normal debtors are defined as those other than legally bankrupt debtors, virtually bankrupt debtors, debtors who are likely to go bankrupt, or debtors on close watch.

5. Money held in trust**(1) Money held in trust classified as trading**

	Millions of yen			
	2023		2022	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading	¥ 24,517	¥ (75)	¥ 14,630	¥ 49

	Thousands of U.S. dollars	
	2023	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading	\$ 183,606	\$ (561)

(2) No money held in trust was classified as held to maturity.

(3) Other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity).

	Millions of yen				
	2023				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	¥ 2,542	¥ 2,578	¥ (36)	—	¥ 36

Millions of yen					
2022					
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	¥ 729	¥ 729	—	—	—
(Note) “Consolidated balance sheet amount exceeding cost” and “consolidated balance sheet amount not exceeding cost” are components of unrealized gains (losses).					

Thousands of U.S. dollars					
2023					
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	\$ 19,036	\$ 19,306	\$ (269)	—	\$ 269
(Note) “Consolidated balance sheet amount exceeding cost” and “consolidated balance sheet amount not exceeding cost” are components of unrealized gains (losses).					

6. Net unrealized gains/losses on available-for-sale securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized gains on investment securities	¥ 150,169	¥ 209,459	\$ 1,124,608
Available-for-sale securities	150,205	209,459	1,124,878
Other money held in trust	(36)	—	(269)
Deferred tax liabilities	(42,384)	(60,503)	(317,411)
Noncontrolling interests	—	—	—
Net unrealized gains on available-for-sale securities	¥ 107,785	¥ 148,955	\$ 807,196

7. Loans and bills discounted

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bills discounted	¥ 5,793	¥ 7,522	\$ 43,383
Loans on bills	72,600	73,481	543,698
Loans on deeds	3,853,207	3,603,514	28,856,489
Overdrafts	412,039	380,163	3,085,741
Total	¥ 4,343,641	¥ 4,064,683	\$32,529,326

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims include corporate bonds in “investment securities” in the consolidated balance sheets (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 assets, accrued interest and suspense payments in “other assets,” customers’ liabilities for acceptances and guarantees and the securities in the case of a loan of securities (limited to those under a loan-for-use or lease agreement) that is indicated in the notes.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto	¥ 2,838	¥ 1,916	\$ 21,253
Claims with risks	48,314	45,107	361,821
Loans overdue for three months or more	68	57	509
Restructured loans	33,340	36,429	249,681
Total	¥ 84,561	¥ 83,510	\$ 633,273

Claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto mean the claim held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Claims with risks mean the claims whose debtor is not yet in the status of failure in business although such debtor's financial conditions and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto.

Loans overdue for three months or more mean loans for which payment of principal or interest has been delayed for three months or more from the date following the agreed payment date, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto and the claims with risks.

Restructured loans mean loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto, the claims with risks and the loans overdue for three months or more.

The total face value of bills discounted at March 31, 2023 and 2022 was ¥5,935 million (\$44,446 thousand) and ¥7,664 million, respectively.

8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Due from foreign correspondents	¥ 6,258	¥ 6,589	\$ 46,865
Foreign bills of exchange purchased	0	2	0
Foreign bills of exchange receivable	471	470	3,527
Total	¥ 6,730	¥ 7,063	\$ 50,400
Liabilities:			
Foreign bills of exchange sold	¥ 172	¥ 107	\$ 1,288
Accrued foreign bills of exchange	205	138	1,535
Total	¥ 377	¥ 246	\$ 2,823

9. Other assets

Other assets at March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Prepaid expenses	¥ 259	¥ 282	\$ 1,939
Accrued income.....	5,705	3,961	42,724
Derivatives	30,135	12,829	225,679
Other (Note 12)	83,085	92,669	622,219
Total.....	¥ 119,185	¥ 109,742	\$ 892,570

10. Tangible fixed assets

Tangible fixed assets at March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Buildings	¥ 13,670	¥ 13,241	\$ 102,373
Land	32,054	32,196	240,050
Construction in progress.....	4,531	2,614	33,932
Other.....	2,092	2,061	15,666
Total.....	¥ 52,349	¥ 50,114	\$ 392,039

Accumulated depreciation on tangible fixed assets at March 31, 2023 and 2022 amounted to ¥47,305 million (\$354,264 thousand) and ¥47,166 million, respectively.

11. Long-lived assets

The Group recognized impairment losses for the years ended March 31, 2023 and 2022, as follows:

The Bank groups assets by the methods described in the “Overview of asset groups and grouping method” below. Subsidiaries group their assets by unit, which periodically manages profit and loss. There are no impairment losses to be recognized for the year ended March 31, 2023. The Bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥509 million for the year ended March 31, 2022 since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows.

The recoverable amounts of these assets were the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The discount rate used for computation of the present value of future cash flows was 5% and the net selling price was determined by quotations from real estate appraisal information, less estimated costs to dispose.

Location	Description	Classification	Impairment losses		
			Millions of yen		Thousands of U.S. dollars
			2023	2022	2023
Shiga Prefecture	Business assets	Land, buildings and equipment.....	¥ —	¥ 509	\$ —
Total			¥ —	¥ 509	\$ —

Impairment losses are included in other expenses (Note 27).

Overview of asset groups and grouping method

(1) Outline of asset groups

i. Idle assets

Stores, former company housing sites, etc.

ii. Operating assets

Assets used for business purposes

iii. Common assets

Assets related to the entire bank (headquarters, office centers, dormitories, company housing, etc.)

(2) Methods of grouping

i. Idle assets

Grouping as independent assets.

ii. Operating assets

Grouping is done by store groups or store units that constitute full-banking functions.

iii. Common assets

Grouping of the entire bank as a whole.

12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investment securities	¥ 656,024	¥ 546,776	\$ 4,912,933
Loans and bills discounted	199,653	880,282	1,495,192
Other assets (investments in leases)	—	226	—

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Related liabilities			
Deposits	¥ 25,115	¥ 26,917	\$ 188,085
Payables under securities lending transactions	205,572	185,680	1,539,519
Borrowed money	533,391	931,599	3,994,540

In addition, other assets (deposits to central counterparty) of ¥43,553 million (\$326,166 thousand) and ¥35,653 million at March 31, 2023 and 2022, respectively.

Other assets include guarantee deposits of ¥378 million (\$2,830 thousand) and ¥385 million at March 31, 2023 and 2022, respectively.

13. Overdrafts and commitment lines

Overdraft agreements and commitment line agreements are agreements that oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2023 and 2022 amounted to ¥1,018,015 million (\$7,623,867 thousand) and ¥1,036,014 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥914,616 million (\$6,849,516 thousand) and ¥940,660 million at March 31, 2023 and 2022, respectively. In many cases, the term of the agreement expires without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Group's established internal procedures, confirming the obligor's financial condition, etc. at regular intervals.

14. Land revaluation

Under the "Act of Land Revaluation," promulgated on March 31, 1998 (final revision on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2023 and 2022, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥3,634 million (\$27,214 thousand) and ¥3,660 million, respectively.

Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-3 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

15. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current deposits.....	¥ 246,969	¥ 255,260	\$ 1,849,539
Ordinary deposits	3,352,562	3,189,277	25,107,181
Deposits at notice	55,454	69,400	415,292
Time deposits	1,955,961	1,994,866	14,648,101
Other deposits.....	103,420	102,279	774,507
Total.....	¥ 5,714,368	¥ 5,611,084	\$ 42,794,637

16. Borrowed money

At March 31, 2023 and 2022, the weighted-average interest rates applicable to borrowed money were 1.10% and 0.06%, respectively.

Borrowed money at March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Borrowing from banks and other.....	¥ 538,456	¥ 936,840	\$ 4,032,472
Total.....	¥ 538,456	¥ 936,840	\$ 4,032,472

Annual maturities of borrowed money at March 31, 2023 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024.....	¥ 197,505	\$ 1,479,105
2025.....	31,285	234,291
2026.....	40,101	300,314
2027.....	263,057	1,970,021
2028.....	2,357	17,651
2029 and thereafter.....	4,149	31,071
Total.....	¥ 538,456	\$ 4,032,472

17. Borrowed money from trust account

Principal amounts of trusts with a principal compensation agreement at March 31, 2023 and 2022 were ¥187 million (\$1,400 thousand) and ¥214 million, respectively.

18. Other liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Accrued income taxes	¥ 730	¥ 2,721	\$ 5,466
Accrued expenses	6,502	3,414	48,693
Unearned income.....	8,841	8,788	66,209
Derivatives	13,479	11,638	100,943
Other.....	31,791	32,663	238,081
Total.....	¥ 61,346	¥ 59,226	\$ 459,417

19. Acceptances and guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ liabilities for acceptances and guarantees,” is shown as an asset representing the Bank’s right of indemnity from the applicants.

The amounts of “Acceptances and guarantees” and “Customers’ liabilities for acceptances and guarantees” amounting to ¥11,026 million (\$82,573 thousand) and ¥15,913 million as of March 31, 2023 and 2022, respectively, were set off because those that were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

20. Equity

(1) Capital stock and capital surplus

The Bank implemented a 1-for-5 reverse stock split on October 1, 2018. As a result, the number of shares of common stock issued decreased from 265,450 thousand shares to 53,090 thousand shares. The numbers of shares in the consolidated statement of changes in equity are calculated on the assumption that the reverse stock split was implemented on April 1, 2017.

(2) Companies Act

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2023 was proposed at the Bank's ordinary general shareholders' meeting held on June 27, 2023.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥40 (\$0.300))	¥ 1,899	\$ 14,221

21. Stock options

The stock options outstanding as of March 31, 2023, are as follows:

Description	Persons granted	Number of options granted (*)	Date of grant	Exercise price	Exercise period
2013 Stock Option	— directors	— shares	August 20, 2013	¥ 1 (\$ 0.01)	From August 21, 2013 to August 20, 2043
2014 Stock Option	— directors	— shares	August 20, 2014	¥ 1 (\$ 0.01)	From August 21, 2014 to August 20, 2044
2015 Stock Option	— directors	— shares	August 20, 2015	¥ 1 (\$ 0.01)	From August 21, 2015 to August 20, 2045
2016 Stock Option	— directors	— shares	August 19, 2016	¥ 1 (\$ 0.01)	From August 20, 2016 to August 19, 2046
2017 Stock Option	— directors	— shares	August 18, 2017	¥ 1 (\$ 0.01)	From August 19, 2017 to August 18, 2047
2018 Stock Option	— directors	— shares	August 20, 2018	¥ 1 (\$ 0.01)	From August 21, 2018 to August 20, 2048
2019 Stock Option	— directors	— shares	August 20, 2019	¥ 1 (\$ 0.01)	From August 21, 2019 to August 20, 2049
2020 Stock Option	— directors	— shares	August 20, 2020	¥ 1 (\$ 0.01)	From August 21, 2020 to August 20, 2050
2021 Stock Option	— directors	— shares	August 20, 2021	¥ 1 (\$ 0.01)	From August 21, 2021 to August 20, 2051

From the consolidated fiscal year ended March 31, 2023, the Bank has abolished the share remuneration-type stock option plan and introduced a restricted stock compensation plan. As a result, there are no stock options as of March 31, 2023.

The stock option activity is as follows:

	2013 Stock Option	2014 Stock Option	2015 Stock Option
<hr/>			
Year Ended March 31, 2023			
<u>Non-vested</u>			
April 1, 2022—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2023—Outstanding	—	—	—
<hr/>			
<u>Vested</u>			
April 1, 2022—Outstanding	1,980	2,660	2,620
Vested	—	—	—
Exercised	880	760	700
Canceled	1,100	1,900	1,920
March 31, 2023—Outstanding	—	—	—
<hr/>			
	2016 Stock Option	2017 Stock Option	2018 Stock Option
<hr/>			
Year Ended March 31, 2023			
<u>Non-vested</u>			
April 1, 2022—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2023—Outstanding	—	—	—
<hr/>			
<u>Vested</u>			
April 1, 2022—Outstanding	4,240	4,460	4,580
Vested	—	—	—
Exercised	1,240	1,020	1,000
Canceled	3,000	3,440	3,580
March 31, 2023—Outstanding	—	—	—
<hr/>			
	2019 Stock Option	2020 Stock Option	2021 Stock Option
<hr/>			
Year Ended March 31, 2023			
<u>Non-vested</u>			
April 1, 2022—Outstanding	—	—	2,690
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	2,690
March 31, 2023—Outstanding	—	—	—
<hr/>			
<u>Vested</u>			
April 1, 2022—Outstanding	6,400	7,900	8,070
Vested	—	—	2,690
Exercised	1,200	1,440	1,900
Canceled	5,200	6,460	8,860
March 31, 2023—Outstanding	—	—	—
<hr/>			

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥2,711 (\$20.30)	¥2,711 (\$20.30)	¥2,711 (\$20.30)
Fair value price at grant date (*)	¥2,640 (\$19.77)	¥2,945 (\$22.05)	¥3,170 (\$23.74)

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥2,711 (\$20.30)	¥2,711 (\$20.30)	¥2,711 (\$20.30)
Fair value price at grant date (*)	¥2,365 (\$17.71)	¥2,785 (\$20.86)	¥2,800 (\$20.97)

	2019 Stock Option	2020 Stock Option	2021 Stock Option
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥2,711 (\$20.30)	¥2,711 (\$20.30)	¥2,711 (\$20.30)
Fair value price at grant date (*)	¥2,204 (\$16.51)	¥2,359 (\$17.67)	¥1,732 (\$12.97)

(*) Average stock price at exercise and fair value price at grant date have been restated, as appropriate, to reflect a 1-for-5 reverse stock split on October 1, 2018.

22. Revenue recognition

Disaggregation of revenue from contracts with customers

Category	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Income	¥ 115,289	¥ 98,306	\$ 863,393
Of which, fees and commissions.....	17,651	17,366	132,187
Deposit and loan services.....	4,003	3,769	29,978
Foreign exchange services.....	2,843	2,915	21,291
Trust related services	135	105	1,011
Securities related services	234	443	1,752
Agency services.....	313	318	2,344
Safe-deposit and safe-deposit box services ...	113	117	846
Guarantee services.....	1,007	1,037	7,541
Credit card services.....	3,228	3,015	24,174
Investment trust and insurance sales	4,100	3,972	30,704
Others	1,670	1,670	12,506
Of which, trust fees.....	0	0	0

The above table also includes income based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

23. Other operating income

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

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Gains on foreign exchange transactions-net.....	¥ —	¥ 914	\$ —
Gains on sales of bonds	870	3,907	6,515
Gains on derivative financial instruments	9,075	1,211	67,962
Other.....	10,242	10,166	76,701
Total.....	¥ 20,188	¥ 16,198	\$ 151,186

24. Other income

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

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Gains on sales of stocks and other securities.....	¥ 18,382	¥ 13,753	\$ 137,661
Recovery of claims previously charged-off.....	615	498	4,605
Other.....	621	761	4,650
Total.....	¥ 19,619	¥ 15,013	\$ 146,925

25. Other operating expenses

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

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Losses on sales of government bonds.....	¥ 23,426	¥ 6,531	\$ 175,436
Amortization of bonds.....	0	1	0
Losses on redemption of bonds	198	—	1,482
Other.....	10,163	9,284	76,110
Total.....	¥ 33,788	¥ 15,818	\$ 253,036

26. R&D expenses

R&D expenses included in General and administrative expenses for the years ended March 31, 2023 and 2022 were ¥4,888 million (\$36,606 thousand) and ¥7,832 million, respectively.

27. Other expenses

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

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Provision of allowance for loan losses	¥ 886	¥ 1,607	\$ 6,635
Losses on sales of stocks and other securities	1,014	2,734	7,593
Charge-off of loans and bills discounted	989	500	7,406
Losses on devaluation of stocks and other securities	37	83	277
Losses on disposal of fixed assets	82	82	614
Losses on impairment of long-lived assets	—	509	—
Other	227	139	1,699
Total	¥ 3,236	¥ 5,657	\$ 24,234

28. Gains (losses) related to bonds

Gains (losses) related to bonds for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Gains (losses) related to bonds including Japanese government bonds:			
Gains on sales of bonds	¥ 870	¥ 3,907	\$ 6,515
Losses on sales of bonds	(23,426)	(6,531)	(175,436)
Losses on redemption of bonds	(198)	—	(1,482)
Losses on devaluation of bonds	(0)	(1)	(0)
Total	¥ (22,754)	¥ (2,626)	\$ (170,403)
Gains on derivatives:	¥ 9,075	¥ 1,211	\$ 67,962
Losses related to bonds	¥ (13,678)	¥ (1,415)	\$ (102,433)

29. Gains (losses) related to stocks and other securities

Gains (losses) related to stocks and other securities for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Gains (losses) related to stocks and other securities:			
Gains on sales of stocks and other securities	¥ 18,382	¥ 13,753	\$ 137,661
Losses on sales of stocks and other securities	(1,014)	(2,734)	(7,593)
Losses on devaluation of stocks and other securities	(37)	(83)	(277)
Net income on stocks and securities	¥ 17,331	¥ 10,935	\$ 129,791

30. Leases

Lessor

One subsidiary lease certain equipment and other assets.

As stated in Note 2 (r) ii, finance lease transactions other than those in which ownership is fully transferred to the lessee are accounted for in a similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in leases included in other assets on the balance sheets as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gross lease receivables.....	¥ 14,933	¥ 15,581	\$ 111,832
Unguaranteed residual values.....	390	417	2,920
Unearned interest income.....	(1,221)	(1,294)	(9,144)
Investments in leases.....	¥ 14,102	¥ 14,705	\$ 105,609

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2023 are as follows:

	Millions of yen	Thousands of U.S. dollars
2024.....	¥ 445	\$ 3,332
2025.....	253	1,894
2026.....	231	1,729
2027.....	136	1,018
2028.....	21	157
2029 and thereafter.....	21	157

Maturities of gross lease receivables related to investments in leases as of March 31, 2023 are as follows:

	Millions of yen	Thousands of U.S. dollars
2024.....	¥ 4,834	\$ 36,201
2025.....	3,842	28,772
2026.....	2,763	20,691
2027.....	1,941	14,536
2028.....	1,121	8,395
2029 and thereafter.....	429	3,212

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥ 13	¥ 6	\$ 97
Due after one year	37	17	277
Total	¥ 50	¥ 24	\$ 374

31. Retirement benefit plans

The Bank and consolidated subsidiaries have either funded or unfunded defined benefit plans. The Bank's funded defined benefit corporate pension plan (contract type) provides lump-sum or annuity payments, the amounts of which are determined based on the length of service and certain other factors. The Bank's lump-sum severance payment plan, which became a funded plan as a result of setting a retirement benefits trust, provides lump-sum payments determined based on the length of service, position, and certain other factors. As of October 1, 2017, the Bank has transferred a part of its funded defined benefit corporate pension plan to a defined contribution plan. The consolidated subsidiaries' unfunded lump-sum severance payment plans are based on a simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

1. Defined benefit plan (except for the plan adopting the simplified method)

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥ 47,217	¥ 47,605	\$ 353,605
Current service cost	1,709	1,725	12,798
Interest cost	203	204	1,520
Actuarial losses (gains).....	(4,508)	311	(33,760)
Benefits paid.....	(2,477)	(2,630)	(18,550)
Prior service cost	—	—	—
Balance at end of year	¥ 42,143	¥ 47,217	\$ 315,606

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥ 60,540	¥ 60,575	\$ 453,381
Expected return on plan assets.....	1,219	1,141	9,129
Actuarial losses	(349)	(1,575)	(2,613)
Contribution from the employer	1,697	1,748	12,708
Benefits paid.....	(1,314)	(1,350)	(9,840)
Balance at end of year	¥ 61,793	¥ 60,540	\$ 462,764

(3) Reconciliation between the asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded defined benefit obligation.....	¥ 42,143	¥ 47,217	\$ 315,606
Plan assets	(61,793)	(60,540)	(462,764)
Net asset arising from the balance sheet.....	¥ (19,650)	¥ (13,323)	\$ (147,157)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liability for retirement benefits.....	¥ —	¥ —	\$ —
Asset for retirement benefits	19,650	13,323	147,157
Net asset arising from the balance sheet.....	¥ (19,650)	¥ (13,323)	\$ (147,157)

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 1,709	¥ 1,725	\$ 12,798
Interest cost	203	204	1,520
Expected return on plan assets.....	(1,219)	(1,141)	(9,129)
Recognized actuarial gains	(1,733)	(1,852)	(12,978)
Amortization of prior service cost	—	—	—
Net periodic benefit costs	¥ (1,039)	¥ (1,064)	\$ (7,781)

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥ —	¥ —	\$ —
Actuarial losses (gains)	(2,425)	3,739	(18,160)
Total	¥ (2,425)	¥ 3,739	\$ (18,160)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains	(11,996)	(9,570)	(89,837)
Total	¥ (11,996)	¥ (9,570)	\$ (89,837)

(7) Plan assets:

a. Components of plan assets

	2023	2022
Bonds	12%	13%
Stocks	60	61
Cash and cash equivalents	10	8
General accounts	18	18
Total	100%	100%

(Note) Total plan assets included retirement benefits trust of 52% and 51%, for the years ended March 31, 2023 and 2022, respectively, mainly consisting of 5 stocks, which were set for a corporate pension plan and a lump-sum payment plan.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the allocation of plan assets and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	1.17%	0.43%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust)	4.19%	4.08%
Plan assets (retirement benefits trust)	0.00%	0.00%
Estimated rate of salary increase	4.10%	4.10%

2. Defined benefit plan adopting the simplified method

(1) The changes in defined benefit obligation adopting the simplified method for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥ 157	¥ 143	\$ 1,175
Net periodic benefit costs	20	22	149
Benefits paid.....	(18)	(7)	(134)
Contribution to the plan.....	—	—	—
Balance at end of year	¥ 159	¥ 157	\$ 1,190

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unfunded defined benefit obligation	¥ 159	¥ 157	\$ 1,190
Net liability arising from the balance sheet	¥ 159	¥ 157	\$ 1,190

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liability for retirement benefits.....	¥ 159	¥ 157	\$ 1,190
Net liability arising from the balance sheet	¥ 159	¥ 157	\$ 1,190

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2023 and 2022, were ¥20 million (\$149 thousand) and ¥22 million, respectively.

3. Defined contribution plan

The Bank's required contribution to the defined contribution plan for the years ended March 31, 2023 and 2022 were ¥338 million (\$2,531 thousand) and ¥334 million, respectively.

32. Income taxes

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for loan losses.....	¥ 11,009	¥ 11,381	\$ 82,445
Devaluation of stocks and other securities	4,295	4,774	32,165
Liability for retirement benefits.....	262	1,341	1,962
Depreciation	6,173	4,150	46,229
Accrued enterprise tax	154	273	1,153
Other.....	2,010	2,076	15,052
Less valuation allowance.....	(12,174)	(11,673)	(91,170)
Total	¥ 11,731	¥ 12,325	\$ 87,852
Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets	(184)	(175)	(1,377)
Net unrealized gains on available-for-sale securities.....	(42,384)	(60,503)	(317,411)
Defined retirement benefit plans	(3,652)	(2,914)	(27,349)
Deferred gains on derivatives under hedge accounting	(6,829)	(2,646)	(51,142)
Total	(53,052)	(66,239)	(397,303)
Net deferred tax liabilities.....	¥ (41,320)	¥ (53,914)	\$ (309,443)

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statement of income to the statutory tax rate for the years ended March 31, 2023 and 2022, were as follows:

	2023	2022
Statutory tax rate	30.4%	30.4%
(Reconciliation)		
Permanent differences excluded from taxable income such as dividend income.....	(3.6)%	(1.3)%
Tax credit for experimentation and research expenses, etc.	(3.3)%	(4.6)%
Changes in valuation allowance	2.4%	0.0%
Others	0.4%	(0.2)%
Effective income tax rate.....	26.3%	24.3%

33. Financial instruments and related disclosures

1. Overall situation concerning financial instruments

(1) Basic policy for financial instruments

As a regional financial institution with its main business base in Shiga Prefecture, the Group provides financial services centered on banking operations.

The Group's main operations are to extend loans to customers in its business area, and make investments in securities by mainly using funds that are received as deposits from customers and those that are obtained through the financial market.

To carry out these operations, the Group has financial assets and financial liabilities that are largely subject to interest rate volatility. To prevent adverse effects from such interest rate volatility, the Group conducts Asset Liability Management (ALM), the comprehensive management of assets and liabilities.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group are primarily loans to customers within its business area and are subject to credit risk of incurring losses when the value of such assets declines or disappears due to deterioration in the financial condition of its customers. The Group's domestic loan portfolio attempts to distribute risk by industry sector to eliminate its exposure to credit risk caused by changes in the business environment in certain industries.

The Group holds investment securities, primarily comprised of bonds, corporate stocks and investment trusts, for the following purposes: to sell them to customers, for purely investment purposes, and for strategic investment. These are subject to market risk of incurring potential losses due to fluctuations of interest rates, foreign exchange rates, stock markets and others, and the credit risk of the issuers.

Foreign currency-denominated loans and bonds are subject to foreign exchange risk in addition to the risks

as described above. They are managed to reduce foreign exchange risk by procuring foreign currency funds through currency swaps, repurchase transactions, or call transactions.

Financial liabilities are primarily deposits from customers and borrowed money. Borrowed money is — under certain conditions, such as when the Group is unable to access the market — subject to risks that losses are incurred due to an inability to secure required funds or being forced to raise funds at significantly higher than normal interest rates. Moreover, some of the Group's borrowings are made at variable interest rates and are subject to risks of losses from increasing fund procurement costs associated with rising interest rates.

To respond to customer needs and hedge market risks for assets and liabilities, the Group uses derivative transactions, including interest rate swaps, currency swaps, currency options, and forward exchange contracts. For some of these transactions, the Group applies hedge accounting based on internal regulations that comply with the "JICPA Practical Guidelines for Financial Instruments" and the Group's own hedging policies.

To obtain short-swing profits, the Group transacts bond futures contracts, bond options, and stock price index futures trading after setting position limit and loss limits amounts.

These derivative transactions include market risk as well as credit risk.

(3) Risk management for financial instruments

(i) Credit risk management

Recognizing credit risk as the most important risk to business management from the standpoint of its impact, the Group has established regulations and standards pertaining to such risk. It has also developed a debtor rating system based on a Foundation Internal Ratings-based approach and has built a credit risk management system appropriate to its needs.

Notably, the Group has developed a rating system that involves asset self-assessments. Under this system, for example, the Business Management Department reports the results of its own asset ratings at meetings such as the Meeting of Managing Directors.

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, security, profitability, liquidity, and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, and internal ratings; sets guarantees and collateral; and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and the Credit Supervision Department.

With respect to extending credit to overseas debtors, the Group manages it by setting a credit limit for each country at the Meeting of Managing Directors each fiscal year, after taking into account the foreign currency conditions and the political and economic situation of the country in which the debtor resides.

With respect to conducting market transactions for securities or other instruments, a limit is set semiannually at the Meeting of Managing Directors for bond issuer credit risk and counterparty risk for derivative and financial transactions, and the credit status and the market prices are managed on a daily basis. The Group has established a system in which reports about those risks are routinely given to the Meeting of Managing Directors.

(ii) Market risk management

The Group has compiled a set of Market Risk Management Rules with the goal of upgrading market risk management, strengthening internal controls, and ensuring sound management. To achieve stable profits, the Group institutes a financial plan and risk management policy semiannually and is working to build an appropriate risk management system.

1) Interest rate risk management

As interest rate risk inevitably arises in banking business operations, the Group manages all assets and liabilities (including off-balance transactions), such as deposits, loans, and securities, in a comprehensive manner through ALM.

Along with the aforementioned Market Risk Management Rules, the Group has established standards for risk management methods and reporting procedures. The Group conducts monitoring through such models as Value at Risk (VaR) and the maturity ladder approach, and reports to the ALM Committee on a regular basis.

2) Exchange rate risk management

For exchange rate volatility risk, the Group sets position limits at the Meeting of Managing Directors to manage positions that are subject to exchange rate risk. The Group controls positions by using derivative transactions, including foreign currency transactions and currency swaps.

The Group establishes an acceptable level of risk using VaR and manages the level of risk on a daily basis

so that it stays within an acceptable range.

3) Price volatility risk management

To rigorously manage price volatility risk for transactions, including securities, the Group has divided the organization into a market transaction sector, business management sector, and risk management sector.

For market transactions including securities, the Group takes into account overall Group risk and return, based on a financial plan and a risk management policy, and formulates a business management plan in the market sector.

When making investments, the Group calculates position amounts, gains, and losses as well as VaR and Basis Point Value (BPV) based on the abovementioned policy and plan. The extent to which the Group complies with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

4) Derivative transaction management

With respect to derivative transactions, the divisions concerned with the execution of transactions, the evaluation of hedge effectiveness, and business management have been separated, and an internal checking system has been established. Because a majority of the Group's derivative transactions are performed for the purposes of hedging and cover transactions to customer transactions, the Group manages them so that asset and liability risks and market risks are offset with each other.

5) Quantitative information regarding market risks

Regarding market risks, the Group measures the quantitative risk of interest rate risks and stock price volatility risks through VaR, a statistical method. Principally by reporting these risks to the ALM Committee and other organizations on a regular basis, the Group ensures appropriate monitoring and management. In calculating the risk amounts, the Group adopts a historical simulation method (a holding period of one year, a confidence level of 99%, and an observing period of two years).

Interest rate risks

The Group measures interest rate risks of all its assets and liabilities, including loans, securities and deposits, and derivative transactions.

The Group's interest rate risk amounts as of March 31, 2023 and 2022 stood at ¥7,386 million (\$55,313 thousand) and ¥11,629 million, respectively.

Regarding liquid deposits, such as ordinary deposits, the Group handles some as deposits that remain with the Group for an extended period and manages them by allocating them to each period category based on an internal model.

Stock price volatility risks

The Group holds certain shares for strategic investment and purely investment purposes. The volatility risk amounts of the prices of such shares as of March 31, 2023 and 2022 stood at ¥62,108 million (\$465,123 thousand) and ¥110,995 million, respectively.

Backtesting

To verify the appropriateness of the risk amounts that are measured through VaR, the Group carries out backtesting in which VaR is compared with gains and losses. In this way, the Group analyzes the effectiveness of the risk measurement method. However, because VaR statistically measures the amounts based on the historical market volatility, results may vary due to assumptions, measuring methods, and other factors. In addition, risks may not be able to be appropriately captured when the market environment changes drastically.

Interest rate risks and stock price volatility risks that are held by the Bank's consolidated subsidiaries are excluded from the calculation of the market risk amount as the impact from such risks on the Group is limited.

(iii) Liquidity risk management related to financing

The Group has compiled a set of Liquidity Risk Management Rules under a basic policy of clearly understanding its cash position and ensuring stable financing. In this way, it strives to establish an appropriate risk management system.

With respect to daily financing, the Group monitors and manages the financial environment, the balance of realizable current assets, the expected amount of cash outflows, and other such factors. The Group reports the financing situation and other related matters to the ALM Committee and the Board of Directors on a regular basis.

2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount as of March 31, 2023 and 2022, are shown below. Shares,

etc. that do not have market price and investment in capital of partnership are not included in the table below (see Note 1).

Cash and due from banks, call loans and bills bought, foreign exchange (assets and liabilities), call money and bills sold, and payables under securities lending transactions are settled in a short period of time and their book value approximates fair value, therefore, notes are omitted. Financial instruments that are immaterial have been omitted.

Millions of yen				
2023				
Consolidated balance sheet				
	amount	Fair value	Difference	
Investment securities	¥ 1,498,034	¥ 1,492,882	¥	(5,152)
Held-to-maturity securities	66,958	61,806		(5,152)
Available-for-sale securities (*1)	1,431,076	1,431,076		—
Loans and bills discounted	4,343,641	—		—
Allowance for loan losses (*2)	(31,842)	—		—
	4,311,798	4,286,290		(25,508)
Assets total	5,809,833	5,779,173		(30,660)
Deposits	5,714,368	5,714,494		126
Negotiable certificates of deposit	30,332	30,333		1
Borrowed money	538,456	536,341		(2,114)
Liabilities total	6,283,157	6,281,169		(1,987)
Derivative transactions (*3)				
Deferred hedge accounting is not applied	(5,773)	(5,773)		—
Deferred hedge accounting is applied (*4)	22,428	22,428		—
Derivative transactions total	¥ 16,655	¥ 16,655	¥	—

Millions of yen				
2022				
Consolidated balance sheet				
	amount	Fair value	Difference	
Investment securities				
Held-to-maturity securities	¥ 59,946	¥ 57,779	¥	(2,166)
Available-for-sale securities	1,439,179	1,439,179		—
Loans and bills discounted	4,064,683	—		—
Allowance for loan losses (*2)	(32,150)	—		—
	4,032,533	4,049,164		16,631
Assets total	5,531,658	5,546,123		14,464
Deposits	5,611,084	5,611,258		174
Negotiable certificates of deposit	41,880	41,882		1
Borrowed money	936,840	936,718		(121)
Liabilities total	6,589,805	6,589,859		54
Derivative transactions (*3)				
Deferred hedge accounting is not applied	(7,501)	(7,501)		—
Deferred hedge accounting is applied (*4)	8,692	8,692		—
Derivative transactions total	¥ (1,190)	¥ (1,190)	¥	—

Thousands of U.S. dollars			
2023			
	Consolidated balance sheet amount	Fair value	Difference
Investment securities	\$ 11,218,707	\$ 11,180,124	\$ (38,583)
Held-to-maturity securities	501,445	462,862	(38,583)
Available-for-sale securities (*1)	10,717,262	10,717,262	—
Loans and bills discounted	32,529,326	—	—
Allowance for loan losses (*2)	(238,463)	—	—
	32,290,855	32,099,827	(191,028)
Assets total	43,509,570	43,279,959	(229,611)
Deposits	42,794,637	42,795,581	943
Negotiable certificates of deposit	227,154	227,162	7
Borrowed money	4,032,472	4,016,632	(15,831)
Liabilities total	47,054,272	47,039,384	(14,880)
Derivative transactions (*3)			
Deferred hedge accounting is not applied	(43,233)	(43,233)	—
Deferred hedge accounting is applied (*4)	167,962	167,962	—
Derivative transactions total	\$ 124,728	\$ 124,728	\$ —

(*1) Available-for-sale securities include investment trusts to which the treatment of recognizing the base price at market value has been applied, as set forth in Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021).

(*2) General allowance for loan losses and specific allowance for loan losses provided to “Loans and bills discounted” are separately presented in the above table.

(*3) Derivative transactions recorded in “Other assets” and “Other liabilities” are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(*4) Interest rate swaps designated as hedging instruments to offset market fluctuations in foreign securities, which are hedged items, are accounted for as deferred hedges. “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Revised Practical Solution No.40 issued on March 17, 2022) is applied to these hedging relationships.

(Note 1) Shares, etc. that do not have market price and investment in capital of partnership

The consolidated balance sheet amounts of shares, etc. that do not have market price and investment in capital of partnership are as follows. These are not included in “available-for-sale securities” under “investment securities” in the tables above.

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unlisted stocks (*1) (*2)	¥ 3,416	¥ 3,878	\$ 25,582
Investment in capital of partnership and others (*3)	14,126	8,860	105,788

(*1) Unlisted stocks are excluded from fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020).

(*2) Impairment losses for unlisted stocks amounted to ¥37 million (\$277 thousand) and ¥1 million for the years ended March 31, 2023 and 2022, respectively.

(*3) Investment in capital of partnership and others are excluded from fair value disclosure in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021).

(Note 2) Maturity analysis for financial assets and securities with contractual maturities

Millions of yen						
2023						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 1,162,006	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities	63,219	138,422	163,388	114,681	103,854	642,048
Held-to-maturity securities	—	—	—	—	—	67,000
Japanese government bonds	—	—	—	—	—	67,000
Available-for-sale securities	63,219	138,422	163,388	114,681	103,854	575,048
Japanese government bonds	3,000	12,000	—	—	20,000	227,000
Japanese local government bonds	13,128	36,031	42,756	70,799	54,343	13,045
Japanese corporate bonds	19,498	38,540	59,944	15,838	800	178,828
Others	27,592	51,850	60,687	28,043	28,710	156,174
Loans and bills discounted (*)	952,444	826,450	653,775	410,949	471,956	954,086
Total	¥ 2,177,670	¥ 964,872	¥ 817,164	¥ 525,631	¥ 575,810	¥ 1,596,135

Millions of yen						
2022						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 1,713,259	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities	72,907	129,781	107,436	84,225	204,617	580,828
Held-to-maturity securities	—	—	—	—	—	60,000
Japanese government bonds	—	—	—	—	—	60,000
Available-for-sale securities	72,907	129,781	107,436	84,225	204,617	520,828
Japanese government bonds	—	16,000	—	—	40,000	220,000
Japanese local government bonds	20,779	24,302	24,262	42,813	72,056	14,141
Japanese corporate bonds	25,815	30,462	40,868	9,827	14,300	186,299
Others	26,313	59,016	42,305	31,584	78,261	100,387
Loans and bills discounted (*)	913,119	796,205	597,772	378,223	442,337	866,749
Total	¥ 2,699,286	¥ 925,986	¥ 705,208	¥ 462,449	¥ 646,954	¥ 1,447,577

Thousands of U.S. dollars						
2023						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	\$ 8,702,209	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities	473,444	1,036,635	1,223,605	858,840	777,757	4,808,267
Held-to-maturity securities	—	—	—	—	—	501,759
Japanese government bonds	—	—	—	—	—	501,759
Available-for-sale securities	473,444	1,036,635	1,223,605	858,840	777,757	4,306,507
Japanese government bonds	22,466	89,867	—	—	149,779	1,699,992
Japanese local government bonds	98,314	269,834	320,197	530,210	406,972	97,693
Japanese corporate bonds	146,019	288,624	448,917	118,610	5,991	1,339,234
Others	206,635	388,302	454,482	210,012	215,007	1,169,579
Loans and bills discounted (*)	7,132,809	6,189,245	4,896,090	3,077,578	3,534,456	7,145,105
Total	\$ 16,308,470	\$ 7,225,881	\$ 6,119,703	\$ 3,936,426	\$ 4,312,214	\$ 11,953,381

(*) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥50,816 million (\$380,558 thousand) and ¥46,596 million, and, loans and bills discounted without contractual maturities amounting to ¥23,161 million (\$173,451 thousand) and ¥23,679 million are excluded from the table above as of March 31, 2023 and 2022.

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

Millions of yen						
2023						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥ 5,406,329	¥ 290,410	¥ 17,627	¥ —	¥ —	¥ —
Negotiable certificates of deposit	30,332	—	—	—	—	—
Call money and bills sold	237,906	—	—	—	—	—
Payables under securities lending transactions....	205,572	—	—	—	—	—
Borrowed money	197,505	71,387	265,414	114	4,035	—
Total	¥ 6,077,646	¥ 361,798	¥ 283,042	¥ 114	¥ 4,035	¥ —

Millions of yen						
2022						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥ 5,283,539	¥ 312,087	¥ 15,456	¥ —	¥ —	¥ —
Negotiable certificates of deposit	41,880	—	—	—	—	—
Call money and bills sold	145,809	—	—	—	—	—
Payables under securities lending transactions....	185,680	—	—	—	—	—
Borrowed money	826,148	66,687	40,148	104	3,750	—
Total	¥ 6,483,059	¥ 378,775	¥ 55,605	¥ 104	¥ 3,750	¥ —

Thousands of U.S. dollars						
2023						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	\$ 40,487,748	\$ 2,174,867	\$ 132,007	\$ —	\$ —	\$ —
Negotiable certificates of deposit	227,154	—	—	—	—	—
Call money and bills sold	1,781,667	—	—	—	—	—
Payables under securities lending transactions	1,539,519	—	—	—	—	—
Borrowed money	1,479,105	534,613	1,987,673	853	30,217	—
Total	\$ 45,515,210	\$ 2,709,488	\$ 2,119,688	\$ 853	\$ 30,217	\$ —

(*) Demand deposits are included in “1 year or less.”

3. Fair value information by level within the fair value hierarchy

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

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

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

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

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

Notes regarding securities by purpose of holding are described in 4. Securities.

(1) Financial instruments carried at fair value in the consolidated balance sheet

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.	¥ 240,840	¥ 244,617	¥ —	¥ 485,457
Japanese corporate bonds.....	—	155,167	11,459	166,627
Residential mortgage-backed security.....	—	143,447	—	143,447
Stocks.....	278,050	2,895	—	280,945
Other.....	100,292	188,829	53,634	342,755
Derivative transactions				
Interest rate related.....	—	24,073	—	24,073
Currency related.....	—	6,062	—	6,062
Total assets	619,182	765,091	65,094	1,449,368
Derivative transactions				
Interest rate related.....	—	1,591	—	1,591
Currency related.....	—	11,888	—	11,888
Total liabilities	¥ —	¥ 13,479	¥ —	¥ 13,479

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.	¥ 257,773	¥ 215,173	¥ —	¥ 472,946
Japanese corporate bonds.....	—	153,508	17,858	171,366
Residential mortgage-backed security.....	—	136,484	—	136,484
Stocks.....	309,354	2,031	—	311,385
Other.....	149,423	131,934	17,467	298,825
Derivative transactions				
Interest rate related.....	—	9,642	—	9,642
Currency related.....	—	3,187	—	3,187
Total assets	716,551	651,960	35,326	1,403,838
Derivative transactions				
Interest rate related.....	—	894	—	894
Currency related.....	—	10,744	—	10,744
Total liabilities	¥ —	¥ 11,638	¥ —	¥ 11,638

(*) Fair value of investment trusts are not included in the above. The consolidated balance sheet amount of investment trusts is ¥48,170 million.

Category	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc.	\$ 1,803,639	\$ 1,831,925	\$ —	\$ 3,635,565
Japanese corporate bonds.....	—	1,162,038	85,815	1,247,861
Residential mortgage-backed security.....	—	1,074,267	—	1,074,267
Stocks	2,082,303	21,680	—	2,103,984
Other	751,082	1,414,131	401,662	2,566,876
Derivative transactions				
Interest rate related.....	—	180,281	—	180,281
Currency related.....	—	45,398	—	45,398
Total assets	4,637,025	5,729,731	487,485	10,854,249
Derivative transactions				
Interest rate related.....	—	11,914	—	11,914
Currency related.....	—	89,028	—	89,028
Total liabilities	\$ —	\$ 100,943	\$ —	\$ 100,943

(*) Investment securities do not include investment trusts to which the treatment of recognizing the base price at market value has been applied, as set forth in Paragraphs 24-3 and 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021). The consolidated balance sheet amount of investment trusts to which the treatment under Paragraph 24-3 has been applied is ¥1,707 million (\$12,783 thousand) and the consolidated balance sheet amount of investment trusts to which the treatment under Paragraph 24-9 has been applied is ¥3,698 million (\$27,694 thousand).

(a) Adjustment table from the beginning balance to the year-end balance of investment trusts applying the treatment of Paragraphs 24-3 and 24-9

	Millions of yen	Thousands of U.S. dollars
	2023	
Beginning balance.....	¥ 808	\$ 6,051
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss	—	—
Recorded in other comprehensive income (*)	44	329
Purchases, sales and redemption (net)	4,553	34,097
Amount for which the base price of the investment trusts is considered to be the fair value.....	—	—
Amount for which the base price of the investment trusts is not considered to be the fair value.....	—	—
Ending balance.....	¥ 5,405	\$ 40,477
Gains or losses on valuation of investment trusts held at the end of the reporting period included in profit or loss for the period	¥ —	\$ —

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

(b) Breakdown by restriction on cancellation or repurchase requests on consolidated accounting dates

	Millions of yen	Thousands of U.S. dollars
	2023	
Main contents on restriction on cancellation or repurchase requests	Amount on the consolidated balance sheet	
Cancellation or repurchase request is not possible, and the consent of the asset management company is required for transfer	¥ 1,302	\$ 9,750
Taking several months from cancellation application to refund.....	404	3,025

(2) Financial instruments other than those carried at fair value in the consolidated balance sheet

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	¥ 61,806	¥ —	¥ —	¥ 61,806
Loans and bills discounted.....	—	—	4,286,290	4,286,290
Total assets	61,806	—	4,286,290	4,348,097
Deposits	—	5,714,494	—	5,714,494
Negotiable certificates of deposit.....	—	30,333	—	30,333
Borrowed money.....	—	536,341	—	536,341
Total liabilities	¥ —	¥ 6,281,169	¥ —	¥ 6,281,169

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	¥ 57,779	¥ —	¥ —	¥ 57,779
Loans and bills discounted.....	—	—	4,049,164	4,049,164
Total assets	57,779	—	4,049,164	4,106,944
Deposits	—	5,611,258	—	5,611,258
Negotiable certificates of deposit.....	—	41,882	—	41,882
Borrowed money.....	—	936,718	—	936,718
Total liabilities	¥ —	¥ 6,589,859	¥ —	¥ 6,589,859

Category	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc.	\$ 462,862	\$ —	\$ —	\$ 462,862
Loans and bills discounted.....	—	—	32,099,827	32,099,827
Total assets	462,862	—	32,099,827	32,562,697
Deposits	—	42,795,581	—	42,795,581
Negotiable certificates of deposit.....	—	227,162	—	227,162
Borrowed money.....	—	4,016,632	—	4,016,632
Total liabilities	\$ —	\$ 47,039,384	\$ —	\$ 47,039,384

(Note 1) A description of the valuation techniques and inputs used in the fair value measurements

Assets

Securities

Securities for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value. This mainly includes listed stocks and Japanese government bonds. Securities for which published quoted prices are available but the market is not active are classified as Level 2 fair value. This mainly includes Japanese local government bonds and Japanese corporate bonds. In addition, regarding investment trusts that do not have a trading price in the market, if there is no restriction that is significant enough for the market participants to demand compensation for the risk relating to cancellation or repurchase claims, the base value is the fair value and they are classified as Level 2 fair value.

When quoted prices are not available, fair value is determined using valuation techniques such as the present value of future cash flows. In making valuations, the Bank uses observable inputs to the greatest extent possible.

Such inputs include TIBOR, government bond yields, prepayment rates, credit spreads, probability of bankruptcy, and loss rates in the event of bankruptcy. When significant unobservable inputs are used in the valuation, the fair value is classified as Level 3 fair value.

Loans and bills discounted

For loans and bills discounted, the fair value is calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk, etc., for each category based on the type of loan, internal rating and term. Those with floating interest rates reflect the market rate in the short term. Consequently, in cases where the credit conditions of borrowers have not significantly changed after the execution of the loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), fair value is calculated using the estimated future cash flows and the estimated amounts that the Group would be able to collect from collateral and guarantees. For loans that are subject to special accounting treatment for interest rate swaps or designated hedge accounting for forward exchange contracts, etc., the fair value of the interest rate swaps or forward exchange contracts, etc. is reflected. If the effect of unobservable inputs on fair value is significant, the fair value is classified as Level 3 fair value; otherwise, the fair value is classified as Level 2 fair value.

Liabilities

Deposits and Negotiable certificates of deposit

For demand deposits that are payable immediately on demand on the consolidated balance sheet date, the amount of the demand deposit is used as the fair value. For time deposits and negotiable certificates of deposit, the fair value is calculated based on the discounted present value of the future cash flows, classified by a certain period of time. The discount rate is based on market interest rates. The fair value of those with short deposit terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

Borrowed money

The present value of borrowed money is calculated by discounting the total principal and interest of the relevant borrowed money, classified by a certain period of time, at an interest rate that takes into account the remaining period of the borrowed money and credit risk. The book value of floating rate borrowings is presented as the fair value, because the fair value approximates book value. This is because the floating rate borrowings reflect the market interest rate in a short period and there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before or after the borrowings were made. The fair value of those with short contractual terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

Derivative transactions

Derivative transactions for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value, which primarily include bond and interest rate futures transactions.

However, since most derivative transactions are over-the-counter transactions and there are no published quoted prices, fair values are calculated using valuation techniques such as the present value technique and the Black-Scholes model, depending on the type of transaction and the period to maturity. The main inputs used in those valuation techniques include interest rates, exchange rates, and volatility. Price adjustments are made based on the credit risk of the counterparty and the Bank's own credit risk. When unobservable inputs are not used or their effect is not material, they are classified as Level 2 fair value and include plain vanilla interest rate swap transactions, forward exchange contracts, etc. If significant unobservable inputs are used, they are classified as Level 3 fair value and include bond over-the-counter option transactions, etc.

(Note 2) Information about Level 3 fair value of financial instruments carried at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

2023				
Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Japanese corporate bonds				
Private placement bonds	Present value technique	Discount rate	0.3% to 1.9%	0.4%
2022				
Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Japanese corporate bonds				
Private placement bonds	Present value technique	Discount rate	0.2% to 8.1%	0.4%

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period

Millions of yen		
2023		
Securities		
Available-for-sale securities		
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	¥ 17,858	¥ 17,467
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	5	4
Recorded in other comprehensive income (*2)	(29)	(749)
Purchases, sales, issuances, and settlements (net)	(6,374)	34,676
Transfer into Level 3 (*3)	—	2,235
Transfer out of Level 3.....	—	—
Ending balance.....	¥ 11,459	¥ 53,634
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ —	¥ —
Millions of yen		
2022		
Securities		
Available-for-sale securities		
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	¥ 27,163	¥ 23,971
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	4	4
Recorded in other comprehensive income (*2)	(17)	(58)
Purchases, sales, issuances, and settlements (net)	(9,291)	(2,164)
Transfer into Level 3	—	—
Transfer out of Level 3 (*4)	—	(4,287)
Ending balance.....	¥ 17,858	¥ 17,467
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ —	¥ —

	Thousands of U.S. dollars	
	2023	
	Securities	
	Available-for-sale securities	
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	\$ 133,737	\$ 130,809
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	37	29
Recorded in other comprehensive income (*2)	(217)	(5,609)
Purchases, sales, issuances, and settlements (net)	(47,734)	259,686
Transfer into Level 3 (*3)	—	16,737
Transfer out of Level 3.....	—	—
Ending balance.....	\$ 85,815	\$ 401,662
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	\$ —	\$ —

(*1) Included in “other operating income” and “other operating expenses” in the consolidated statement of income.

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

(*3) Transferred out of Level 2 fair value into Level 3 fair value because of changes in observability of inputs used for the calculation of fair value. The transfer was made at the end of the current fiscal year.

(*4) Transferred out of Level 3 fair value into Level 2 fair value because observable market data became available mainly for foreign bonds. The transfer was made at the end of the current fiscal year.

(3) A description of valuation processes used for fair value measurements

The risk management sector of the Group establishes policies and procedures for fair value measurement, and the business management sector formulates a fair value valuation model in accordance with such policies and procedures. The risk management sector verifies appropriateness as to whether the model, the inputs used, and the fair value as a result of the calculation are in accordance with the policies and procedures. Based on the results of the verification, the risk management sector makes decisions regarding the classification of fair value levels. When quoted prices obtained from third parties are used as fair value, the Bank verifies appropriateness of the prices through appropriate methods, including confirmation of the valuation techniques and inputs used and comparison with the fair value of similar financial instruments.

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

The discount rate is an adjustment to the base market interest rate, such as the risk-free rate or swap rate, and consists of a risk premium, which is the amount of compensation required by market participants for the uncertainty of the cash flows of financial instruments arising primarily from credit risk. Generally, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.

34. Fair value information on derivative transactions

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2023 and 2022.

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to market risk.

(1) Interest-rate-related transactions

Millions of yen					
2023					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Interest rate swap					
Receivable fixed rate/pay floating rate	¥ 11,077	¥ 5,683	¥ (66)	¥	(66)
Receivable floating rate /pay fixed rate	12,545	7,285	119		119
Total	¥ —	¥ —	¥ 53	¥	53

Millions of yen					
2022					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Interest rate swap					
Receivable fixed rate/pay floating rate	¥ 12,042	¥ 12,042	¥ 31	¥	31
Receivable floating rate /pay fixed rate	13,021	11,920	24		24
Total	¥ —	¥ —	¥ 55	¥	55

Thousands of U.S. dollars					
2023					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Interest rate swap					
Receivable fixed rate/pay floating rate	\$ 82,955	\$ 42,559	\$ (494)	\$	(494)
Receivable floating rate /pay fixed rate	93,948	54,557	891		891
Total	\$ —	\$ —	\$ 396	\$	396

Note: The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

(2) Currency-related transactions

Millions of yen					
2023					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Currency swap	¥ 40,542	¥ 33,509	¥ (5,190)	¥	(5,190)
Forward exchange contracts:					
Sold	70,892	—	(830)		(830)
Bought	21,998	—	343		343
Currency options:					
Sold	113,883	87,761	(5,524)		(2,269)
Bought	113,883	87,761	5,375		2,858
Total	¥ —	¥ —	¥ (5,826)	¥	(5,087)

Millions of yen					
2022					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Currency swap	¥ 45,767	¥ 32,402	¥ (2,850)	¥	(2,850)
Forward exchange contracts:					
Sold	93,485	—	(4,997)		(4,997)
Bought	5,000	—	282		282
Currency options:					
Sold	50,924	29,372	(2,810)		(1,158)
Bought	50,924	29,372	2,818		1,424
Total	¥ —	¥ —	¥ (7,557)	¥	(7,299)

Thousands of U.S. dollars					
2023					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Currency swap	\$ 303,617	\$ 250,947	\$ (38,867)	\$	(38,867)
Forward exchange contracts:					
Sold	530,906	—	(6,215)		(6,215)
Bought	164,742	—	2,568		2,568
Currency options:					
Sold	852,864	657,238	(41,368)		(16,992)
Bought	852,864	657,238	40,253		21,403
Total	\$ —	\$ —	\$ (43,630)	\$	(38,096)

Note: The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

(3) Stock-related transactions are not applicable.

(4) Bond-related transactions are not applicable.

(5) Financial product-related transactions are not applicable.

(6) Credit derivative transactions are not applicable.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2023 and 2022.

The contract value do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

Millions of yen				
2023				
Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment				
Interest rate swap:	Available-for-sale			
Receivable floating rate/pay fixed rate	securities (bonds)	¥ 312,847	¥ 312,847	¥ 22,428

Millions of yen				
2022				
Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment				
Interest rate swap:	Available-for-sale			
Receivable floating rate/pay fixed rate	securities (bonds)	¥ 269,344	¥ 269,344	¥ 8,692

Thousands of U.S. dollars				
2023				
Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment				
Interest rate swap:	Available-for-sale			
Receivable floating rate/pay fixed rate	securities (bonds)	\$ 2,342,896	\$ 2,342,896	\$ 167,962

Note: Deferred hedge accounting is mainly applied.

(2) Currency-related transactions are not applicable.

(3) Stock-related transactions are not applicable.

(4) Bond-related transactions are not applicable.

35. Comprehensive income (loss)

The components of other comprehensive loss for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized losses on available-for-sale securities:			
The amount arising during the period.....	¥ (64,872)	¥ (58,221)	\$ (485,823)
Reclassification adjustments to profit or loss	5,583	(8,318)	41,810
Before adjustments to tax effect	(59,289)	(66,539)	(444,012)
The amount of tax effect.....	18,118	20,320	135,684
Total	¥ (41,170)	¥ (46,218)	\$ (308,320)
Deferred gains on derivatives under hedge accounting:			
The amount arising during the period.....	¥ 23,746	¥ 7,530	\$ 177,832
Reclassification adjustments to profit or loss	(10,009)	(1,188)	(74,956)
Before adjustments to tax effect	13,736	6,342	102,868
The amount of tax effect.....	(4,182)	(1,931)	(31,318)
Total	¥ 9,553	¥ 4,410	\$ 71,541
Defined retirement benefit plans:			
The amount arising during the period.....	¥ 4,159	¥ (1,886)	\$ 31,146
Reclassification adjustments to profit or loss	(1,733)	(1,852)	(12,978)
Before adjustments to tax effect	2,425	(3,739)	18,160
The amount of tax effect.....	(738)	1,138	(5,526)
Total	¥ 1,687	¥ (2,600)	\$ 12,633
Total other comprehensive loss	¥ (29,930)	¥ (44,408)	\$ (224,144)

36. Net income per share

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2023 and 2022, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares	EPS	
For the year ended March 31, 2023				
Basic EPS:				
Net income attributable to common shareholders	¥ 14,858	47,841	¥ 310.57	\$ 2.325
Effect of dilutive securities:				
Warrants		11		
Diluted EPS:				
Net income for computation.....	¥ 14,858	47,852	¥ 310.49	\$ 2.325
For the year ended March 31, 2022				
Basic EPS:				
Net income attributable to common shareholders	¥ 17,715	49,278	¥ 359.50	
Effect of dilutive securities:				
Warrants		41		
Diluted EPS:				
Net income for computation.....	¥ 17,715	49,319	¥ 359.20	

37. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings was authorized at the ordinary general shareholders’ meeting held on June 27, 2023:

	Millions of yen	Thousands of U.S. dollars
Cash dividends,		
¥40 (\$0.300) per share.....	¥ 1,899	\$ 14,221
Total	¥ 1,899	\$ 14,221

38. Segment information

For the years ended March 31, 2023 and 2022

As the Group has only one segment (i.e. banking), the description is not presented.

Related Information

(1) Information about services

Millions of yen					
2023					
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	¥ 38,669	¥ 38,275	¥ 17,651	¥ 20,693	¥ 115,289

Millions of yen					
2022					
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	¥ 33,911	¥ 32,180	¥ 17,366	¥ 14,848	¥ 98,306

Thousands of U.S. dollars					
2023					
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers	\$ 289,590	\$ 286,639	\$ 132,187	\$ 154,968	\$ 863,393

(2) Information about geographical areas

(a) Operating income

Operating income from external domestic customers exceeded 90% of total operating income on the consolidated statements of income for the years ended March 31, 2023 and 2022; therefore, geographical operating income information is not presented.

(b) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of the total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2023 and 2022; therefore, geographical tangible fixed assets information is not presented.

(3) Information about major customers

Operating income to a specific customer did not reach 10% of total operating income on the consolidated statements of income for the years ended March 31, 2023 and 2022; therefore, major customer information is not presented.

39. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2023, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
		Lending operation loan, net of collection.....	¥ (3)	\$ (22)	Loans.....	¥ 82	\$ 614
	Company in which director or relative	Interest receipts	0	0	Other liabilities...	0	0
Takagi Building Ltd.	Co., has the majority of the voting rights	Commission receipts, etc.	0	0			

Transactions of the Bank with related parties for the year ended March 31, 2022, were as follows:

Related party	Category	Description of transactions	Transaction amount	Accounts name	Year-end balance
			Millions of yen		Millions of yen
		Lending operation loan, net of collection	¥ (3)	Loans	¥ 85
	Company in which director or relative	Interest receipts.....	0	Other liabilities..	0
Takagi Building Ltd.	Co., has the majority of the voting rights	Commission receipts, etc.	0		