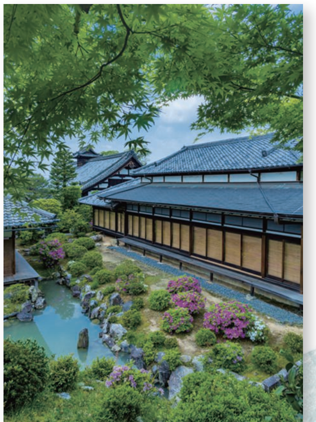
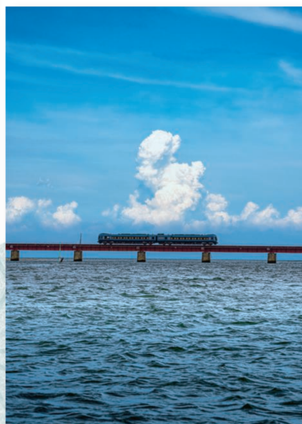
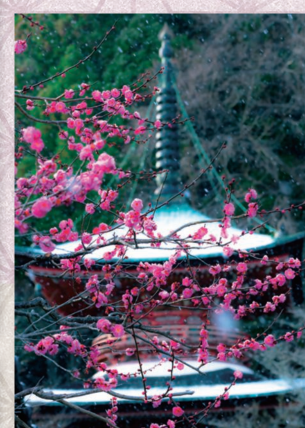
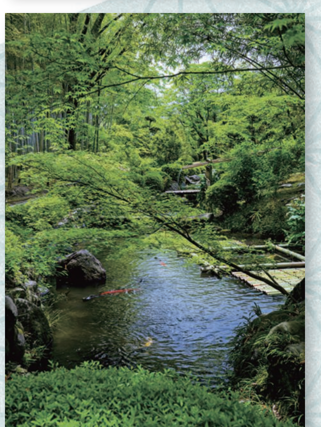
Bank of Kyoto

Annual Report 2022

For the year ended March 31, 2022


The Bank of Kyoto, Ltd.

Profile

Since its founding on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have consistently strived to live up to their management principle of "Serving the Prosperity of the Community." Under this management principle, the Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank provides customers in the local community with high-quality financial services, thereby striving to further deepen its relationships of trust. With the environment surrounding financial institutions growing increasingly harsh, the Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Non-Consolidated Basis

Total Assets: **¥12,196.7** billion (8th among regional banks)	Total Deposits: **¥8,987.8** billion (8th among regional banks)
Loans and Bills Discounted: **¥6,148.9** billion (9th among regional banks)	Unrealized Gains on Securities: **¥881.6** billion (1st among regional banks)
Capital Ratio: **11.59%** (domestic standards)	Credit Ratings: **A** (R&I) **A-** (S&P)

Contents

Disclaimer regarding forward-looking statements

Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing this report. Actual results may therefore differ substantially from such statements.

Cover: "I Love Kyoto Campaign" posters

Because we want to cultivate a sense of loving Kyoto in a wide range of people, we have been developing the "I Love Kyoto Campaign" since 1982. In addition, in Shiga Prefecture, we have been developing the "I Love Shiga Campaign" since 2013, introducing people to Shiga's rich natural landscape, historical heritage, traditional culture and suchlike.

Cover Photographs

1. Scenic garden at Chishakuin Temple (Higashiyama Ward, Kyoto City)
2. Fresh spring verdure adorns Shokado Garden (Yawata City, Kyoto Prefecture)
3. Kyoto Tango Railway train at the mouth of the Yura River (Miyazu City, Kyoto Prefecture)
4. Inner garden decorated for summer at Kyoto Living Craft House Mumeisha (Nakagyo Ward, Kyoto City)
5. Kiyotaki River in autumn (Ukyo Ward, Kyoto City)
6. Fall colors at Sennyuji Temple (Higashiyama Ward, Kyoto City)
7. Snow-covered, two-storied pagoda and pink plum blossoms at Horinji Temple (Nishikyo Ward, Kyoto City)
8. Amanohashidate in snow offers a view resembling a flying dragon ascending into the sky (Miyazu City, Kyoto Prefecture)

Seeking to Improve Medium- and Long-Term Corporate Value in Ways Unique to a Regional Financial Institution

Fiscal 2021 in Review

The COVID-19 pandemic has caused uncertainty and disruptions around the world, as it continues to ebb and flow. Two years have passed since the initial outbreak of COVID-19, yet there is still no sign of the pandemic ending completely. During this time, there have been worldwide supply chain disruptions, growing supply constraints and material shortages, and stagnation in logistics has become drawn out. These and other factors have had a serious impact on the global economy. From around the end of fiscal 2021, the year ended March 31, 2022, the conflict between Russia and Ukraine has led to surging energy and resource prices globally. Compounded by the yen's rapid depreciation, Japan has also experienced significant price increases. Concerns are emerging about the impact of these rising prices on the daily lives of the Japanese people and the economy. Concurrently, monetary policy has entered a phase where policymakers are faced with difficult decisions. In this manner, the disruptions that have occurred around the world have spread out to the Japanese economy, and this interconnectedness serves to reaffirm our awareness of the globalization of the economy. The continuing adverse impact of the COVID-19 pandemic on regional economies and other negative effects have made the outlook increasingly uncertain. It was with this backdrop of uncertainty that fiscal 2021 came to an end.

In this environment, the Bank worked continuously to serve its corporate customers by providing funding support to underpin their business activities and by providing consulting services so that they could overcome the challenging environment and aim for further growth. On the other hand, the Bank strove to serve individual customers by providing consulting on asset utilization and related areas according to their life stages. As a result of these business activities, in fiscal 2021, the second year of its medium-term management plan, the Bank achieved all four of the key performance indicators it had set forth as targets for fiscal 2022, the final year of the plan. Notably, net income attributable to owners of the parent grew by 22% year on year to ¥20.6 billion.

Aiming to Be a Comprehensive Financial Solutions Provider

In the medium-term management plan, "Expand scope of business from banking to comprehensive financial solutions" is one of the main themes of the plan and the Bank has been working to strengthen its consulting capabilities.

Business Consulting

In fiscal 2021, the Bank recorded income from comprehensive corporate services of ¥4.1 billion atop growth in fee and commission income from syndicated loans, M&A, business matching, private placement bonds, SDGs support-related solutions and other services. With the aim of revitalizing regional economies affected by the COVID-19 pandemic, the COVID-19 Pandemic Support Team, which was formed in June 2020, continued to interview customers and listen attentively to their business issues, and provide support extending beyond funding to cover solutions to a wide range of issues, such as sales and customer outreach, business succession, new business development, and digitalization support. In addition, new services to support SDGs and ESG management have been steadily rolled out to meet customer needs. I expect that these services will drive further growth going forward.

Individual Consulting

In fiscal 2021, the Bank recorded income from Group assets in custody and trust-related services of ¥4.9 billion, supported by growth in fee and commission income in areas such as investment trust- and trust-related business, including automatic investment trust savings plans. I believe that our thoughtful consulting services tailored to the life stages of customers in asset utilization, inheritance and asset succession, and related areas have been steadily delivering benefits and producing solid results as we make progress on developing specialists. Since the start of operations of Kyogin Securities Co., Ltd. in 2017 and the Bank's entry into the trust services business in 2018, we have been able to provide one-stop services covering banking, securities and trust services. We have enhanced our ability to respond to customer needs, and this has led to even stronger accomplishments.

Overcoming Management Issues and Harnessing the Strengths of Our Business Model

The Bank has expanded the branch network in the process of growing as a wide-area regional bank, and I would describe the strengths of the Bank and the factors that differentiate it from other banks as this branch network and the human capital that supports this network.

The Bank had originally established branches centered on Kyoto. It then opened its first branch in Shiga Prefecture in 2000. Subsequently, the Bank has promoted even more proactive management and built out a branch network centered on five prefectures in the Kinki region. At the same time, the Bank opened two branches in Aichi Prefecture, which has a different industrial structure than that of the Kinki region, and has worked to increase loan amounts with effective risk diversification. Along with opening new branches, we have also reinforced our human capital to support our growing regional presence. These efforts have allowed us to lay a solid groundwork for growth as a wide-area regional bank. Through these upfront investments for growth, we have achieved increases in deposits and loan amounts. This growth has allowed us to boost the Bank's profit levels and enhance its capital. By doing so, the Bank has continuously delivered stable growth.

That said, the Bank of Japan's negative interest rate policy has caused yields to gradually contract, and contrary to its initial expectations, the Bank has been experiencing a heightened cost burden for its upfront investments. For this reason, to address management issues over the past few years, the Bank has implemented measures based on the dual priorities of improving value-added services and improving efficiency. These measures have included strengthening consulting services, promoting digitalization, shifting the workforce from administrative work to sales, making branch operations more efficient, and developing specialists. From the Bank's recent top-line growth, improved overhead ratio and other indicators, you can clearly see that the positive effects of these measures have steadily emerged, and that the Bank is making progress toward overcoming various management issues.

Turning to our branch network, the Bank's branch strategy puts emphasis not on reducing the number of branches, but on realizing the full potential of each branch. Until now, we have established branches closer to customers and worked to cultivate wider and deeper connections with them, with the intention of growing as a wide-area regional bank. The desire to make the most of this strength lies at the heart of our approach. With the widespread penetration of digital technologies in society, it is a fact that more and more customers are seeking to utilize remote channels when they interact with the Bank. The Bank has been working to enhance digital transaction functions, including the Kyogin App. On the other hand, in order to provide high-value-added services with a human touch, such as consulting services, we believe that it is critical to have a physical presence close to customers – branches where customers can speak extensively with us in-person if they wish, at anytime. That is why the Bank has adopted "the best mix of face-to-face and digital services" as one of the main themes of its medium-term management plan, and is actively pursuing this theme.

As a wide-area regional bank, the Bank's branches and specialists are the reason why we are strong and they are what sets us apart from other banks. Therefore, we would like to take full advantage of these strengths in order to pave the way for our next phase of growth.

A Long-Lasting Relationship

When we initiated our branch strategy as a wide-area regional bank, we also rolled out a media strategy at the same time. We proactively ran a highly original television commercial for a regional financial institution at the time. The catchphrase of the TV commercial was "A long-lasting relationship," a message that embodied our commitment to serving the needs of the Bank's customers. At the time, the Bank still had only a small presence in areas outside Kyoto, so our first goal was to improve the Bank's market recognition. In early 2000, with the bankruptcy and reorganization of financial institutions after the collapse of the economic bubble still fresh in memory, quite a few customers were seeking to do business with banks with highly sound management to companies could have business dealings over the long term. The Bank was already highly financially sound at that time. Therefore, the catchphrase "A long-lasting relationship" proved effective in identifying the Bank's management situation, and it highlighted the factor that most sharply differentiated it from other banks. The catchphrase served as a driving force behind the Bank's business activities in new markets. For example, it enabled the Bank to make steady progress on developing new customers. Currently, the catchphrase "A long-lasting relationship" is widely recognized as being synonymous with the Bank. Moreover, our management approach based on a long-term perspective has perhaps also paved the way for today's sustainability management.

Deepening Sustainability Management

The Sustainability Management Promotion Committee, which was established in January 2021, has discussed various sustainability-related issues that are crucial for the Bank of Kyoto Group to deepen sustainability management and improve its corporate value amid a changing business environment. The committee's biggest news topic in fiscal 2021 was the announcement of the

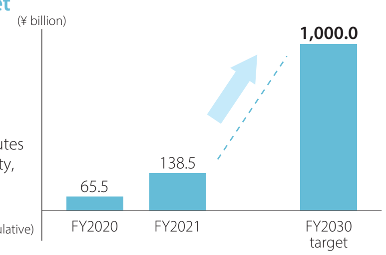
Bank's endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations in October. Together with this endorsement of the TCFD recommendations, the Bank established and announced two long-term targets, specifically a sustainable financing target and a CO_2 emissions reduction target. Looking ahead, the Bank will further accelerate its activities to address social issues and environmental problems, including climate change.

Sustainable Financing Target

Implement sustainable financing of ¥1 trillion by fiscal 2030

Examples of eligible types of investment and financing

Investment and financing that contributes to the realization of a sustainable society, such as sustainability-linked loans and bonds, as well as SDGs private placement bonds

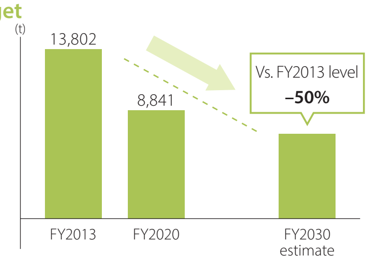


CO_2 Emissions Reduction Target

Reduce emissions by 50% by fiscal 2030 versus the fiscal 2013 level

Scope of measurement

CO_2 emissions calculated from the amount of electricity, gas, and gasoline used by the Bank of Kyoto Group (Applicable to Scope 1 and Scope 2 emissions)



As the SDGs and carbon neutrality become instilled in society as shared goals, I believe that regional financial institutions have a crucial part to play. Their role should be to expand SDGs and decarbonization measures to every regional company, including small and medium-sized enterprises. In this process, it will be essential to determine how to enlarge the field of these activities by effectively expanding these measures throughout the supply chain.

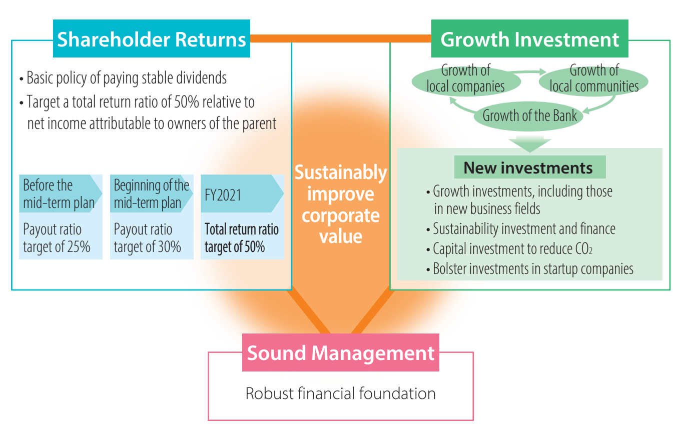
Kyoto has built up a highly distinctive industrial structure. The region is home to numerous publicly listed manufacturers that boast cutting-edge technologies and unique management styles, and many suppliers who serve those companies. If we can see each of the multiple supply chains in Kyoto from a broader perspective as covering areas of activity and encourage SDGs and decarbonization measures within each of those areas, we will be able to implement highly effective measures befitting Kyoto. The Bank's strength lies in doing business with both local publicly listed companies and their suppliers. In the FY2021 ESG Regional Finance Promotion Program (selection in July), which is implemented by the Ministry of the Environment, the Bank collaborated with SHIMADZU CORPORATION, acting as a bridge between this company and its suppliers. Specifically, the Bank is providing support for the core businesses of SHIMADZU CORPORATION's suppliers in relation to the SDGs, including the reduction of greenhouse gas emissions, from the perspectives of mitigating and reducing their impact on Kyoto's economy, environment and society. The Bank is thus working to enhance the sustainability of these suppliers' businesses. These activities have led to the signing of the Comprehensive Collaboration Agreement for Realizing a Sustainable Society in December, an agreement that seeks to create an even more expansive collaboration and partnership.

Looking back at our business relationship with SHIMADZU CORPORATION through available records, the oldest transaction between the Bank and this company seems to be when the Bank began owning its shares in 1951. Ever since, the Bank and SHIMADZU CORPORATION have carried out a wide range of business dealings, building up an extensive track record of business. We believe that it is highly significant that the Bank and SHIMADZU CORPORATION have entered into an agreement to bolster their relationship further in 2021, a landmark year marking the 70th anniversary since their first transaction in 1951.

I believe that this agreement between two Kyoto-based enterprises has immense potential. By defining regional vitalization as a shared theme, the agreement will further deepen the relationship between both enterprises even after 70 years. Concurrently, this partnership between enterprises in different industries will allow both the Bank and SHIMADZU CORPORATION to implement new business development initiatives.

Changes in Shareholder Return Policy (Announced in December 2021)

The Bank has regarded the keys to continuously enhancing corporate value to be deftly balancing growth investments, ensuring sound management, and enhancing shareholder returns.



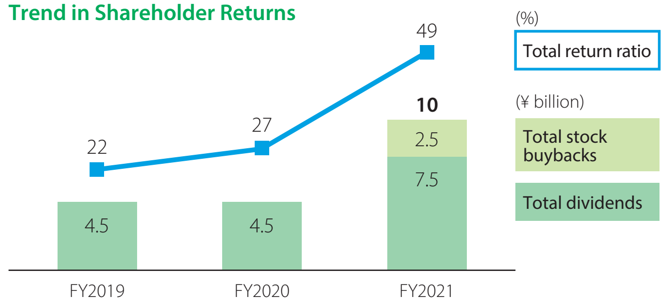
In December 2021, management announced a new shareholder return policy of achieving a total return ratio of 50% and began implementing this policy in fiscal 2021. The adoption of this new policy reflects our decision that the Bank should bolster shareholder returns even further, considering a comprehensive range of factors such as the Bank's capital efficiency, capital ratio and future growth investments. The decision was made after a series of discussions was held among the directors, including the outside directors, and also referring to the opinions of investors. The target level of 50% for the total return ratio was determined following multi-faceted simulations and assessments undertaken from the perspectives of future growth investments and capital.

In terms of growth investments, the Bank will need to increase loan amounts to continue to energize the regional economy. In addition, the Bank will need to continue to proactively make growth investments including investments in startup companies and related firms, sustainable financing to promote goals such as the decarbonization of customers, investments in equipment and other facilities to reduce the Bank's CO_2 emissions and promote digitalization, and investments in human capital. Meanwhile, capital will also need to be accumulated as our assets increase due to increases in loan amounts and other factors.

We believe that ensuring sound management is one of the most important management indicators that a regional financial institution should emphasize to make sure that it can provide solid support to regional companies even in sharp economic recessions, like the kind seen previously during the 2008 global financial crisis. From the standpoint of stabilizing the financial system, it is an indicator that all financial institutions should emphasize. When the medium-term management plan began, the Bank set a target for increasing the capital ratio to 10% or more. Currently (as of March 31, 2022), the capital ratio stands at 11.59%. However, with no end in sight to the COVID-19 pandemic, rising geopolitical risk, and increasing uncertainty in economic conditions, we cannot say with full confidence that the current level of the capital ratio is sufficient. Also, if a sharp economic recession were to actually happen, the sound management of banks may re-emerge as a key issue in public discourse, causing, for example, heightened scrutiny of bank capital ratios from society, including customers.

The target level for the total return ratio of 50% was derived based on consideration of a wide range of factors. This total return ratio would be one of the highest levels of any other bank. Currently, we believe that it is a level that can be fully understood and accepted by stakeholders, including the Bank's shareholders and other investors.

Trend in Shareholder Returns



$$\text{Total return ratio} = \frac{\text{Total dividends} + \text{Total stock buybacks}}{\text{Net income attributable to owners of the parent}} \times 100\ (\%)$$

Trend in Dividends per Share (¥)

FY2019	FY2020	FY2021
60	60	100

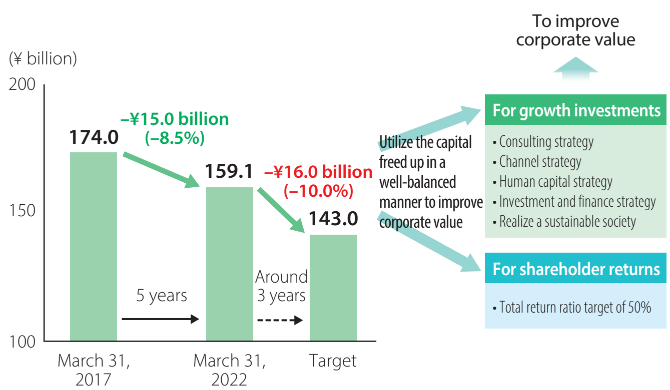
Policy on Reducing Securities Held for Strategic Equity (Announced in May 2022)

The Bank has long been working to reduce its securities held for strategic equity. Recently, it established a new policy to reduce these securities. Specifically, the new policy states that the Bank will reduce securities held for strategic equity by ¥16.0 billion, representing 10% of their book value, over around three years. In last year's integrated report, the Bank made the following statement regarding securities held for strategic equity: "Management will strive to further seek understanding among investors of the Bank. At the same time, we will seek optimal solutions that are readily comprehensible across a wide range of stakeholders, which will also bring about an increase in the corporate value of the Bank." As we stated, management has considered this matter over the past year among the directors, including the outside directors, based on a wide variety of opinions.

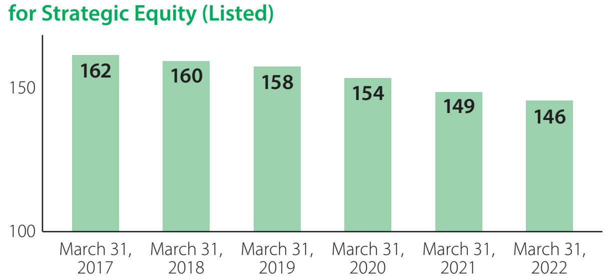
Of course, one aspect of this policy is to reduce securities held for strategic equity in accordance with the Corporate Governance Code. In addition, we have identified improving ROE as a major priority and are working on this priority. Accordingly, the Bank also formulated the new reduction policy considering not only its higher profit growth in fiscal 2021, but also capital-related factors such as improving capital efficiency.

The Bank's plan to reduce securities held for strategic equity by ¥16.0 billion, representing 10% of their book value, over around three years marks an accelerated pace of reduction compared with the Bank's track record of reducing these securities by around ¥15.0 billion over the past five years from March 2017 to March 2022. Going forward, the Bank will decide on the selection of eligible securities by considering a comprehensive range of factors, such as economic rationale, in the process of assessing the holding purpose. Stable relationships with customers are crucial, so we would like to obtain their full understanding as we move forward with this process. In addition, even if securities match our holding criteria, we will sell investments for which we have been able to confirm the intentions of customers. Capital freed up through these sales will be allocated, as appropriate, primarily to growth investments and enhancing shareholder returns, which were discussed earlier.

Book Value of Securities Held for Strategic Equity (Listed Companies)



Number of Stocks Classified as Securities Held for Strategic Equity (Listed)



Seeking Sustainable Improvement in Medium- and Long-Term Corporate Value

Guided by our management principle of "Serving the Prosperity of the Community," the Bank of Kyoto Group is promoting sustainability management and specific measures to realize a sustainable society, with the aim of enhancing economic and social value and sustainably improving medium- and long-term corporate value. To make a Group-wide effort to further promote sustainability management, in March 2022, we formulated the Sustainability Management Policy as a shared policy for the whole Bank of Kyoto Group.

Notably, over the past year, we have assessed measures from many different angles and implemented them with a view to sustainably improving the Bank's corporate value. Against this backdrop, at the 119th Ordinary General Meeting of Shareholders held in June 2022, shareholders put forward a shareholder proposal regarding a special dividend. However, this proposal differed markedly from the Bank's position on this matter, and the Bank's Board of Directors opposed the proposal on the grounds that "it would not lead to improvement in the Bank's corporate value over the medium and long terms." The approval rate for the shareholder proposal reached only 25%, and the proposal was rejected. We interpret this voting result as showing that a large majority of shareholders supported the Bank's position on this matter.

One theme of the discussions on whether to support or oppose the shareholder proposal was "sustainable improvement in the medium- and long-term corporate value of regional financial institutions." I believe that it was highly significant that we gained an opportunity to explain the Bank's position on this matter to numerous shareholders and other investors and that we were able to hold a purposeful dialogue with them.

I have explained the Bank's position in disclosure materials and this message, and I believe that it is optimal at present. That said, I would also like to maintain a flexible management approach that will enable us to constantly search for optimal solutions. It is also essential to have the flexibility to modify our current way of thinking in step with the times based on, as before, regional social and economic conditions and purposeful dialogue with stakeholders without adhering to rigid principles.

The stakeholders of regional financial institutions are many and varied, encompassing customers, shareholders and other investors, local communities, and employees. Each stakeholder's expectations and standards of value toward the Bank also vary widely and at times may conflict with one another from a short-term perspective. However, I believe that it is fully possible for stakeholders' interests to be aligned and follow the same path over the medium and long terms. Based on this belief, the Bank of Kyoto Group will make stronger and faster strides toward improving its medium- and long-term corporate value in ways unique to a regional financial institution, in a manner that all stakeholders can find more readily acceptable.

In closing, I sincerely look forward to your continued support and kind consideration.

Nobuhiro Doi
President
The Bank of Kyoto, Ltd.

The Industry of Kyoto Prefecture

In Kyoto Prefecture, the economy possesses various strengths that are embedded in Kyoto's unique value-added industrial structure, including high-tech industries developed by adding a new wisdom to the excellent techniques of traditional industries, as well as the tourism industry and the traditional industries built upon the city's 1,200 years of history and culture.

Top Nationally Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	10.1 billion yen (36%)
	Material testing machines	14.0 billion yen (42%)
	Medical X-ray equipment	19.1 billion yen (12%)
	Machinery, tools, and equipment for dentistry	9.3 billion yen (13%)
Traditional crafts	Ready-made kimono, obi	8.0 billion yen (45%)
	Chirimen textile	2.9 billion yen (77%)
Food and beverages	Sake	53.5 billion yen (13%)

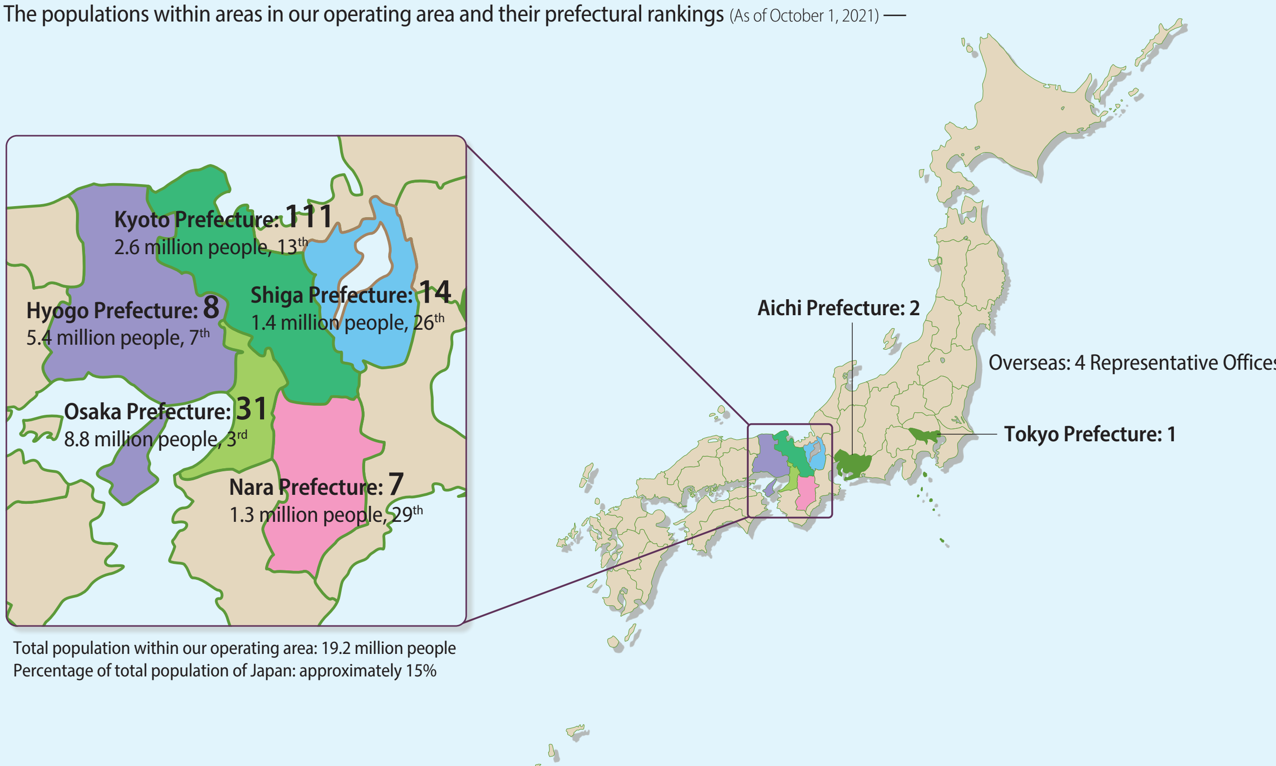
(Source)
METI: FY2020 industry statistics
(domestic market share in %)

Operating Area and Population within the Area

— Aiming to be a comprehensive and convenient regional bank —

Our Network

— The populations within areas in our operating area and their prefectural rankings (As of October 1, 2021) —

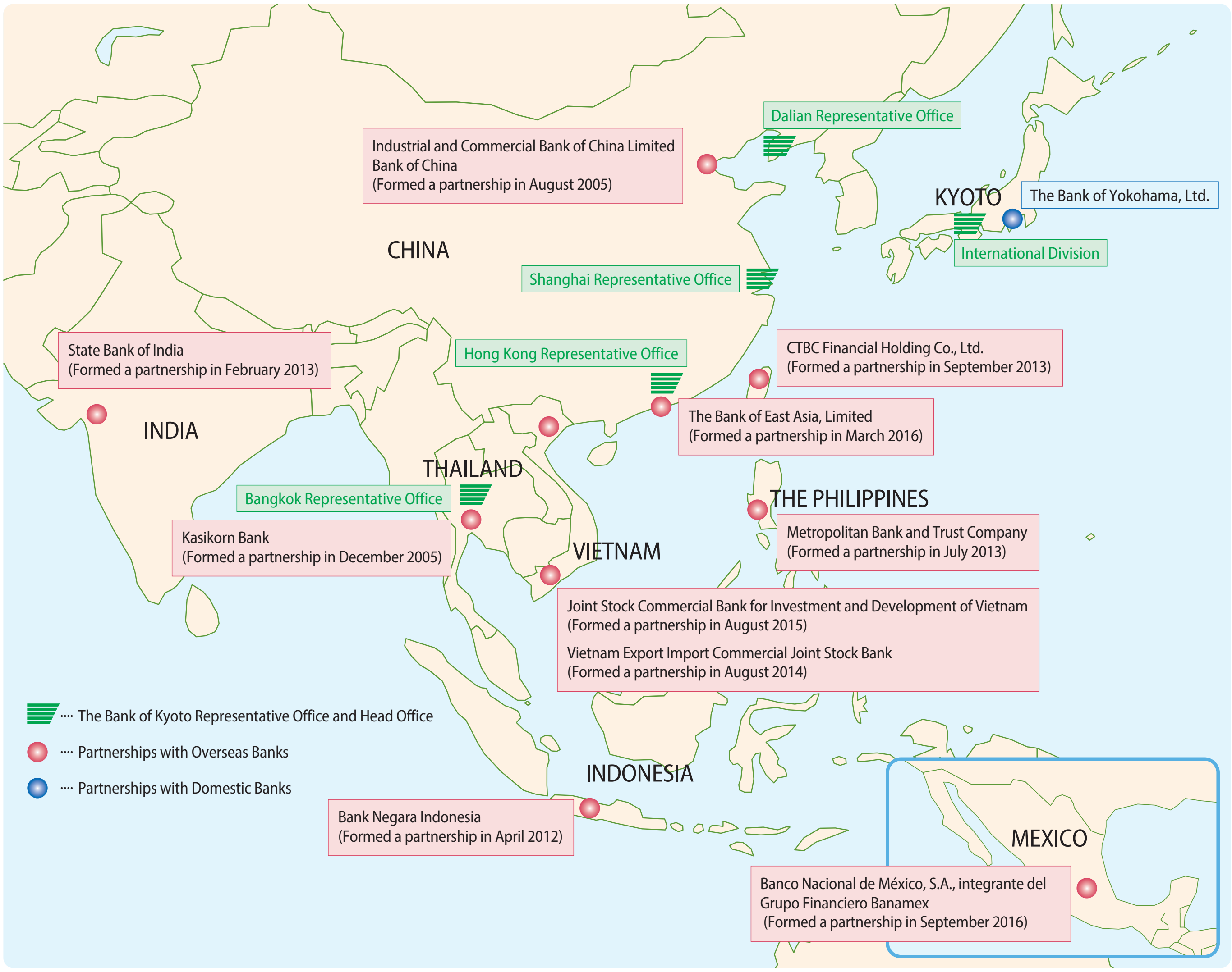


Total population within our operating area: 19.2 million people
Percentage of total population of Japan: approximately 15%

Support for Overseas Operations

The Bank opened its Hong Kong Representative Office in 1989, and now has representative offices in Shanghai, Dalian, and Bangkok and alliances with 11 overseas financial institutions, forming a strong overseas network mainly in East and Southeast Asia.

Creation of an Overseas Network



Fiscal 2021 Loans to Overseas Subsidiaries of Japanese Companies

Cross-Border Loans Total of 37 loans executed	
THB denominated	19 loans
USD denominated	8 loans
JPY denominated	8 loans
RMB denominated	2 loans

Stand-by L/Cs Total of 20 L/Cs executed	
RMB denominated	13 L/Cs
THB denominated	3 L/Cs
USD denominated	2 L/Cs
JPY denominated	2 L/Cs

History of the Bank of Kyoto

Becoming Kinki's Leading Bank

1941–1959

Established in northern Kyoto

1941 ● Established Tanwa Bank (Fukuchiyama City, Kyoto Prefecture)
1943 ● Opened the Kyoto Branch (now Shichijo Branch)
1950 ● Commissioned to provide main depository service for Kyoto Prefecture
1951 ● Changed name to the Bank of Kyoto
1953 ● Relocated the Head Office to Kyoto City (current location)
● Opened the Osaka Branch

Relocated the Head Office to Kyoto City

1960–1979

Road to becoming an urban-type regional bank

1963 ● Opened the Tokyo Branch
1966 ● Completed the current Head Office
1973 ● Listed on the Kyoto Stock Exchange
1978 ● Total deposits exceeded ¥1 trillion

Became Kinki's leading regional bank

1980–1994

Tackling Japan's financial Big Bang

1984 ● Listed on the Second Sections of the Tokyo Stock Exchange and Osaka Securities Exchange
1986 ● Total deposits exceeded ¥2 trillion
● Changed designation to the First Sections of both exchanges
1989 ● Opened the Hong Kong Representative Office
1990 ● Total deposits exceeded ¥3 trillion

First Kinki regional bank to exceed total deposits of ¥3 trillion

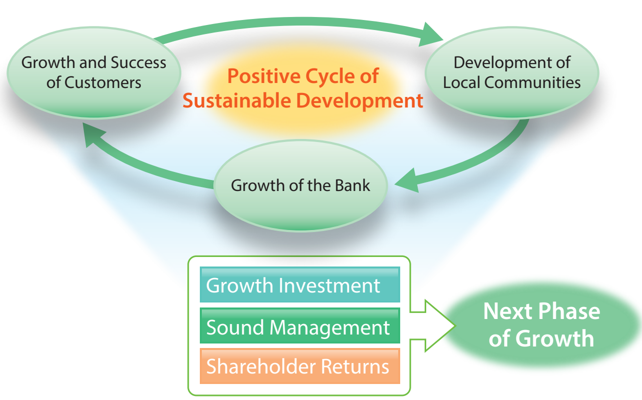
From a Local Bank in the Tango Area to Kyoto's Bank and then Kinki's Bank

The Bank of Kyoto was established in October 1941 as Tanwa Bank in Fukuchiyama City, Kyoto Prefecture through the merger of banks in northern Kyoto. Under a priority production system, Japan's post-war recovery period put Kyoto's economy – with its focus on traditional and textile industries such as Nishijin-ori and Tango Chirimen weaving – at a disadvantage. Financial conditions in Kyoto City were thus extremely tight, with a bank loan-deposit ratio significantly lower than the national average, and small and medium-sized businesses were experiencing particularly severe financial difficulties. There were increasing calls for a locally headquartered bank to take on the role of facilitating finance for small and medium-sized companies, and the Bank responded by relocating its Head Office to Kyoto City in 1953. Against this backdrop, the Bank provided support from a financial aspect to small and medium-sized companies in Kyoto City and across all areas of Kyoto Prefecture, firming its position as a locally headquartered bank.

The Bank of Kyoto Group's Growth Model

The Bank of Kyoto Group's Core Growth Model and Underlying Foundation

Since its founding, the Bank of Kyoto Group has been guided by its management principle of "Serving the Prosperity of the Community." As a regional financial institution, the Bank of Kyoto Group has grow together with local customers and communities by working on solving their issues, and continuously meeting their expectations.



A Growth Model Centered on the Creation and Growth Support of Local Companies

As Japan's ancient capital, Kyoto has long nurtured culture and industry, and has spawned numerous startup businesses that create original and unique products. The Bank provides a full range of financial support to those startup businesses through not only loans, but also investments, or in other words through the means of shareholding. In some cases, the Bank has dispatched Bank employees to companies. By growing together in these ways, we have built close relationships with the companies we support.

Many of the companies that the Bank has aggressively supported in founding or for growth have grown to become major global corporations. Their success has not only led to the growth of a single company, but it has also energized the regional economy, serving as a driving force behind the development of local communities. Moreover, the Bank's support for the founding and growth of companies through investments has yielded benefits in the form of dividends, which have later underpinned the Bank's earnings and became a source of funding for the Bank's next growth investments.

We believe that our model for creating a positive cycle based on

7th Medium-Term Management Plan
“Phase Change 2020”

Becoming a Top 10 Regional Bank

1995–1999

Strengthened management base and improved structure

1998 ● Started over-the-counter sales of investment trusts

1999 ● Opened the Direct Banking Center

● The Bank recorded its sole loss

Early disposal of non-performing loans

2000–

Growth as a wide-area regional bank

Expanded the operating area (market)

2000 ● Opened the Kusatsu Branch (Shiga Prefecture)

2004 ● Opened the Takanohara Branch (Nara Prefecture) and Amagasaki Branch (Hyogo Prefecture)

2010 ● Established Kyoto Banking College

2011 ● Opened the Nagoya Branch (Aichi Prefecture)

2013 ● Built the Higashinagaoka Branch as a zero-CO_2 emissions branch

Expanded into new business areas

2001 ● Started agency sales of non-life insurance

2002 ● Started agency sales of life insurance

2004 ● Relocated the core system to the NTT Data Regional Bank Integrated Service Center

● Opened the Shanghai Representative Office

2012 ● Opened the Dalian Representative Office

2013 ● Opened the Bangkok Representative Office

2017 ● Began operations at Kyogin Securities Co., Ltd.

2018 ● The Bank entered the trust service business

Shift to a comprehensive financial solutions business

Developed as a Wide-Area Regional Bank and Evolving into a Comprehensive Financial Solutions Business

Following the collapse of Japan’s bubble economy, many financial institutions were forced to dispose of non-performing loans. Many of these institutions advanced a strategy of selection and concentration, narrowing their areas of business to better focus the use of management resources. Meanwhile, the Bank quickly completed the disposal of its non-performing loans and expanded its market by adopting a broad-based strategy while other financial institutions adopted a downsizing and balancing strategy. In addition to driving market expansion, the Bank was an early proponent for working to build a business model around providing solutions for customers’ issues. Accordingly, it moved ahead with expanding services. With these two types of expansion – market expansion in existing businesses and service expansion – the Bank of Kyoto has grown to become one of the top 10 regional banks in terms of total funds. The Bank has steadily enhanced its presence in its home market of Kyoto Prefecture and has captured more than a 30% share of loans in the prefecture as of the end of March 2020.

proactive support for the founding and growth of local companies is a major feature of the Bank, and that it also serves as a growth model for regional financial institutions that have grown together with local companies.

Robust Financial Foundation

Since its founding, the Bank has long proactively offered loans, investment, and other support to local companies. Over time, this approach has generated significant dividend income and appraisal gains, which have further strengthened the Bank’s financial foundation.

Meanwhile, the Bank has also carefully managed the deposits that customers have entrusted to it. The Bank has maintained a steady approach to management, never forgetting its management principle of “Serving the Prosperity of the Community.”

Even after the collapse of the bubble economy when many financial institutions were forced to spend time disposing of non-performing loans, the Bank was able to quickly complete that process and shift to a proactive, offensive management.

Unless the Bank itself has sound management, it will struggle to make its next growth investments, let alone contribute to the development of local communities. Therefore, we believe that the Bank’s sound management is one of its major strengths.

Foundation of Quality Human Resources

Since its founding, the Bank has been committed to supporting the growth of local companies and the creation of new industries through investments and loans, and has cultivated its discerning skills as a financial institution.

Furthermore, the Bank’s foundation has enabled us to pursue an expansion strategy for over 20 years since 2000. The Bank possessed a foundation of quality human resources even before its wide-area business expansion and has undertaken steady recruitment and training even after it became a wide-area regional bank.

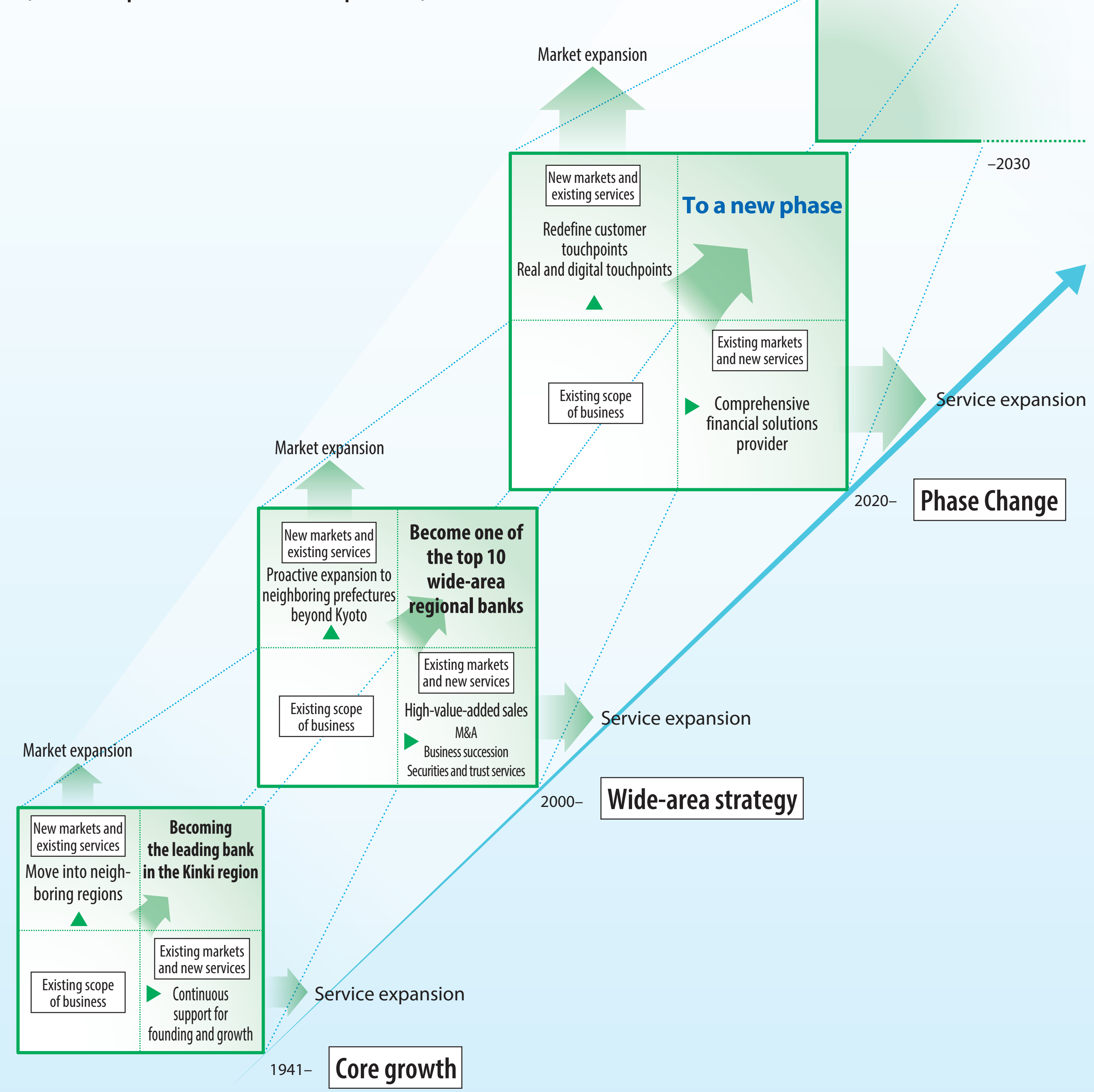
Moreover, the Bank has built a framework that allows a variety of human resources to play an active role, including proactive external personnel, women and experienced seniors.

A Growth Model Driven by Expansion of the Scope of Business

The Bank has spurred growth and built a business foundation through the development of local communities, beginning with support for the founding and growth of local companies. These efforts are the cornerstone of the Bank's activities.

However, this does not mean that the Bank has built up a history of 80 years merely by safeguarding traditions firmly. The Bank has achieved growth by continuing to make growth investments aimed at pioneering new markets and enhancing new services, and supporting changing customer needs in step with the times.

Growth through Two Types of Continuous Expansion (Market Expansion and Service Expansion)



From a Local Bank in the Tango Area to a Leading Bank in Kyoto and then the Kinki Region

As described in "History of the Bank of Kyoto" on pages 8–9, the Bank of Kyoto Group was established as a financial institution in the Tango area, and then moved to Kyoto City, where it laid a solid foundation as a locally headquartered bank.

After firming its foothold in Kyoto Prefecture, the Bank fostered close ties with Kyoto's economy and established an unshakable position as the Kinki region's leading bank.

Concurrently with this market expansion, the Bank undertook sales activities that were not limited to bank-specific services such as deposits, loans and funds transfer. It proactively provided startup companies founded at the time with continuous support and financing through investment. This business style became established over time as the Bank's support for founding and growth, leading to the present day.

Becoming a Top 10 Regional Bank — Growth as a Wide-Area Regional Bank

Following the collapse of Japan's bubble economy, many financial institutions were forced to dispose of non-performing loans.

The Bank quickly completed the disposal of its non-performing loans. It then greatly expanded its market area by adopting a broad-based strategy while other financial institutions adopted a downsizing and balancing strategy. The Bank's first step was the opening of the Kusatsu Branch in Kusatsu City, Shiga Prefecture in December 2000. Subsequently, the Bank continuously implemented its broad-based expansion strategy for the next 20 years. As a result, the Bank has independently built a wide-area network encompassing five prefectures in the Kinki region (Kyoto, Osaka, Shiga, Nara and Hyogo), as well as Aichi Prefecture and Tokyo.

Meanwhile, in addition to market expansion, the Bank made early efforts to build a business model that provides solutions to a wide range of customers' issues. Notably, the Bank appointed a specialist to the M&A business in 2007, and began operations at Kyogin Securities Co., Ltd. in 2017. The Bank itself successfully entered the trust service business in 2018. These are some examples of how the Bank has been proactively expanding its services.

In this way, the Bank has been enhancing its corporate value by providing new value-added services through steadfast efforts to expand its solutions business.

Aiming for a New Phase of Growth

Through the growth investment as a broad-based strategy spanning over 20 years, the Bank has built a wide sales network and laid the foundation for a high-value-added sales structure. Nevertheless, the benefits of these efforts are now within the scope of existing business areas.

The Bank recognized that even its broad-based strategy was a framework of preexisting notions and fixed ideas, and spent several months from October 2019, just before the start of the current medium-term management plan, once again confirming its vision in order to refresh the mindset of executives and employees as well as the Bank itself. These efforts revealed a "desire" to "provide customers with enhanced services locally and continue to grow alongside the region and customers" as well as a "strong determination" to "continue maintaining a commanding presence in the broad range of markets it has built up so far" that were used as the driving forces to move forward as the Bank launched its 7th Medium-Term Management Plan, "Phase Change 2020."

Management Strategy
—Strategies to Strengthen Consulting Capabilities—

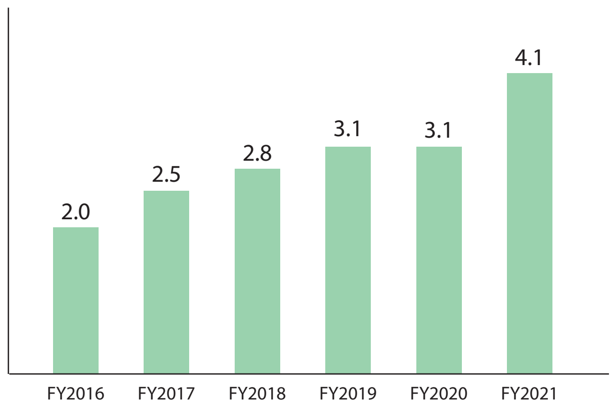
Raising capital is gradually becoming less of a primary concern for business customers, and the issues that they must address are becoming increasingly diverse and sophisticated. One of the main themes of the 6th Medium-Term Management Plan, which was the previous medium-term management plan, was "fully leverage consulting capabilities." Following on from this plan, as one of the key priorities of the Bank's current medium-term management plan, we have been conducting solutions-based sales activities focused on solving customers' issues.

In June 2020, when the spread of COVID-19 was becoming increasingly serious, the Bank took early steps to form its COVID-19 Pandemic Support Team, and this team has been thoroughly supporting the Bank's customers. The management issues it has identified through dialogue with customers cover a wide range of issues. The number of management issues addressed by the Bank through various solutions described later in this report was around 6,300 as of March 31, 2022.

Income from comprehensive corporate services has more than doubled compared with the final year of the 5th Medium-Term Management Plan, which was five years ago. This growth shows that the Bank's continuous consulting-based sales activities have been steadily producing results.

Income from Comprehensive Corporate Services

(¥ billion) (Income from syndicated loans, M&As, business matching, etc.)



Support for Startups and New Businesses

In addition to relationship investment (i.e., the Bank is a direct shareholder), the Bank has been implementing innovative activities, including the use of a fund scheme since 2000.

The Bank established Kyogin Future Fund No. 1, its own fund, in 2016. The fund has invested in 41 companies on a cumulative basis as of March 31, 2022 (including 1 company that has already been publicly listed). The Bank will expand the size of its own fund, along with advancing activities as a lead investor by enhancing its presence as it forms funds. The Bank will strive to enhance both the quantity and quality of these activities so that it becomes widely known that "When people consider startup support in the Kansai region, the Bank of Kyoto comes to mind first."

Support for Growth

Business-Matching

A major hurdle in business-matching is to gain an interview opportunity. The Bank offers a seamless referral service with a wide-area network of 174 branches in 5 prefectures within the Kinki region, Aichi Prefecture, and Tokyo.

M&A Support

The Bank began an M&A business in 2001. Today, it has a well-developed structure for providing solutions to customers.

The Bank's consulting structure covering the full process from deal origination to execution has won customers' trust.

Since the first deal in 2003, the Bank's M&A team has helped 178 companies with M&A deals on a cumulative basis. The Bank has fully demonstrated the strengths of having a wide-area network in the M&A business, as it has done with business-matching.

Business Succession Support

The Bank started providing business succession support services in 2009.

In addition, the Bank has also amassed expertise and a track record in business succession support using funds. In March 2021, the Bank established a business succession fund with total assets under management of ¥3 billion. It plans to continue investing in the fund, increasing its assets under management to ¥10 billion over 10 years.

Support for Management Improvement and Business Rehabilitation

The Bank is working closely with regional business rehabilitation support networks and external specialist organizations, and utilizing various business rehabilitation schemes to proactively provide financial support based on cooperation between financial institutions.

Initiatives to Realize Sustainability Management

The Bank is promoting sustainability management based on the belief that "sustainability management practices occupy a higher level of our management principles." With this mind, the Bank is pushing ahead with efforts to realize a sustainable society.

The word "SDGs" has gained widespread acceptance in society. However, there are quite a few small and medium-sized enterprises that are familiar with the term but find themselves at a loss for what to do when they try to implement SDGs activities. The Bank has a comprehensive consulting framework in place, covering the full process from initial understanding to implementation and evaluation of SDGs activities.

Furthermore, the Bank has been making efforts to promote the SDGs and decarbonization for the regional community as a whole, without limiting its efforts to promoting the SDGs of any one company.

Global listed corporations are being called upon to implement decarbonization not only internally but also across their entire supply chains. However, it is not easy for one such company alone to advance the decarbonization of numerous supply chain companies. Meanwhile, the small and medium-sized enterprises that are part of those supply chains may find that if they do not implement decarbonization measures, they could face risks to the continuity of business with the company they are supplying, but in many cases such enterprises face the problem of not knowing specifically what to do. The Bank, which does business with both global listed corporations headquartered in Kyoto and companies in their supply chains, has come between both sides and offered its support, as part of efforts to solve the issues faced by both parties.

Public Dealings

Partnerships with local governments and other local public bodies are essential to advancing measures to realize regional sustainability. The Bank is promoting collaborative measures with local communities by taking steps such as concluding partnership agreements, in addition to leveraging the relationships fostered as a regional financial institution.

Moreover, in January 2021, the Bank established the Kyogin Machizukuri Fund (assets under management of ¥200 million, of which the Bank invested ¥100 million) through a joint investment with the Organization for Promoting Urban Development. In March 2021, the Bank collaborated with Shinkin banks with head offices in Kyoto and destination marketing organizations (DMO) to establish the Chiikizukuri Kyo Fund (assets under management of ¥200 million, of which the Bank invested ¥40 million). Furthermore, in February 2022, the Bank invested in the Asset Renovation Fund, which was formed through a collaboration by the Organization for Promoting Urban Development, regional financial institutions and other partners. By energizing renovation and urban development projects that contribute to the solution of regional issues, the Bank supports the sustained growth of local communities and the regional economy.

Comprehensive Individual Consulting

The Bank's branches, headquarters, and Group companies work as one to offer one-stop banking, securities, and trust services based on a consulting-based approach. Through these efforts, the Bank endeavors to provide high-quality consulting services appropriate to each customer's life stage.

—Digital Strategies—

In June 2019, the Bank established the Innovation & Digital Strategy Division responsible for the planning, designing, and supervising digital strategy. The new team is moving forward with three digitalizations: digitalization support for customers, digitalization of services provided by the Bank, and digitalization of banking business and administrative processes (digitalization the Bank itself).

Digitalization Support for Customers and Training Human Resources to Address DX

There are still large numbers of small and medium-sized enterprise who know the phrase "digital transformation" (DX), but do not know where they should start this process. Against this backdrop, the bank provides optional solutions through collaboration between the Bank's branches and Head Office for a full range of so-called DX support, from identifying issues to assisting with installing digital technologies.

Digitalization of Banking Services

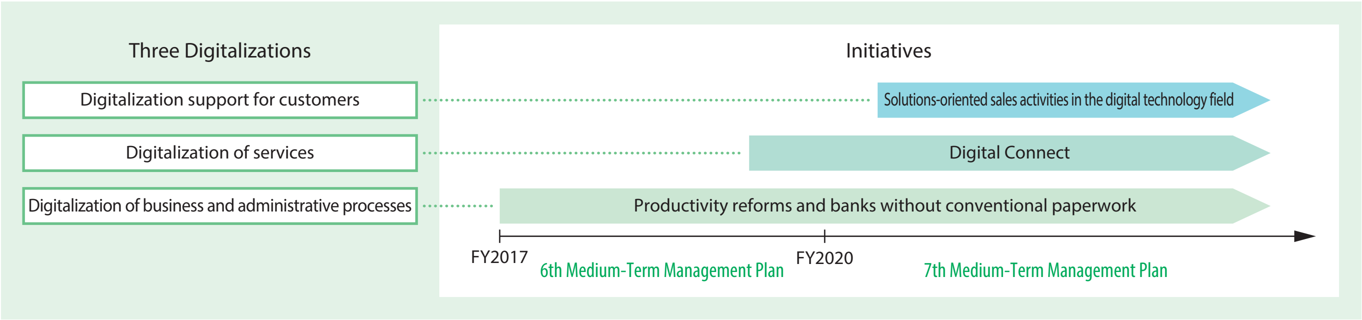
The Bank's two main digitalized banking services for customers are the Kyogin App for individual customers and the Kyogin Business Portal for business customers.

The Bank provides comprehensive daily life-related services to individual customers and comprehensive solutions to business customers. Moreover, the Bank is working on creating a system that maximizes the fulfillment of customer needs by making personalized proposals that utilize digital information.

Digitalization of Banking Business and Administrative Processes

As a next-level initiative of the current medium-term management plan, the Bank is transitioning 80% of its conventional administrative work to non-face-to-face, tablet-based work with the goal of becoming a bank without conventional paperwork.

Concept Diagram of the Bank's Digital Initiatives



—Branch Strategies—

Financial institutions are facing conditions that differ from what they have faced before, including changes in the earnings environment and a decrease in the number of customers visiting branches due to improved online services. The Bank intends to work on enhancing consulting functions, while focusing on taking creative steps to build customer touchpoints and curtailing office operation costs. It is working to implement office strategies that are not rigidly tied to fixed ideas.

Optimal Regional Management

Previously, the Bank's basic strategy was to ensure that branches that provide full banking services were optimally located. However, to address changes in the environment, the Bank now sees neighboring branches within a given region and area as one group, and it has switched to regional management that seeks to optimize operations across the whole business area.

Enhance Consulting through Specialist Offices

The Bank is accelerating the opening of specialist offices in all regions to fulfill the needs of its customers, which have become more diverse and sophisticated.

For individual customers who need funds to acquire their own home, we have a total of 11 loan sales offices covering most of our sales area.

Additionally, in the northern Kyoto area, the Bank opened the Inheritance and Asset Succession Consulting Plaza Kyoto-Kita in July 2021. This is the Bank's first specialist office focused on inheritance and asset succession.

In corporate sales, in September 2020, the Bank opened the Hirano Corporate Office (Hirano Ward, Osaka) and the Akashi Corporate Office (Akashi City, Hyogo Prefecture). The Higashiosaka Chuo Corporate Office (Higashiosaka City, Osaka) was then opened in July 2022.

Moreover, in May 2021, the Bank opened Kyogin Digital Connect Sakyo as an office focused on promoting digital services.

Effective Utilization of Branches as Assets

Many of the Bank's branches are in prime locations and are being effectively utilized by combining branches with other businesses, while also considering local needs.

The upper floors of the Kawaramachi Branch are combined with a hotel, while the upper floors of the Yamashina and Sai Branches are combined with rental dormitories for outside users. In this manner, the Bank strives to effectively utilize its branches.

—Human Resource Strategies/Human Resources Innovation Project—

Consistently Fostering Human Resources with a Competitive Edge

As a wide-area regional bank, the Bank has been advancing two types of expansion – market expansion and service expansion – since 2000. A key factor enabling the Bank to pursue this strategy over the long term is its human resources and its ability to consistently produce personnel who can deliver high quality solutions in new markets.

The Bank established Kyoto Banking College as a dedicated human resource training division in 2010 to administer an ongoing program to foster skilled personnel.

As a result of the Bank's human resources strategy, the number of employees with financial planning-related qualifications* stood at 2,573, of whom 437 (as of March 31, 2022) hold the most advanced financial planning qualifications of CFP or 1st Grade Financial Planner. Notably, the Bank's number of employees with the CFP qualification is one of the highest among regional banks nationwide.

* CFP, AFP and 1st Grade and 2nd Grade Financial Planner

Initiatives for Diverse Human Resources

Supporting Women's Career Success

The Bank has continued to support the success of female employees since launching the Women's Career Support Project in FY2007.

As of March 31, 2022, the Bank achieved its initial target of 20% for the percentage of female managers, making significant progress for women to succeed in the workplace.

Recruiting External Human Resources

While expanding markets and services, the Bank has not only fostered internal human resources within the Bank of Kyoto Group, but it has also proactively recruited external human resources.

Supporting the Careers of Senior Employees

At a time when healthy lifespans are expanding, the retirement of employees who have nurtured skills and experience over many years of service may not be ideal for them or for a bank.

In 2014, the Bank set up its Active Senior Program to enable employees to continue working until the age of 70. In March 2020, the age limit was raised to 75, and the Bank provides greater flexibility in terms of workplaces and work styles for senior workers.

Financial Review (Consolidated)

Financial and Economic Environment

During the consolidated fiscal year under review, the Japanese economy followed a gradual recovery trend as whole, although it continued to be affected by the COVID-19 pandemic. However, conditions remained challenging, and restrictions on economic activity and related factors made it impossible to develop a clear outlook for the future. During this time, production activity by companies grew steadily as exports improved, despite being impacted in some areas by supply constraints and other issues. Consumer spending remained firm against the backdrop of an improving employment and income environment. However, the service-related sector experienced pronounced ups and downs in response to the effects of restrictions on activities imposed to prevent the spread of COVID-19. Toward the fiscal year-end, concerns emerged about supply constraints and rising raw material prices, as well as worldwide inflation, including rising resource and energy prices caused by the growing impact of the conflict between Russia and Ukraine. There was also concern about the effect of the tightening of monetary policy in the U.S. The fiscal year ended on a note of heightened uncertainty in the global economic outlook.

Business Progress and Results

The Bank of Kyoto Group has been implementing various measures in accordance with its 7th Medium-Term Management Plan “Phase Change 2020,” which runs from fiscal 2020 to fiscal 2022. As a result, the Bank’s performance for the fiscal year under review was as follows.

Main Accounts

In the main accounts, the total of deposits and negotiable certificates of deposit amounted to ¥8,956.3 billion, an increase of ¥268.4 billion from the previous fiscal year-end centered on deposits by individuals.

Loans and bills discounted increased by ¥80.6 billion from the previous fiscal year-end to ¥6,140.1 billion, reflecting an increase in lending to SMEs, although financing undertaken in preparation for the spread of COVID-19 diminished.

Securities amounted to ¥3,038.0 billion, a decrease of ¥191.9 billion from the previous fiscal year-end, as efforts were made to implement appropriate fund management while closely monitoring market trends. Valuation difference on gains on securities (unrealized gains) from fair value measurement decreased by ¥142.2 billion from the previous fiscal year-end to ¥881.6 billion.

Moreover, total assets stood at ¥12,210.9 billion, a decrease of ¥62.9 billion from the previous fiscal year-end. Total shareholders’ equity increased by ¥13.0 billion from a year earlier to ¥476.6 billion, due to an increase in retained earnings.

Business Performance

In profit and loss, interest income rose ¥5,005 million from the previous fiscal year to ¥81,873 million, primarily due to interest and dividends on securities. Moreover, fees and commissions rose ¥1,762 million from the previous fiscal year to ¥20,482 million, due to efforts to bolster individual consulting in areas such as asset management and inheritance and asset succession, and business consulting in areas such as M&As and business matching, and SDGs and ESG management support.

On the other hand, general and administrative expenses amounted to ¥55,750 million, a decrease of ¥1,155 million year on year, as efforts were made to reduce these expenses.

An allowance for loan losses was recorded as of the fiscal year-end, considering continuing uncertainty in the future course of the COVID-19 pandemic.

As a result, consolidated ordinary income amounted to ¥29,176 million, an increase of ¥5,410 million from the previous fiscal year. Net income attributable to owners of the parent rose by ¥3,760 million year on year to ¥20,621 million.

Turning to performance by segment, in the banking business, the core business of the Bank of Kyoto Group, segment profit (ordinary income) rose by ¥5,459 million to ¥26,084 million. In others, segment profit decreased by ¥46 million year on year to ¥3,105 million.

Cash Flows

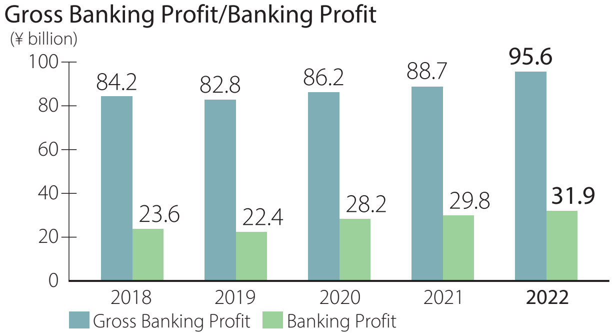
In terms of cash flows, net cash provided by operating activities during the fiscal year under review was ¥37.2 billion, compared with ¥1,437.5 billion in the previous fiscal year, mainly due to an increase in deposits.

Net cash provided by investing activities was ¥66.7 billion, compared with ¥82.1 billion in the previous fiscal year, mainly owing to the sale and redemption of securities.

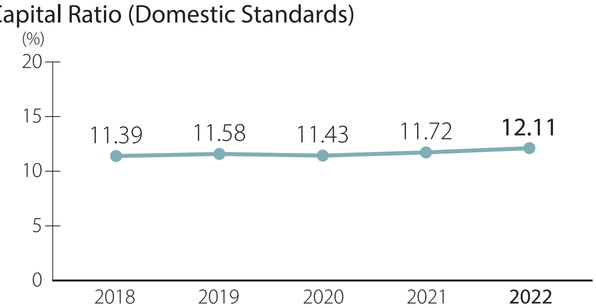
Net cash used in financing activities was ¥4.9 billion, compared with ¥4.5 billion in the previous fiscal year, owing to dividend payments.

As a result, the balance of cash and cash equivalents increased by ¥99.1 billion from the previous fiscal year to ¥2,660.9 billion.

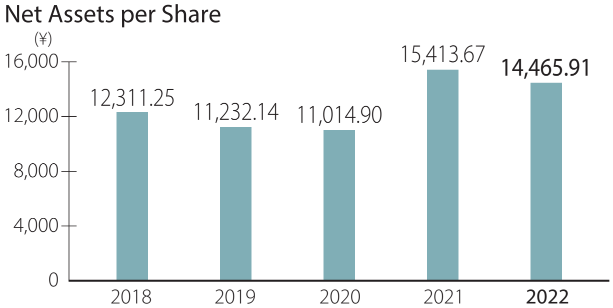
Gross Banking Profit/Banking Profit



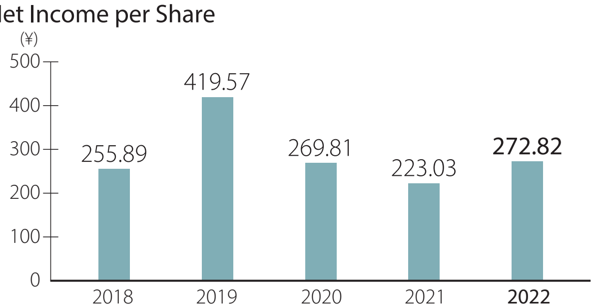
Capital Ratio (Domestic Standards)



Net Assets per Share



Net Income per Share



Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 11.59% on a non-consolidated basis and 12.11% on a consolidated basis.

In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic Standards	11.59%	12.11%

<Reference>

	Non-consolidated	Consolidated
International Uniform Standards	22.87%	23.32%

Self-Assessment of Assets, Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosed Assets Based on the Financial Reconstruction Law

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2021, the Bank's total disclosed assets, excluding normal assets, amounted to ¥92.8 billion ($758 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 68.1%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 91.3%, which we consider to be a sufficient level.

Financial Reconstruction Law Standard (Non-Consolidated)

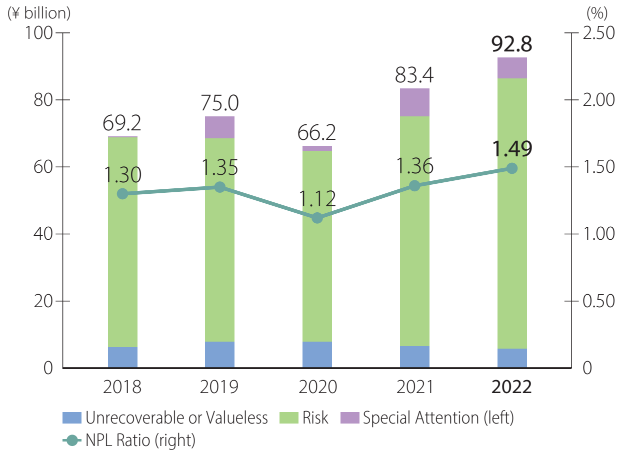
(Billions of yen)

	2022/3	Change from Mar. 31, 2021	2021/3
Unrecoverable or Valueless	¥ 5.8	¥ (0.6)	¥ 6.5
Risk	80.6	11.9	68.6
Special Attention	6.2	(2.0)	8.2
Subtotal (A)	92.8	9.3	83.4
Normal	6,131.6	79.7	6,051.8
Total	¥6,224.4	¥89.1	¥6,135.3

Notes:

1. From the end of March 2009, we have been calculating Special Attention by standards that reflect the "Measure for facilitation of financing for SMEs through eased lending terms" (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprises only loans and bills discounted.

Financial Reconstruction Law Standard (Non-Consolidated)



Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2022/3	Change from Mar. 31, 2021	2021/3
Allowance for Loan Losses (B)	¥17.1	¥ (0)	¥17.2
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	67.6	12.9	54.6
Coverage Ratio (B)+(C)/(A)	91.3%	5.2%	86.1%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into five categories: bankruptcy reorganization loans and similar loans, doubtful loans, past due loans (three months or more), restructured loans, and normal loans. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2022/3	Change from Mar. 31, 2021	2021/3
Bankruptcy Reorganization Loans and Similar Loans	¥ 6.4	¥ (0.7)	¥ 7.1
Doubtful Loans	80.6	11.9	68.6
Past Due Loans (Three Months or More)	—	—	—
Restructured Loans	6.2	(2.0)	8.2
Subtotal	93.4	9.2	84.1
Normal Loans	6,129.8	80.9	6,048.8
Total	¥6,223.2	¥90.2	¥6,133.0

Risk Management Loans (Non-Consolidated)

(Billions of yen)

	2022/3	Change from Mar. 31, 2021	2021/3
Bankruptcy Reorganization Loans and Similar Loans	¥ 5.8	¥ (0.6)	¥ 6.5
Doubtful Loans	80.6	11.9	68.6
Past Due Loans (Three Months or More)	—	—	—
Restructured Loans	6.2	(2.0)	8.2
Subtotal	92.8	9.3	83.4
Normal Loans	6,131.6	79.8	6,051.8
Total	¥6,224.4	¥89.1	¥6,135.3

Notes:
1. Outstanding balance of risk management loans represents the amount prior to deduction of collateral and provision for possible loan losses.
2. Bankruptcy reorganization loans and similar loans are claims to debtors who are in financial difficulties due to initiation of bankruptcy proceedings, reorganization proceedings, petition for commencement of rehabilitation proceedings and claims similar to the above.
3. Doubtful loans are loans for which the debtor has not yet entered into bankruptcy, but the financial condition and business performance of the debtor have deteriorated and it is highly probable that the principal cannot be collected and interest cannot be received in accordance with the contract, and which do not fall under the category of bankruptcy reorganization loans and similar loans.
4. Past due loans (three months or more) are loans with principal or interest unpaid for over three months from the day after the agreed-upon payment date, and do not fall under the category of bankruptcy reorganization loans and similar loan and doubtful loans.
5. Restructured loans are loans that provide certain concessions favorable to the borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the debtors, and exclude bankruptcy reorganization loans and similar loans, doubtful loans, and past due loans (three months or more).
6. Claims to debtors classified as normal means that there are no particular issues with the obligor's financial conditions or business results, and applies to all other loans apart from those listed above in Notes 2–5.

Corporate Governance

The Bank has embraced "Serving the Prosperity of the Community" as its management principle. Therefore, the Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. To achieve its management principle through business activities, the Bank views strengthening and enhancing corporate governance as one of its top management priorities. Accordingly, the Bank is making every effort to implement effective corporate governance.

Moreover, the Bank endeavors to enhance corporate governance practices, with the aim of achieving greater managerial transparency and soundness, which involves having the Board of Directors and auditors monitor the directors' execution of their duties.

The Bank has built a structure for quick management decision-making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest-ranking decision-making body.

Board of Directors

The Board of Directors has decision-making responsibility for basic policies and important matters, and members of the Board of Directors engage in reciprocal monitoring and supervision. Moreover, outside directors with specialist knowledge are appointed as part of efforts to bolster the supervisory function over management decision-making and business execution.

Executive Committee

The Executive Committee is vested with authority from the Board of Directors. The committee promptly makes decisions on important matters pertaining to day-to-day business management and supervises the execution of those decisions.

Audit & Supervisory Board

The Audit & Supervisory Board has a structure in place that allows each auditor to implement appropriate auditing in accordance with auditing policies and plans approved by the Audit & Supervisory Board. All auditors attend meetings of the Board of Directors, while the standing auditor attends meetings of the Executive Committee, thereby providing monitoring over management.

Nomination and Compensation Committee

The Nomination and Compensation Committee is consulted by the Board of Directors when it makes decisions on important matters regarding the nomination and compensation of directors and auditors, and the committee reports its opinions on those matters to the Board of Directors. This process helps to ensure managerial transparency and procedural adequacy.

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors and employees of the Bank and its subsidiaries conforms to laws and the articles of incorporation of the Bank of Kyoto
2. Structures related to the storage and management of information about the execution of business by the Bank's directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and its subsidiaries
4. Structures to ensure that the directors of the Bank and its subsidiaries execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and its subsidiaries
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and its subsidiaries, and structures for reporting to the Bank on the business execution of the directors of the Bank's subsidiaries
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's subsidiaries, or those who receive the reports from these people, as well as other structures related to reporting to auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors

Compliance Structures

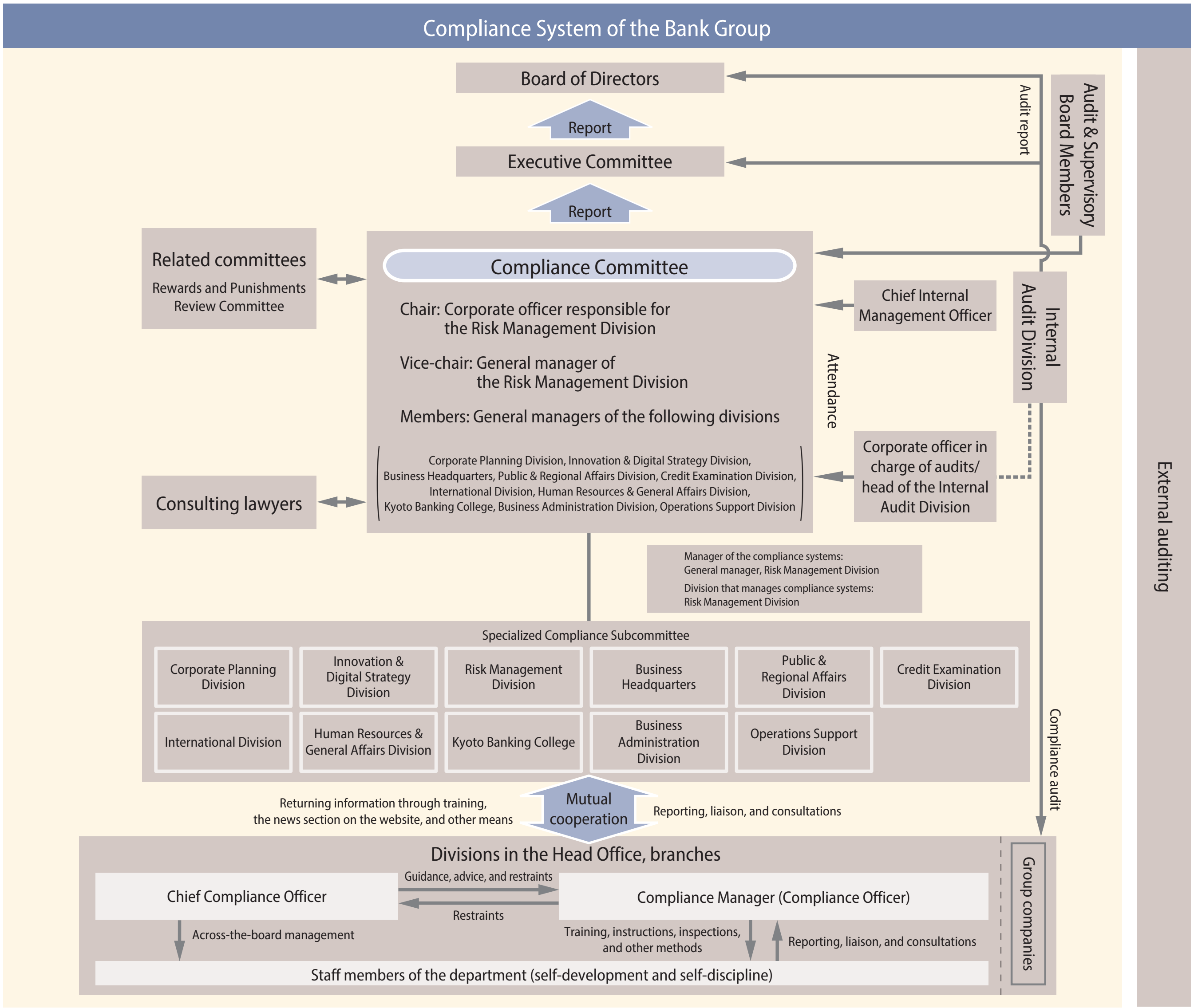
Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers.

We have been strengthening our compliance structures in part by having the Compliance Committee (chaired by the corporate officer responsible for the Risk Management Division) centrally manage and respond to compliance-related problems.

In order to ensure compliance, the Bank has established Our Business Ethics and Standards of Conduct and endeavors to make these principles known to all employees. The Board of Directors establishes compliance programs every fiscal year and enforces a variety of policies in accordance with these programs.

The Bank has set up the Compliance Hotline as an internal whistleblowing system in accordance with the Whistleblower Protection Act, in order to identify misconduct at an early stage and self-initiate responses to such incidents. The Bank has appointed a manager of the hotline and a department responsible for it, along with staff to handle work related to addressing any reports. In this manner, the Bank has established an appropriate system that follows the aims of the relevant legal and regulatory requirements. Moreover, in order to improve the effectiveness of the system, the Bank has designated an external contact point and auditors as reporting channels, in addition to an internal contact point. Furthermore, by taking steps such as making multiple means of reporting available, the Bank has worked to encourage the use of the whistleblowing system. Concurrently, it has made efforts to properly operate the system, such as making sure that employees are informed about the aims of the system and the track record of its use.



As of July 1, 2022

System for Anti-Money Laundering/Countering the Financing of Terrorism

In recent years, there have been mounting calls worldwide regarding Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), particularly amid ongoing globalization. The Bank has acknowledged AML/CFT as a critical management issue for ensuring business adequacy, and is strengthening related systems.

As a basic policy for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), the Bank has established its Anti-Money Laundering/Countering the Financing of Terrorism Policy, and is raising the sophistication of related systems.

Specifically, the Bank regularly holds meetings of the Anti-Money Laundering/Countering the Financing of Terrorism Committee, which discuss matters such as AML/CFT measures and are attended by management and the managers of each division. Management is actively involved in these meetings. To take action on AML/CFT, the Bank has designated its Risk Management Division as the organization in charge of AML/CFT measures, and the division is working closely with other divisions to implement measures tailored to risks.

In addition, the Bank makes every effort to block relationships with anti-social forces through a system developed based on its Basic Stance on Anti-Social Forces.

Policies, Procedures and Approaches

Our Business Ethics and Standards of Conduct

We will share the following business ethics and standards of conduct and put them into practice while fulfilling our daily duties. By doing so, we will obtain the unwavering trust and confidence of all members of society as we endeavor to achieve our management principle of "Serving the Prosperity of the Community."

I. Business Ethics

1. Building Trust
2. Strict Compliance with Laws, Regulations and Other Rules
3. Putting the Customer First
4. AML/CFT Measures
5. Blocking Relationships with Anti-Social Forces
6. Fulfilling Our Social Responsibilities
7. Providing Proper Disclosure of Information
8. Ensuring Comfortable Workplaces
9. Respect for Human Rights

II. Standards of Conduct

1. Compliance with Legal and Regulatory Requirements
2. Always Keeping Promises
3. Strictly Maintaining Confidentiality
4. Prohibiting Improper Use of Information
5. Providing Appropriate and Sophisticated Financial Services
6. Service from the Customer's Perspective
7. Ensuring Fair Transactions
8. Eliminating Improper Transactions
9. Making a Clear Distinction between Private and Public Affairs
10. Maintaining Discipline in Relation to Entertainment and Gifts, etc.
11. Maintaining Sound Workplaces
12. Thorough and Frequent Reporting, Contacting, and Consulting
13. Proactively Cooperating with Inspections
14. Contributing to Society as a Good Corporate Citizen

Anti-Money Laundering/Countering the Financing of Terrorism Policy

For Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), the Bank of Kyoto Group establishes the governance structure and sets the following policies, procedures, and approaches in order to comply with all legal and regulatory requirements and obligations to implement appropriate AML/CFT measures for ensuring business adequacy.

1. Management Policy
2. Organizational Framework
3. Risk-Based Approach
4. Customer Due Diligence
5. Sanctions and Asset Freezing
6. Reporting of Suspicious Transactions
7. Correspondent Banking Due Diligence
8. Training
9. Monitoring and Testing

Basic Stance on Anti-Social Forces

The Bank will comply with the following basic policies to block relationships with anti-social forces, with a view to ensuring appropriate and sound banking operations.

1. Institutional Response
2. Cooperation with Outside Professional Organizations
3. Blocking All Relationships, Including Transactions
4. Civil and Criminal Legal Action in Case of an Emergency
5. Prohibiting Under-the-Table Deals and Fund Provision

Risk Management Structures

While the ongoing globalization of Japan's financial system and economy coupled with advances in financial and information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk.

Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

We have established a set of Comprehensive Risk Management Guidelines and maintain a self-managed risk management framework for comparing and contrasting aggregate risk to the Bank's capital, with the aims of completely and accurately identifying risks inherent in conducting operations and ensuring stability and soundness of the Bank's management base.

We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our Head Office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). As regards the amount of risk, the amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. The estimated risk amount is reported to the management at the monthly ALM meetings. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting, is subject to semiannual review. Specifically, core capital (before applying transitional measures), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by the corporate officer responsible for the Risk Management Division) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Section is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the section analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes consolidated subsidiaries in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to audit the validity of write-offs and allowances based on asset self-assessments.

In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines. Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating solution plans based on self-assessment results as policies for dealing with individual borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses. While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

The Bank has established Market Risk Guidelines, putting in place a risk management approach and ensuring adequate management of market risk. The Risk Management Division, which oversees these activities, centralizes the understanding and management of market risks arising from assets and liabilities including deposits, loans and securities.

Specifically, it manages and analyzes risks by measuring value-at-risk (VaR) and decrease in economic value against interest rate shocks (delta EVE) for its assets and liabilities, in addition to conducting stress tests supposing a variety of different stress scenarios and utilizing them in risk checks. The Bank also employs tools such as back-testing to verify the suitability and effectiveness of its metrics and management methods.

To ensure appropriate management of market risk involving securities, derivatives and other market transactions, the Bank works to regularly measure and understand proper, accurate market pricing. At the same time, we manage the risk of positions we hold by first considering a balance with capital, net business income and other factors involving the Bank's strength and income, then setting risk tolerance levels for position and loss limit amounts, etc. For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amounts based on the Bank's capital and appraisal gains on stocks and other securities. We also conduct adequate risk management, including calculating the daily positions, profits and losses, and risk levels and reporting them to management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and consolidated subsidiaries, the results of which are audited by the Internal Audit Division.

Moreover the Bank conducts semiannual reviews of risk management policy. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and consider measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component of risk take responsibility for managing those risks from a specialist's perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges and has accordingly established an Operational Risk Committee, which is chaired by the corporate officer responsible for the Risk Management Division who acts as an assistant to the President. The committee provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Money Laundering/Financing of Terrorism Risk

Described on page 20.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the cases where it is likely to manifest.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews.

We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy. We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Addressing Climate Change Risk

Disclosure Based on the TCFD Recommendations

Governance

The Sustainability Management Promotion Committee deliberates important matters such as those concerning organized efforts to address sustainability-related issues, particularly the SDGs and ESG, and reports on those matters to the Board of Directors regularly or as needed.

The Bank has been conducting sustainability management based on the belief that "sustainability management practices occupy a higher level of our management principles." To further promote activities to solve social issues and environmental problems through business activities, the Bank reestablished the Sustainability Management Policy in March 2022, along with revising the Environmental Policy, which was formulated in 2008.

Strategy

To analyze the impacts of climate change on the Bank, the Bank has divided events that could arise from climate change into "Physical events (physical risks)" and "Events related to the transition in the economy and society (transition risks)." Based on these categories, it has identified the impacts of climate change on customers' assets and businesses and the Bank's assets and businesses. On the other hand, the Bank recognizes that activities to mitigate the impacts on customers' assets and businesses could present business opportunities for the Bank. The risks and opportunities identified by the Bank are as follows.

Reason	Risks	Events	Impact		Risks to address	Opportunities
Climate Change	Physical risks	Natural disasters such as heavy rains	Damage to customer assets	Impairment of collateral value and worsening customer business performance	Credit risk	Increased consulting opportunities Increased financing opportunities
			Damage to the Bank's assets	Business interruptions at the Bank	Operational risk	—
	Transition risks	Changes in laws and stricter regulations Changes in the supply-and-demand balance Technology transformation	Accrual of additional costs Unable to address	Worsening customer business performance	Credit risk	Increased consulting opportunities Increased financing opportunities

Going forward, the Bank will analyze the risks and opportunities it has identified based on the 2°C scenarios and other factors.

In terms of business sectors that are susceptible to the impacts of climate change, the Bank has defined finance for the energy sector and the utility sector (excluding, however, water utilities, independent power producers, and renewable power producers) as carbon-related assets, based on the definitions proposed by the TCFD recommendations, etc. Loans to this sector account for 1.9% of the Bank's overall loans.

Risk Management

The Bank is building a framework for identifying, managing and evaluating climate change risks that will impact the Bank's management.

With regard to investment and finance, under our Policy on Loans and Investments for Achieving a Sustainable Society, the Bank seeks to reduce and avoid negative impacts by limiting investment in and loans to businesses related to coal-fired thermal power generation. At the same time, the Bank is working to increase and create positive impacts by proactively investing in and lending to initiatives that help to reduce the risk of climate change and preserve forest resources, among other areas.

Metrics and Targets

The Bank has set a target of implementing sustainable financing of ¥1 trillion by fiscal 2030, as an initiative to realize a decarbonized society. The Bank defines sustainable financing as financing that increases and creates positive impacts for solutions to environmental, social and economic issues, and reduces and avoids negative impacts for solutions to those issues. The Bank's track record in sustainable financing is as follows.

	FY2020–FY2021 Cumulative
Sustainable Financing	¥138.5 billion

(Reference)
The amount of investment and financing under Funds-Supplying Operations to Support Financing for Climate Change Responses, which are conducted by the Bank of Japan, was ¥59.5 billion (cumulative result as of March 31, 2022).

The Bank of Kyoto Group has formulated the following target and scope of measurement regarding CO_2 emissions from its business activities, and efforts are under way to achieve its target.

Target	Reduce emissions by 50% by fiscal 2030 versus the fiscal 2013 level	Fiscal 2020 result	(Fiscal 2013 result)
Scope of Measurement	CO_2 emissions calculated from the amount of electricity, gas, and gasoline used by the Bank of Kyoto Group (Equivalent to Scope 1 and Scope 2 emissions)	8,841 t (–35.9%)	(13,802 t)

Stakeholder Communication

The Bank has adopted "continually address stakeholder expectations on a long-term basis" as one of its sustainability management policies.

To achieve this policy, the Bank will emphasize opportunities for dialogue with various stakeholders, including customers, shareholders and other investors, local communities and employees, and strive to promote purposeful dialogue. At the same time, feedback obtained through dialogue with stakeholders will be reflected in management.

The Bank believes that purposeful dialogue is premised on proper disclosure of corporate and management information. For this reason, the Bank has been striving to gain the understanding of stakeholders by disclosing its management strategies, financial condition, and related matters with the Bank's characteristics in mind. The Bank discloses information to stakeholders through earnings presentations for institutional investors, which are held twice a year, and company presentations for individual investors, which are held occasionally. It also publishes integrated reports (this report) and conducts individual meetings with investors, among other activities.

Financial Section and Corporate Profile

I Financial Section

II Corporate Profile

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries As of March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets:			
Cash and due from banks (Notes 4 and 26)	¥ 2,703,179	¥ 2,606,209	$22,086,603
Call loans and bills bought (Note 26)	146,020	194,649	1,193,079
Monetary claims bought	14,059	13,233	114,874
Trading securities	252	175	2,062
Money held in trust (Note 6)	13,087	13,093	106,933
Securities (Notes 5, 11, 16 and 26)	3,038,030	3,230,019	24,822,541
Loans and bills discounted (Notes 8, 12 and 26)	6,140,120	6,059,467	50,168,479
Foreign exchanges (Note 9)	9,998	6,986	81,691
Lease receivables and investment assets (Note 23)	12,585	12,773	102,830
Other assets (Notes 11 and 26)	72,420	71,034	591,720
Tangible fixed assets (Note 10):	77,083	75,889	629,815
Buildings	27,614	26,517	225,624
Land (Note 13)	43,257	43,619	353,438
Construction in progress	3,186	2,440	26,037
Other tangible fixed assets	3,024	3,312	24,714
Intangible fixed assets:	2,774	2,850	22,671
Software	2,668	2,545	21,802
Other intangible fixed assets	106	305	869
Deferred tax assets (Note 25)	1,025	1,074	8,377
Deferred tax assets for land revaluation (Note 13)		58	
Customers' liabilities for acceptances and guarantees (Note 16)	16,574	15,101	135,423
Allowance for loan losses	(36,245)	(28,709)	(296,149)
Total Assets	¥12,210,967	¥12,273,908	$99,770,955
Liabilities and Equity			
Liabilities:			
Deposits (Notes 11, 14 and 26)	¥ 8,956,370	¥ 8,687,962	$73,178,941
Call money and bills sold	105,273	459,000	860,147
Payables under securities lending transactions (Notes 11 and 26)	474,585	429,312	3,877,647
Borrowed money (Notes 11 and 15)	1,212,046	1,108,636	9,903,151
Foreign exchanges (Note 9)	143	162	1,168
Borrowed money from trust account	4,533	4,170	37,044
Other liabilities (Note 26)	75,887	82,750	620,049
Liability for employees' retirement benefits (Note 24)	27,870	28,647	227,720
Liability for reimbursement of deposit losses	302	412	2,467
Liability for contingent losses	700	919	5,719
Reserves under special laws	0	0	2
Deferred tax liabilities (Note 25)	246,316	288,678	2,012,522
Deferred tax liabilities for land revaluation (Note 13)	46		377
Acceptances and guarantees (Note 16)	16,574	15,101	135,423
Total liabilities	11,120,650	11,105,754	90,862,412
Equity (Notes 17, 18 and 30):			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2022 and 2021	42,103	42,103	344,012
Capital surplus	34,171	34,190	279,200
Stock acquisition rights	316	356	2,585
Retained earnings	404,044	388,575	3,301,284
Treasury stock — at cost, 664 thousand shares in 2022 and 234 thousand shares in 2021	(3,645)	(1,279)	(29,782)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 7)	613,274	711,922	5,010,820
Deferred losses on derivatives under hedge accounting	(367)	(7,747)	(3,000)
Land revaluation surplus (Note 13)	104	(132)	854
Defined retirement benefit plans	(2,191)	(2,261)	(17,908)
Total	1,087,810	1,165,728	8,888,066
Noncontrolling interests	2,506	2,424	20,476
Total equity	1,090,316	1,168,153	8,908,542
Total Liabilities and Equity	¥12,210,967	¥12,273,908	$99,770,955

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 44,122	¥ 44,814	$ 360,508
Interest and dividends on securities	34,160	30,807	279,114
Other interest income	3,589	1,246	29,329
Trust fees	11	12	96
Fees and commissions	20,482	18,720	167,356
Other operating income (Note 19)	22,963	9,960	187,628
Other income (Note 20)	2,144	2,595	17,517
Total income	127,475	108,156	1,041,552
Expenses:			
Interest expenses:			
Interest on deposits	1,181	1,752	9,654
Interest on borrowed money	53	233	437
Other interest expenses	1,589	2,361	12,988
Fees and commissions	6,223	5,748	50,853
Other operating expenses (Note 21)	20,626	6,708	168,527
General and administrative expenses	55,750	56,905	455,512
Other expenses (Note 22)	13,610	11,403	111,205
Total expenses	99,035	85,113	809,179
Income before Income Taxes	28,440	23,043	232,372
Income Taxes (Note 25):			
Current	9,644	8,126	78,804
Deferred	(1,986)	(2,053)	(16,233)
Net Income	20,782	16,970	169,802
Net Income Attributable to Noncontrolling Interests	160	110	1,314
Net Income Attributable to Owners of the Parent	¥ 20,621	¥ 16,860	$ 168,487

	Yen		U.S. dollars
	2022	2021	2022
Per Share Information (Notes 2. r and 30):			
Basic net income	¥272.82	¥223.03	$2.22
Diluted net income	272.55	222.78	2.22
Cash dividends applicable to the year	100.00	60.00	0.81

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net Income	¥ 20,782	¥ 16,970	$ 169,802
Other Comprehensive Income (Losses) (Note 28):	(91,294)	320,663	(745,932)
Unrealized gains (losses) on available-for-sale securities	(98,744)	304,768	(806,799)
Deferred gains on derivatives under hedge accounting	7,380	14,420	60,300
Defined retirement benefit plans	69	1,474	566
Comprehensive Income (Losses)	¥(70,512)	¥337,633	$(576,130)
Total Comprehensive Income (Losses) Attributable to:			
Owners of the parent	¥(70,577)	¥337,455	$(576,658)
Noncontrolling interests	64	178	527

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 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	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at April 1, 2020	75,556	¥42,103	¥34,260	¥ 488	¥376,249	¥(1,550)	¥407,222	¥(22,168)	¥(132)	¥(3,735)	¥ 832,737	¥2,249	¥ 834,987
Net income attributable to owners of the parent					16,860						16,860		16,860
Cash dividends, ¥60.00 per share					(4,534)						(4,534)		(4,534)
Purchases of treasury stock	(1)					(7)					(7)		(7)
Disposals of treasury stock	51		(69)			278					208		208
Reversal of land revaluation surplus													
Net change in the year				(131)			304,699	14,420		1,474	320,463	175	320,638
Balance at March 31, 2021	75,606	42,103	34,190	356	388,575	(1,279)	711,922	(7,747)	(132)	(2,261)	1,165,728	2,424	1,168,153
Net income attributable to owners of the parent					20,621						20,621		20,621
Cash dividends, ¥100.00 per share*					(4,915)						(4,915)		(4,915)
Purchases of treasury stock	(455)					(2,505)					(2,505)		(2,505)
Disposals of treasury stock	25		(19)			140					120		120
Reversal of land revaluation surplus					(236)						(236)		(236)
Net change in the year				(40)			(98,647)	7,380	236	69	(91,001)	81	(90,920)
Balance at March 31, 2022	75,176	¥42,103	¥34,171	¥ 316	¥404,044	¥(3,645)	¥613,274	¥ (367)	¥ 104	¥(2,191)	¥1,087,810	¥2,506	¥1,090,316

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at March 31, 2021	$344,012	$279,360	$2,914	$3,174,893	$(10,453)	$5,816,832	$(63,301)	$(1,080)	$(18,474)	$9,524,703	$19,810	$9,544,514
Net income attributable to owners of the parent				168,487						168,487		168,487
Cash dividends, $0.81 per share				(40,160)						(40,160)		(40,160)
Purchases of treasury stock					(20,473)					(20,473)		(20,473)
Disposals of treasury stock		(160)			1,145					985		985
Reversal of land revaluation surplus				(1,934)						(1,934)		(1,934)
Net change in the year			(329)			(806,012)	60,300	1,934	566	(743,539)	665	(742,874)
Balance at March 31, 2022	$344,012	$279,200	$2,585	$3,301,284	$(29,782)	$5,010,820	$ (3,000)	$ 854	$(17,908)	$8,888,066	$20,476	$8,908,542

* Cash dividends, ¥5.00 per share are special dividends.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Operating Activities:			
Income before income taxes	¥ 28,440	¥ 23,043	$ 232,372
Depreciation	3,267	3,393	26,693
Losses on impairment of long-lived assets	266		2,181
Equity in earning of an affiliated company	(17)	(22)	(142)
Increase in allowance for loan losses	7,536	6,253	61,573
(Decrease) increase in liability for employees' retirement benefits	(677)	131	(5,531)
Decrease in liability for reimbursement of deposit losses	(110)	(152)	(898)
Decrease in liability for contingent losses	(219)	(29)	(1,791)
Interest income	(81,873)	(76,867)	(668,953)
Interest expense	2,824	4,347	23,080
Gains on securities	(14,744)	(2,165)	(120,472)
Losses (gains) on money held in trust	4	(25)	37
Foreign exchange gains	(9,823)	(5,970)	(80,262)
Losses on sales of fixed assets	468	722	3,831
Net (increase) decrease in trading securities	(77)	21	(629)
Net increase in loans	(80,652)	(241,111)	(658,983)
Net increase in deposits	321,188	872,568	2,624,304
Net decrease in negotiable certificates of deposit	(52,780)	(183,402)	(431,249)
Net increase in borrowed money (excluding subordinated loans)	103,410	1,035,920	844,923
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	2,142	(5,781)	17,508
Net decrease (increase) in call loans and bills bought	47,803	(102,521)	390,580
Net (decrease) increase in call money	(353,726)	11,381	(2,890,159)
Net increase (decrease) in payables under securities lending transactions	45,272	(311)	369,902
Net (increase) decrease in foreign exchanges (assets)	(3,011)	3,007	(24,608)
Net decrease in foreign exchanges (liabilities)	(19)	(70)	(157)
Net decrease (increase) in lease receivables and investment assets	188	(8)	1,536
Net increase in borrowed money from trust account	363	992	2,966
Interest and dividends received (cash basis)	83,235	77,864	680,085
Interest paid (cash basis)	(2,899)	(5,235)	(23,691)
Other, net	801	27,473	6,551
Subtotal	46,581	1,443,445	380,600
Income taxes — paid	(9,292)	(5,917)	(75,925)
Net cash provided by operating activities	37,289	1,437,527	304,675
Investing Activities:			
Purchases of securities	(394,388)	(358,514)	(3,222,392)
Proceeds from sales of securities	145,871	91,545	1,191,860
Proceeds from redemption of securities	319,663	352,969	2,611,840
Purchases of tangible fixed assets	(3,770)	(2,422)	(30,807)
Proceeds from sales of tangible fixed assets	360	0	2,947
Purchases of intangible fixed assets	(1,171)	(911)	(9,573)
Other, net	176	(490)	1,438
Net cash provided by investing activities	66,740	82,176	545,312
Financing Activities:			
Dividends paid by the Bank	(4,915)	(4,534)	(40,160)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(3)	(26)
Net cash used in financing activities	(4,918)	(4,538)	(40,187)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1	0	8
Net Increase in Cash and Cash Equivalents	99,112	1,515,166	809,809
Cash and Cash Equivalents at Beginning of Year	2,561,796	1,046,629	20,931,421
Cash and Cash Equivalents at End of Year (Note 4)	¥2,660,909	¥2,561,796	$21,741,230

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2022

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2022 and 2021 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 2022. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. *Consolidation* — The consolidated financial statements as of March 31, 2022 include the accounts of the Bank and its 7 significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 affiliated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and an affiliated company are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

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

b. *Cash Equivalents* — For purposes of the consolidated statement of cash flows, the Group considers deposits with Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.

c. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

d. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Committee Practical Guidelines No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Committee Practical Guidelines No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

f. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

g. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

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 is 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. *Allowance for Loan Losses* — The amount of the allowance for loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as "legal bankruptcy" or "virtual bankruptcy," a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as "possible bankruptcy," a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors with a certain amount of credit or more who are classified as "possible bankruptcy" and debtors with restructured loans, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying amounts of the loans (the "DCF method").

Debtors classified as "caution" are the ones that the Bank pays attention due to a certain level of concern about their operation and repayment of the loans. Among the debtors classified as "caution," for claims to debtors to whom the Bank pays more attention due to the higher level of concern, an allowance is provided for expected losses for the subsequent 3 years. Expected losses are estimated using the expected loss rate which is based on the average rate of historical loan loss experience for the past 3 years with the long-term perspective. For claims to debtors classified as "caution" excluding the above and as "normal" who do not have specific operational and financial problem, an allowance is provided for expected losses for the subsequent 1 year. Expected losses are estimated using the expected loss rate which is based on the rate of historical loan loss experience for the past 1 year with the long-term perspective. Effective from the current fiscal year, the Bank has used a certain new assumption to estimate the possible credit loss for the debtors who are classified as "caution" and the Bank considers their having uncertainties in developing the business recovery plan due to the impact of COVID-19. For those debtors, the Bank assumed the risk of credit loss is equal to the risk of credit loss for the debtors under possible bankruptcy and calculated the allowance for loan losses using the same credit loss rate with the one applied to the estimated unsecured portion of claims for the debtors under possible bankruptcy.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. *Reserve under Special Laws* — The Reserve under special laws represents financial instruments transaction liability reserve recorded by a consolidated subsidiary as determined in accordance with the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business to provide for losses arising from security-related accidents.

k. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to calculate the retirement benefit expenses and the liability for retirement benefits for employees.

The Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

l. *Liability for Reimbursement of Deposit Losses* — A liability for reimbursement of deposits which was derecognized as a liability, is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. *Liability for Contingent Losses* — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

n. *Foreign Currency Transactions* — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

o. *Stock Options* — Compensation expense for employee stock options, which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

p. Leases

Lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

Lessor

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

q. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 income tax rates to the temporary differences.

r. Per Share Information — Basic net income per share is computed by dividing net income available to common stockholders 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 statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

s. Changes in Accounting Policies

Adoption of accounting standard for fair value measurement

The Bank has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued in July 2019) from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in paragraph 19 of the "Accounting Standard for Fair Value Accounting" and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Bank has come to apply prospectively the new accounting policies established by the Accounting Standard for Fair Value Measurement and others.

The effect of this accounting change is immaterial.

In addition, the Bank has made a note "Breakdown of the fair value of financial instruments by levels" at Note 26, "Financial Instruments and Related Disclosures." However, this excludes those related to the previous consolidated fiscal year in accordance with the transitional treatment based on the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued in March 2020).

Adoption of accounting standard for revenue recognition

The Bank has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued in March 2020) from the beginning of the current consolidated fiscal year. The Bank has come to recognize revenue at the time when the control of the promised goods or services is transferred to the customer, and at the amount expected to be received in exchange for such goods or services.

The Bank has applied "Accounting Standard for Revenue Recognition" following transitional treatment based on paragraph 84 of the "Accounting Standard for Revenue Recognition." There is no effect on the balance of retained earnings at the beginning of the period.

There is no effect of this accounting change on the profit and loss in the current consolidated fiscal year.

3. Significant Accounting Estimate

Allowance for Loan Losses

(1) Allowance for loan losses at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Allowance for loan losses	¥36,245	¥28,709	$296,149

(2) Information concerning important accounting estimates

Method of calculating allowance for loan losses is described in the Note 2.i.

The debtor classification is determined based on the financial information about the debtors. For the debtors with a poor financial results, rationality and feasibility of business improvement plans of debtors are also considered. Therefore, for classification of debtors, certain assumptions about debtors' business outlook and business environment have been used.

Although the timing of the convergence of COVID-19 is uncertain, the Bank assumes that socio-economic activity will gradually recovering hereafter. However, it will continue to affect some debtors' business in a period of time. Under these assumptions, the impact of COVID-19 has affected credit risks and has factored into the determination of allowance for loan losses specifically regarding a more frequent modification of classification of debtors based on the most recent information about the debtors.

Effective from the current fiscal year, the Bank has used a certain new assumption to estimate the possible credit loss for the debtors who have suffered from the impact of COVID-19 and are considered having difficulties in making a judgement about the business recovery plan.

For those debtors, the Bank assumed the risk of credit loss is equal to the risk of credit loss for the debtors under possible bankruptcy and calculated the allowance for loan losses using the same credit loss rate with the one applied to the estimated unsecured portion of claims for the debtors under possible bankruptcy.

Allowance for loan losses is provided based on the debtor classification, after asset assessments for all loans based on the self-assessment standards. However, the assumption has uncertainty because debtors' business outlook and business environment change constantly and especially business improvement plans continue to be executed in subsequent years. As a result, losses are subject to increases or decreases depending on the situation regarding the COVID-19's pandemic situations and its impacts on the economy.

4. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2022 and 2021, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥2,703,179	¥2,606,209	$22,086,603
Due from banks, excluding due from Bank of Japan	(42,270)	(44,413)	(345,373)
Cash and cash equivalents	¥2,660,909	¥2,561,796	$21,741,230

5. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japanese government bonds	¥ 420,757	¥ 376,091	$ 3,437,838
Japanese local government bonds	662,040	658,813	5,409,272
Japanese corporate bonds	575,159	653,145	4,699,400
Japanese corporate stocks	1,052,024	1,166,497	8,595,673
Other securities	328,049	375,470	2,680,357
Total	¥3,038,030	¥3,230,019	$24,822,541

Securities included investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥2,896 million ($23,669 thousand) and ¥2,677 million as of March 31, 2022 and 2021, respectively.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥10,142 million ($82,866 thousand) and ¥40,362 million for the years ended March 31, 2022 and 2021, respectively.

Held-to-maturity debt securities at March 31, 2022 and 2021 were as follows:

	Millions of yen				
	2022				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	¥3,608	¥3,594	¥(14)	¥5	¥19
Japanese corporate bonds	1,003	1,005	2	2	
Japanese bonds — total	¥4,611	¥4,599	¥(11)	¥7	¥19

	Millions of yen				
	2021				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	¥3,617	¥3,619	¥1	¥10	¥8
Japanese corporate bonds	2,003	2,008	4	4	
Japanese bonds — total	¥5,621	¥5,627	¥6	¥14	¥8

	Thousands of U.S. dollars				
	2022				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese local government bonds	$29,483	$29,368	$(115)	$42	$157
Japanese corporate bonds	8,195	8,214	19	19	
Japanese bonds — total	$37,678	$37,583	$ (95)	$62	$157

The cost and aggregate fair value of available-for-sale securities at March 31, 2022 and 2021 were as follows:

	Millions of yen				
	2022				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 159,505	¥1,048,680	¥889,175	¥890,731	¥ 1,556
Japanese government bonds	426,918	420,757	(6,161)	1,588	7,749
Japanese local government bonds	661,235	658,432	(2,802)	1,330	4,133
Japanese corporate bonds	575,442	574,156	(1,285)	862	2,147
Japanese bonds — total	1,663,596	1,653,345	(10,250)	3,780	14,030
Foreign bonds	125,306	120,556	(4,749)	49	4,799
Other	182,816	190,263	7,447	8,286	839
Other — total	308,122	310,820	2,697	8,336	5,638
Total	¥2,131,224	¥3,012,847	¥881,622	¥902,848	¥21,225

	Millions of yen				
	2021				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 160,846	¥1,163,108	¥1,002,262	¥1,003,883	¥1,620
Japanese government bonds	375,642	376,091	449	3,523	3,074
Japanese local government bonds	653,323	655,195	1,872	3,170	1,298
Japanese corporate bonds	650,035	651,141	1,106	1,934	828
Japanese bonds — total	1,679,001	1,682,429	3,427	8,628	5,201
Foreign bonds	175,701	184,103	8,401	9,548	1,146
Other	169,175	178,959	9,784	10,150	366
Other — total	344,876	363,063	18,186	19,699	1,513
Total	¥2,184,724	¥3,208,601	¥1,023,876	¥1,032,211	¥8,334

	Thousands of U.S. dollars				
	2022				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,303,256	$ 8,568,353	$7,265,097	$7,277,816	$ 12,719
Japanese government bonds	3,488,184	3,437,838	(50,346)	12,975	63,322
Japanese local government bonds	5,402,688	5,379,788	(22,899)	10,869	33,769
Japanese corporate bonds	4,701,708	4,691,205	(10,503)	7,046	17,549
Japanese bonds — total	13,592,581	13,508,831	(83,749)	30,891	114,640
Foreign bonds	1,023,828	985,019	(38,808)	403	39,212
Other	1,493,718	1,554,570	60,851	67,708	6,856
Other — total	2,517,547	2,539,590	22,042	68,111	46,069
Total	$17,413,385	$24,616,775	$7,203,390	$7,376,819	$173,429

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2022 and 2021.

Available-for-sale securities sold during the fiscal years were as follows:

	Millions of yen		
	2022		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	¥ 1,940	¥ 888	¥ 56
Debt securities	25,809	172	107
Other securities	117,755	15,193	1,063
Total	¥145,506	¥16,254	¥1,227

	Millions of yen		
	2021		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	¥ 3,415	¥1,254	¥ 697
Debt securities	31,739	149	19
Other securities	52,038	2,906	1,406
Total	¥87,192	¥4,310	¥2,123

	Thousands of U.S. dollars		
	2022		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities:			
Equity securities	$ 15,858	$ 7,256	$ 458
Debt securities	210,879	1,411	881
Other securities	962,136	124,144	8,689
Total	$1,188,874	$132,811	$10,029

The classification of securities has not changed in the years ended March 31, 2022 and 2021.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥476 million ($3,891 thousand) and ¥15 million, respectively, for the years ended March 31, 2022 and 2021.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank's self-assessment guidelines.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) For securities issued by obligors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

6. Money Held in Trust

(1) Money held in trust classified as trading:

	Millions of yen	
	2022	
	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥13,087	

	Millions of yen	
	2021	
	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	¥13,093	

	Thousands of U.S. dollars	
	2022	
	Carrying amount	Unrealized gains (losses) included in earnings
Money held in trust classified as trading	$106,933	

(2) No money held in trust was classified as held-to-maturity at March 31, 2022 and 2021.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2022 and 2021.

7. 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
	2022	2021	2022
Net unrealized gains on available-for-sale securities	¥ 881,622	¥1,023,876	$ 7,203,390
Deferred tax liabilities	(268,154)	(311,663)	(2,190,983)
Other	(54)	(54)	(448)
Net unrealized gains on valuation (before adjustment)	613,413	712,157	5,011,959
Noncontrolling interests	(139)	(235)	(1,139)
Net unrealized gains on valuation	¥ 613,274	¥ 711,922	$ 5,010,820

8. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bills discounted	¥ 12,639	¥ 11,474	$ 103,275
Loans on bills	35,500	71,044	290,059
Loans on deeds	5,571,182	5,495,168	45,519,913
Overdrafts	520,797	481,779	4,255,230
Total	¥6,140,120	¥6,059,467	$50,168,479

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the JICPA Industry Committee Practical Guidelines No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥13,324 million ($108,871 thousand) and ¥12,238 million at March 31, 2022 and 2021, respectively.

Loans under the Banking Law and the Law Concerning Emergency Measures for Reconstruction of Financial Functions consist of the following loans: corporate bonds that are included in "Securities" in the consolidated balance sheet (*), loans, foreign exchange, accrued interest and suspense payments in "Other assets" and liabilities for acceptances and guarantees included, and securities (only by use or lease agreement) in cases where securities noted are loaned.

(*) Only the redemption of the principal and the payment of interest in whole or in part is guaranteed, and the issuance of such corporate bonds is limited to privately-subscribed bonds (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law).

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bankruptcy reorganization loans and similar loans	¥ 6,472	¥ 7,179	$ 52,886
Doubtful loans	80,664	68,675	659,076
Past due loans (three months or more)			
Restructured loans	6,284	8,298	51,350
Total	¥93,421	¥84,153	$763,313

Bankruptcy reorganization loans and similar loans are claims to debtors who are in financial difficulties due to initiation of bankruptcy proceedings, reorganization proceedings, petition for commencement of rehabilitation proceedings and claims similar to the above.

Doubtful loans are loans for which the debtor has not yet entered into bankruptcy, but the financial condition and business performance of the debtor have deteriorated and it is highly probable that the principal cannot be collected and interest cannot be received in accordance with the contract, and which do not fall under the category of bankruptcy reorganization loans and similar loans.

Past due loans (three months or more) are loans with principal or interest unpaid for over three months from the day after the agreed-upon payment date, and do not fall under the category of bankruptcy reorganization loans and similar loans, and doubtful loans.

Restructured loans are loans that provide certain concessions favorable to the borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the debtors, and exclude bankruptcy reorganization loans and similar loans, doubtful loans, and past due loans (three months or more).

The above loan amounts are before deduction of allowance for loan losses.

Changes in Presentation

In accordance with the "Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, etc." (Cabinet Office Regulation No. 3 issued on January 24, 2020), which came into effect on March 31, 2022, the classification of "Risk-Monitored Claims" under the Banking Act is presented in accordance with the classification of disclosed claims under the Act on Emergency Measures for the Recovery of Financial Functions.

9. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Due from foreign correspondents	¥8,768	¥5,940	$71,643
Foreign bills of exchange purchased	684	764	5,596
Foreign bills of exchange receivable	544	281	4,451
Total	¥9,998	¥6,986	$81,691
Liabilities:			
Foreign bills of exchange sold	¥ 66	¥ 84	$ 547
Accrued foreign bills of exchange	76	77	621
Total	¥ 143	¥ 162	$ 1,168

10. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2022 and 2021, amounted to ¥83,370 million ($681,184 thousand) and ¥83,484 million, respectively.

11. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Securities	¥1,092,687	¥921,229	$8,927,914
Loans and bills	606,821	628,996	4,958,098

Collateralized liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deposits	¥ 52,267	¥ 36,188	$ 427,054
Payables under securities lending transactions	474,585	429,312	3,877,647
Borrowed money	1,211,816	1,108,409	9,901,272

In addition, securities totaling ¥293,552 million ($2,398,502 thousand) and ¥368,165 million at March 31, 2022 and 2021, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash collateral paid for financial instruments	¥55,523	¥53,210	$453,656
Surety deposits	1,509	1,587	12,330

12. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2022 and 2021, such commitments amounted to ¥1,664,276 million ($13,598,138 thousand) and ¥1,736,796 million, respectively, of which ¥1,566,741 million ($12,801,217 thousand) and ¥1,625,601 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses where the Group can reject the application from customers or reduce the contract amounts where economic conditions change, such as when there is a deterioration in the customer's creditworthiness, or when such other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, upon execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

13. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised 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. 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.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

14. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits	¥ 442,542	¥ 426,743	$ 3,615,840
Ordinary deposits	5,335,501	5,043,639	43,594,259
Savings deposits	91,248	89,034	745,554
Deposits at notice	10,774	14,739	88,036
Time deposits	2,110,642	2,105,177	17,245,217
Other deposits	320,078	310,265	2,615,235
Subtotal	8,310,788	7,989,599	67,904,144
Negotiable certificates of deposit	645,582	698,363	5,274,796
Total	¥8,956,370	¥8,687,962	$73,178,941

15. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Borrowing from banks and other	¥1,212,046	¥1,108,636	$9,903,151
Total	¥1,212,046	¥1,108,636	$9,903,151

At March 31, 2022 and 2021, the weighted-average interest rates applicable to borrowed money were 0.00718% and 0.0055%, respectively.

Annual maturities of borrowed money at March 31, 2022, were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2022	2022
2023	¥1,181,956	$9,657,298
2024	30	245
2025	30,020	245,281
2026	20	163
2027	20	163
2028 and thereafter		
Total	¥1,212,046	$9,903,151

16. 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" are shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥55,451 million ($453,071 thousand) and ¥47,729 million as of March 31, 2022 and 2021, respectively.

17. Equity

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law 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. Additionally, for companies that meet certain criteria including (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 being prescribed as one year rather than the normal two-year 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. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, 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 and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. *Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Banking Law requires that an amount equal to 20% 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 total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital 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 capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity 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 which 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.

On October 1, 2017, the Bank made the one-for-five reverse stock split for each outstanding share.

18. Stock Options

Stock-based compensation expenses were ¥18 million ($154 thousand) and ¥77 million for the years ended March 31, 2022 and 2021, respectively.

The stock options outstanding as of March 31, 2022, were as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock Option	12 directors and 6 executive officers of the Bank	17,420 shares	July 29, 2008	¥1 ($0.01)	From July 30, 2008, to July 29, 2038
2009 Stock Option	12 directors and 5 executive officers of the Bank	22,380 shares	July 29, 2009	¥1 ($0.01)	From July 30, 2009, to July 29, 2039
2010 Stock Option	12 directors and 7 executive officers of the Bank	28,740 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010, to July 29, 2040
2011 Stock Option	12 directors and 8 executive officers of the Bank	29,960 shares	August 1, 2011	¥1 ($0.01)	From August 2, 2011, to August 1, 2041
2012 Stock Option	13 directors and 10 executive officers of the Bank	32,960 shares	July 30, 2012	¥1 ($0.01)	From July 31, 2012, to July 30, 2042
2013 Stock Option	13 directors and 8 executive officers of the Bank	28,880 shares	July 30, 2013	¥1 ($0.01)	From July 31, 2013, to July 30, 2043
2014 Stock Option	13 directors and 10 executive officers of the Bank	24,880 shares	July 30, 2014	¥1 ($0.01)	From July 31, 2014, to July 30, 2044
2015 Stock Option	10 directors and 14 executive officers of the Bank	15,020 shares	July 30, 2015	¥1 ($0.01)	From July 31, 2015, to July 30, 2045
2016 Stock Option	9 directors and 14 executive officers of the Bank	31,680 shares	July 28, 2016	¥1 ($0.01)	From July 29, 2016, to July 28, 2046
2017 Stock Option	8 directors and 11 executive officers of the Bank	15,900 shares	July 30, 2017	¥1 ($0.01)	From July 31, 2017, to July 30, 2047
2018 Stock Option	9 directors and 10 executive officers of the Bank	17,520 shares	July 30, 2018	¥1 ($0.01)	From July 31, 2018, to July 30, 2048
2019 Stock Option	7 directors and 10 executive officers of the Bank	21,220 shares	July 30, 2019	¥1 ($0.01)	From July 31, 2019, to July 30, 2049
2020 Stock Option	6 directors and 14 executive officers of the Bank	20,740 shares	July 30, 2020	¥1 ($0.01)	From July 31, 2020, to July 30, 2050

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

The stock option activity was as follows:

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option	2019 Stock option	2020 Stock option
Year Ended March 31, 2021													
Non-vested													
March 31, 2020 — Outstanding												21,220	
Granted													20,740
Canceled													
Vested												21,220	
March 31, 2021 — Outstanding													20,740
Vested													
March 31, 2020 — Outstanding	2,940	3,820	6,420	6,580	8,760	8,460	7,900	7,880	18,180	12,640	14,320		
Vested												21,220	
Exercised	1,920	2,500	4,860	4,980	5,300	5,240	4,640	2,820	5,960	3,740	3,920	5,160	
Canceled													
March 31, 2021 — Outstanding	1,020	1,320	1,560	1,600	3,460	3,220	3,260	5,060	12,220	8,900	10,400	16,060	

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option	2019 Stock option	2020 Stock option
Year Ended March 31, 2022													
Non-vested													
March 31, 2021 — Outstanding													20,740
Granted													
Canceled													
Vested													20,740
March 31, 2022 — Outstanding													
Vested													
March 31, 2021 — Outstanding	1,020	1,320	1,560	1,600	3,460	3,220	3,260	5,060	12,220	8,900	10,400	16,060	
Vested													20,740
Exercised					880	840	680	940	2,220	1,560	1,740	2,300	2,710
Canceled													
March 31, 2022 — Outstanding	1,020	1,320	1,560	1,600	2,580	2,380	2,580	4,120	10,000	7,340	8,660	13,760	18,020
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise					¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)	¥5,020 ($41.02)
Fair value price at grant date	¥4,890 ($39.95)	¥4,025 ($32.89)	¥3,430 ($28.03)	¥3,390 ($27.70)	¥2,630 ($21.49)	¥3,810 ($31.13)	¥4,510 ($36.85)	¥7,195 ($58.79)	¥3,295 ($26.92)	¥5,225 ($42.69)	¥5,450 ($44.53)	¥3,917 ($32.00)	¥3,651 ($29.83)

"Average stock price at exercise" and "Fair value price at grant date" has been converted to the price after the one-for-five reverse stock split implemented on October 1, 2017.

19. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on foreign exchange transactions — net	¥ 1,334	¥ 983	$ 10,906
Gains on trading securities	1,200	1,296	9,810
Gains on sales of bonds	14,939	2,150	122,068
Lease receipts	4,793	4,751	39,164
Other	695	779	5,678
Total	¥22,963	¥9,960	$187,628

20. Other Income

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Recovery of loans previously charged off	¥ 1	¥ 0	$ 12
Gains on sales of stocks and other securities	1,518	2,159	12,408
Gains on invests in money held in trust	7	32	62
Gains on sales of tangible fixed assets	53	0	437
Equity in earning of an affiliated company	17	22	142
Other	545	380	4,453
Total	¥2,144	¥2,595	$17,517

21. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Losses on sales of bonds	¥ 1,167	¥1,425	$ 9,538
Losses on derivatives	14,484	264	118,347
Lease costs	4,203	4,152	34,342
Other	770	865	6,299
Total	¥20,626	¥6,708	$168,527

22. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Provision for allowance for loan losses	¥10,858	¥ 8,180	$ 88,722
Charge-off claims	27	32	221
Losses on sales of stocks and other securities	60	697	490
Losses on devaluation of stocks and other securities	486	5	3,973
Losses on invests in money held in trust	12	7	100
Losses on sales of tangible fixed assets	522	722	4,268
Losses on impairment of long-lived assets	266		2,181
Other	1,376	1,759	11,247
Total	¥13,610	¥11,403	$111,205

23. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥ 154	¥ 140	$ 1,260
Due after one year	1,437	1,635	11,749
Total	¥1,592	¥1,775	$13,009

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gross leased investment assets	¥13,087	¥13,272	$106,936
Estimated residual values	2	2	24
Unearned interest income	(1,099)	(1,136)	(8,985)
Leased investment assets	¥11,991	¥12,139	$ 97,975

Maturities of lease receivables and investment assets for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	2022			
2023	¥127	$1,041	¥ 4,104	$ 33,532
2024	114	936	3,376	27,590
2025	96	788	2,502	20,447
2026	90	741	1,623	13,268
2027	183	1,498	904	7,389
2028 and thereafter	0	2	576	4,709
Total	¥613	$5,010	¥13,087	$106,936

The minimum future rentals to be received under noncancelable operating leases at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥2	¥3	$23
Due after one year	0	1	6
Total	¥3	¥5	$29

24. Employees' Retirement Benefits

The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to state the retirement benefit expenses and the liability for retirement benefits for employees.

(1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥57,637**	¥56,646	**$470,935**
Current service cost	**2,056**	2,191	**16,803**
Interest cost	**287**	282	**2,351**
Actuarial gains	**564**	672	**4,609**
Benefits paid	**(1,978)**	(2,156)	**(16,161)**
Others	**1**	1	**14**
Balance at end of year	**¥58,569**	¥57,637	**$478,551**

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥28,990**	¥26,005	**$236,867**
Expected return on plan assets	**579**	520	**4,737**
Actuarial gains	**33**	1,909	**269**
Contributions from the employer	**2,592**	2,088	**21,184**
Benefits paid	**(1,498)**	(1,534)	**(12,241)**
Others	**1**	1	**14**
Balance at end of year	**¥30,699**	¥28,990	**$250,831**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Funded defined benefit obligation	**¥ 46,874**	¥ 46,282	**$ 382,994**
Plan assets	**(30,699)**	(28,990)	**(250,831)**
	16,175	17,292	**132,163**
Unfunded defined benefit obligation	**11,695**	11,355	**95,557**
Net liability arising from defined benefit obligation	**¥ 27,870**	¥ 28,647	**$ 227,720**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Liability for retirement benefits	**¥27,870**	¥28,647	**$227,720**
Asset for retirement benefits			
Net liability arising from defined benefit obligation	**¥27,870**	¥28,647	**$227,720**

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Service cost	**¥2,056**	¥2,191	**$16,803**
Interest cost	**287**	282	**2,351**
Expected return on plan assets	**(579)**	(520)	**(4,737)**
Recognized actuarial gains	**631**	888	**5,155**
Net periodic benefit costs	**¥2,395**	¥2,842	**$19,573**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Actuarial gains	**¥99**	¥2,125	**$816**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrecognized actuarial gains	**¥3,159**	¥3,259	**$25,812**

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2022	2021
Debt investments	**49%**	50%
Equity investments	**27**	27
Cash and cash equivalents	**9**	7
Others	**15**	16
Total	**100%**	100%

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

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

(8) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	**0.5%**	0.5%
Expected rate of return on plan assets	**2.0**	2.0
Expected salary increase rate	**3.8**	3.8

The amount to be paid to defined contribution pension plan was ¥350 million ($2,865 thousand) and ¥340 million, respectively, for the years ended March 31, 2022 and 2021.

25. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥ 10,784	¥ 8,512	$ 88,112
Liability for employees' retirement benefits	8,536	8,774	69,749
Devaluation of stocks and other securities	2,492	2,563	20,366
Deferred gains or losses on derivatives under hedge accounting	162	3,419	1,324
Other	3,860	3,692	31,545
Less valuation allowance	(2,821)	(2,845)	(23,055)
Total	¥ 23,014	¥ 24,117	$ 188,042
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥268,154	¥311,663	$2,190,983
Other	150	57	1,233
Total	¥268,305	¥311,721	$2,192,216
Net deferred tax assets	¥ 1,025	¥ 1,074	$ 8,377
Net deferred tax liabilities	246,316	288,678	2,012,552

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2022, with the corresponding figures for 2021, was as follows:

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.1	0.2
Income not taxable for income tax purposes	(4.4)	(4.6)
Per capita inhabitant tax	0.3	0.4
Increase in valuation allowance for deferred tax assets	0.0	(0.3)
Others	0.3	0.0
Actual effective tax rate	26.9%	26.3%

26. Financial Instruments and Related Disclosures

(1) Basic policy for financial instruments

The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

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

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as a result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2022. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed-rate loans and currency-denominated available-for-sale securities.

③ The Bank assesses the hedge effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management compilation of a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of non-performing loans, and provisions for loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. In managing credit for specific borrowers, the Bank has established a Credit Examination Division independent from business divisions, and the Bank is implementing strict credit screening. Obligor's ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank is taking steps to strengthen market risk management, based on the Market Risk Guidelines. The Risk Management Division, which is responsible for conducting market risk management, unifies the management of market risk (including risk for deposits, loans, stocks and other securities), credit risk, and other risks, and adequately controls risks within the scope of the Bank's capital to secure stable earnings.

To this end, the Risk Management Division manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

To effectively control market risk for stocks and other securities of instruments which has market risk, the Bank sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability. Regarding the Bank's investment in securities, the Bank regularly monitors the market value of securities and reports these to management.

For stocks, the Bank sets the limits on acceptable risk quantities based on the economic capital and profit, and a semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities, the results of which are subject to audit by the Bank's Internal Audit Division.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management based on risk appetite at monthly ALM meetings by reporting on market risk quantities of each instrument, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges, as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks," "Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2022 and 2021 was ¥56.6 billion ($462 million) and ¥52.9 billion.

VaR by risk type at March 31, 2022 and 2021, was as follows:

	Billions of yen		Millions of U.S. dollars
	2022	2021	2022
Interest rate fluctuation risk	¥18.9	¥17.0	$154
Market price fluctuation risk (*)	37.6	35.8	307
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥56.6	¥52.9	$462

(*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

③ Liquidity risk management
The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on fair value of financial instruments
Since the calculations of the fair value of financial instruments are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments
Accounts that had immaterial amounts on the consolidated balance sheet were not included in the following table. Moreover, Cash and due from banks, Call loans and bills bought, Call money and bills sold and Payables under securities lending transactions were not included since the fair value is similar to the book value for settlement in short term. Nonmarketable available-for-sale equity securities, investments in capital partnership and others were not included in the following table (see (b)).

	Millions of yen		
March 31, 2022	Carrying amount	Fair value	Unrealized gains (losses)
Securities:			
Held-to-maturity bonds	¥ 4,611	¥ 4,599	¥ (11)
Available-for-sale securities	3,012,847	3,012,847	
Loans and bills discounted	6,140,120		
Allowance for loan losses (*1)	(35,472)		
	6,104,647	6,116,166	11,518
Total	¥ 9,122,106	¥ 9,133,613	¥11,506
Deposits (other than negotiable certificates of deposit)	¥ 8,310,788	¥ 8,310,815	¥ 27
Negotiable certificates of deposit	645,582	645,581	(0)
Borrowed money	1,212,046	1,212,069	22
Total	¥10,168,417	¥10,168,466	¥ 49
Derivatives (*2):			
Hedge accounting not applied	¥ (295)	¥ (295)	
Hedge accounting applied (*3)	(3,889)	(3,889)	
Total	¥ (4,185)	¥ (4,185)	

	Millions of yen		
March 31, 2021	Carrying amount	Fair value	Unrealized gains (losses)
Securities:			
Held-to-maturity bonds	¥ 5,621	¥ 5,627	¥ 6
Available-for-sale securities	3,208,601	3,208,601	
Loans and bills discounted	6,059,467		
Allowance for loan losses (*1)	(27,914)		
	6,031,553	6,051,655	20,102
Total	¥ 9,245,776	¥ 9,265,884	¥20,108
Deposits (other than negotiable certificates of deposit)	¥ 7,989,599	¥ 7,989,646	¥ 47
Negotiable certificates of deposit	698,363	698,361	(1)
Borrowed money	1,108,636	1,108,659	23
Total	¥10,684,911	¥10,684,981	¥ 69
Derivatives (*2):			
Hedge accounting not applied	¥ (125)	¥ (125)	
Hedge accounting applied (*3)	(12,893)	(12,893)	
Total	¥ (13,018)	¥ (13,018)	

	Thousands of U.S. dollars		
March 31, 2022	Carrying amount	Fair value	Unrealized gains (losses)
Securities:			
Held-to-maturity bonds	$ 37,678	$ 37,583	$ (95)
Available-for-sale securities	24,616,775	24,616,775	
Loans and bills discounted	50,168,479		
Allowance for loan losses (*1)	(289,830)		
	49,878,649	49,972,760	94,111
Total	$74,533,103	$74,627,119	$94,015
Deposits (other than negotiable certificates of deposit)	$67,904,144	$67,904,366	$ 222
Negotiable certificates of deposit	5,274,796	5,274,792	(4)
Borrowed money	9,903,151	9,903,336	184
Total	$83,082,092	$83,082,495	$ 402
Derivatives (*2):			
Hedge accounting not applied	$ (2,416)	$ (2,416)	
Hedge accounting applied (*3)	(31,779)	(31,779)	
Total	$ (34,196)	$ (34,196)	

(*1) General and specific allowances for loan losses corresponding to "Loans and bills discounted" were deducted.
(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.
(*3) Hedge accounting was applied to the derivatives, including interest rate swaps, that are designated as hedging instruments. The Bank applies ASBJ Practical Issues Task Force (PITF) No. 40.

(a) Although discount rate of calculation was changed due to the abolition of LIBOR, the impact on fair value fluctuation is negligible.

(b) The carrying amount of nonmarketable available-for-sale equity securities and investments in capital of partnership and others on the consolidated balance sheet were as follows, and they were not included in "Available-for-sales securities" on fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Nonmarketable available-for-sale equity securities (*1) (*2)	¥ 3,345	¥ 3,390	$ 27,336
Investment in capital of partnership and others (*3)	17,226	12,405	140,750

(*1) Non-listed stocks are included in nonmarketable available-for-sale equity securities. They were not covered as Fair Value Disclosure based on "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued in March 2020).
(*2) With respect to non-listed stocks, losses on devaluation of ¥10 million ($83 thousand) and ¥5 million were recorded for the years ended March 31, 2022 and 2021, respectively.
(*3) Investments in capital of partnership and others are not covered as Fair Value Disclosure based on "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31 Article 5 issued in June 2019).

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

	Millions of yen					
March 31, 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	¥2,628,225					
Call loans and bills bought	146,020					
Securities:						
Held-to-maturity bonds	1,000	¥ 1,000	¥ 1,500			¥ 1,000
Available-for-sale	219,744	391,091	273,256	¥166,840	¥ 273,615	454,818
Loans and bills discounted (*)	1,223,680	1,054,241	978,260	690,755	728,978	1,368,291
Total	¥4,218,671	¥1,446,332	¥1,253,017	¥857,596	¥1,002,593	¥1,824,109

	Millions of yen					
March 31, 2021	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	¥2,524,194					
Call loans and bills bought	194,649					
Securities:						
Held-to-maturity bonds	1,000	¥ 1,500	¥ 1,000	¥ 1,000		¥ 1,000
Available-for-sale	235,493	444,517	298,253	152,094	¥ 256,052	458,686
Loans and bills discounted (*)	1,190,129	994,718	925,192	745,186	775,481	1,342,841
Total	¥4,145,467	¥1,440,735	¥1,224,445	¥898,280	¥1,031,534	¥1,802,528

	Thousands of U.S. dollars					
March 31, 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	$21,474,185					
Call loans and bills bought	1,193,079					
Securities:						
Held-to-maturity bonds	8,170	$ 8,170	$ 12,255			$ 8,170
Available-for-sale	1,795,448	3,195,455	2,232,671	$1,363,191	$2,235,600	3,716,144
Loans and bills discounted (*)	9,998,204	8,613,784	7,992,977	5,643,885	5,956,191	11,179,761
Total	$34,469,087	$11,817,411	$10,237,905	$7,007,076	$8,191,792	$14,904,076

(*) At March 31, 2022 and 2021, loans and bills discounted of ¥86,327 million ($705,348 thousand) and ¥75,581 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, were not included in the table. At March 31, 2022 and 2021, loans and bills discounted of ¥9,586 million ($78,325 thousand) and ¥10,335 million, respectively, that did not have fixed maturities were not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of yen					
March 31, 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 (other than negotiable certificates of deposit)	¥ 7,896,142	¥393,312	¥21,333			
Negotiable certificates of deposit	645,582					
Payables under securities lending transactions	474,585					
Borrowed money	1,181,956	30,050	40			
Total	¥10,198,266	¥423,362	¥21,373			

	Millions of yen					
March 31, 2021	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥7,583,390	¥381,653	¥24,555			
Negotiable certificates of deposit	668,363	30,000				
Payables under securities lending transactions	429,312					
Borrowed money	1,108,606	30				
Total	¥9,789,671	¥411,683	¥24,555			

March 31, 2022	Thousands of U.S. dollars 1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	$64,516,239	$3,213,599	$174,304			
Negotiable certificates of deposit	5,274,796					
Payables under securities lending transactions	3,877,647					
Borrowed money	9,657,298	245,526	326			
Total	$83,325,982	$3,459,126	$174,631			

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

(6) Breakdown of fair value of financial instruments by level

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

Level 1 fair value: Fair values measured by using quoted prices in active markets for identical assets or liabilities.

Level 2 fair value: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 fair value: Fair values measured by using unobservable inputs for the assets or liabilities.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

a. Financial instruments carried on the consolidated balance sheet at fair values

	Millions of yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	¥1,046,162	¥ 2,518		¥1,048,680
Japanese government bonds	420,757			420,757
Japanese local government bonds		658,432		658,432
Japanese corporate bonds		519,088	¥55,068	574,156
Others	22,380	98,182		120,563
Total	¥1,489,299	¥1,278,221	¥55,068	¥2,822,589
Derivatives:				
Interest rate		¥ (189)		¥ (189)
Currency		(3,995)		(3,995)
Total		¥ (4,185)		¥ (4,185)

	Thousands of U.S. dollars			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	$ 8,547,775	$ 20,578		$ 8,568,353
Japanese government bonds	3,437,838			3,437,838
Japanese local government bonds		5,379,788		5,379,788
Japanese corporate bonds		4,241,261	$449,943	4,691,205
Others	182,862	802,211		985,073
Total	$12,168,476	$10,443,839	$449,943	$23,062,258
Derivatives:				
Interest rate		$ (1,547)		$ (1,547)
Currency		(32,648)		(32,648)
Total		$ (34,196)		$ (34,196)

(*) Investment trusts that applied the transitional treatment based on paragraph 26 of the "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the table above. The amount of such investment trusts in the consolidated balance sheet as of March 31, 2022 is ¥190,257 million ($1,554,516 thousand).

b. Financial instruments other than those recorded on the consolidated balance sheets at fair value

	Millions of yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		¥ 3,594		¥ 3,594
Japanese corporate bonds		1,005		1,005
Others				
Loans and bills discounted			¥6,116,166	6,116,166
Total		¥ 4,599	¥6,116,166	¥ 6,120,765
Due from banks		¥ 8,310,815		¥ 8,310,815
Negotiable certificates of deposit		645,581		645,581
Borrowed money		1,212,069		1,212,069
Total		¥10,168,466		¥10,168,466

	Thousands of U.S. dollars			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		$ 29,368		$ 29,368
Japanese corporate bonds		8,214		8,214
Others				
Loans and bills discounted			$49,972,760	49,972,760
Total		$ 37,583	$49,972,760	$50,014,343
Due from banks		$67,904,366		$67,904,366
Negotiable certificates of deposit		5,274,792		5,274,792
Borrowed money		9,903,336		9,903,336
Total		$83,082,495		$83,082,495

(a) Valuation techniques used to calculate fair value and inputs related to the calculation of fair value

Assets

Securities

Securities that can be applied unadjusted market prices in active markets are classified as Level 1 fair value. This mainly includes listed stocks and government bonds.

Securities that are applied published market prices, but the market is not active, are classified as Level 2 fair value. This mainly includes municipal bonds, corporate bonds, and mortgage-backed securities.

When quoted market prices are not available, fair value is determined using valuation techniques such as the discounted present value of future cash flows method. The valuation is based on the maximum use of observable inputs, which include market interest rates, prepayment rates, and credit spreads. When significant unobservable inputs are used in the calculation, these are classified as Level 3 fair value.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk for each category based on the internal rating and term. These are classified as Level 3 fair value.

Loans and bills discounted

Loans and bills discounted are calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk according to the categories based on the types, internal ratings and terms.

For floating-rate loans which reflect the fluctuation of market rate in the short term, the carrying amount is presented as a fair value, unless the creditworthiness of the borrower has changed significantly since the loan origination. For fixed-rate loans with short contractual terms (one year or less), the fair value is calculated at book value because the book value approximates the fair value.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flows and the expected amount to be collected from collateral and guarantees. The fair value of such loans approximates to the carrying value reported in the consolidated balance sheet at the consolidated closing date after deduction of that of allowance for loan losses.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value based on the estimated loan periods, interest rates, and other conditions.

These are classified as Level 3 fair value.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits and negotiable certificates of deposit are grouped by certain maturity lengths. The fair value of such deposits is the discounted present value of expected future cash flows. The discount rate used is the interest rate that would be applied to newly accepted deposits.

These are classified as Level 2 fair value.

Borrowed money

Floating-rate borrowed money reflect market interest rates in short periods, and the credit standing of the Group has not significantly changed from when the money was borrowed. The fair value of floating-rate borrowed money is, therefore considered to approximate the carrying value and is deemed equal to the carrying value. The fair value of fixed-rate borrowed money which is classified based on its contract term is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money. The Bank uses the carrying value as fair value for short term borrowed money because discounted future cash flows approximate the carrying value.

These are classified as Level 2 fair value.

Derivatives

Most derivatives transactions are over-the-counter ones and there are no published quoted market prices. The fair value is calculated by using valuation techniques such as discounted present value method and option pricing models depending on the type of transaction and maturity period. The main factors used in these valuation techniques are interest rates, exchange rates, and volatility.

When unobservable inputs are not used or their effect is not material, these are classified as Level 2 fair value. When unobservable inputs are used, these are classified as Level 3 fair value.

Exchange-traded transactions that cannot be verified as using unadjusted prices in active markets are classified as Level 2 fair value.

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

Quantitative information about Level 3 fair value on significant unobservable inputs at March 31, 2022 was as follows:

	Valuation technique	Significant unobservable inputs	Range
Securities			
Available-for-sale securities			
Japanese corporate bonds			
Privately-subscribed bonds	Discounted cash flow	Discount rate	0.2%–4.1%

A reconciliation beginning to ending balance, unrealized gains or losses included in earnings at March 31, 2022 was as follows:

	Millions of yen	
	Securities	
	Available-for-sale securities	
March 31, 2022	Japanese corporate bonds	Others
Balance at beginning of year	¥47,375	¥883
Included in earnings (*1)	3	(8)
Included in other comprehensive income (*2)	(31)	(29)
Purchases, issues, sales and settlements	7,721	(382)
Transfers into Level 3		
Transfers out of Level 3 (*3)		(412)
Balance at end of year	¥55,068	
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2022 (*1)		

	Thousands of U.S. dollars	
	Securities	
	Available-for-sale securities	
March 31, 2022	Japanese corporate bonds	Others
Balance at beginning of year	$387,083	$ 6,807
Included in earnings (*1)	26	(72)
Included in other comprehensive income (*2)	(256)	(237)
Purchases, issues, sales and settlements	63,089	(3,125)
Transfers into Level 3		
Transfers out of Level 3 (*3)		(3,371)
Balance at end of year	$449,943	
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2022 (*1)		

(*1) Included in 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) Transfers into Level 2 from Level 3. It was because increase in market caused sufficiency of observable data. These transfers were made at the end of the fiscal year.

Fair value valuation process

The Group has established policies, procedures, and a fair value valuation model for the calculation of fair value. The middle division verifies the appropriateness of the valuation techniques and inputs used to calculate fair value, as well as the appropriateness of the classification of fair value levels.

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

Effect on fair value of changes in significant unobservable inputs

Discount rate

The discount rate represents the rate with adjustments to the market interest rate. It consists primarily of the consideration for bearing the uncertainty of the cash flows of the financial instrument arising from credit risk. Generally, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.

27. Derivatives

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

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related transactions

	Millions of yen			
	2022			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥18,116	¥17,632	¥ 394	¥ 394
Receive floating and pay fixed	18,148	17,663	(195)	(195)
Total			¥ 199	¥ 199

	Millions of yen			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥19,653	¥18,921	¥ 572	¥ 572
Receive floating and pay fixed	19,653	18,921	(341)	(341)
Total			¥ 230	¥ 230

	Thousands of U.S. dollars			
	2022			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$148,026	$144,065	$ 3,225	$ 3,225
Receive floating and pay fixed	148,282	144,321	(1,599)	(1,599)
Total			$ 1,626	$ 1,626

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.

(2) Currency-related transactions

	Millions of yen			
	2022			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Currency swaps	¥ 6,119		¥ (744)	¥ (744)
Forward exchange contracts:				
Sold	¥51,135	¥1,064	¥(2,423)	¥(2,423)
Bought	56,284	924	2,672	2,672
Currency options:				
Sold	¥34,257	¥5,797	¥ (954)	¥ (398)
Bought	34,257	5,797	954	632
Total			¥ (494)	¥ (261)

	Millions of yen			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Currency swaps	¥ 5,535	¥ 5,535	¥ (177)	¥ (177)
Forward exchange contracts:				
Sold	¥71,520	¥ 749	¥(2,112)	¥(2,112)
Bought	51,475	586	1,933	1,933
Currency options:				
Sold	¥49,506	¥13,827	¥ (936)	¥ (48)
Bought	49,506	13,827	936	287
Total			¥ (355)	¥ (116)

	Thousands of U.S. dollars			
	2022			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Currency swaps	$ 50,000		$ (6,084)	$ (6,084)
Forward exchange contracts:				
Sold	$417,804	$ 8,700	$(19,798)	$(19,798)
Bought	459,874	7,554	21,839	21,839
Currency options:				
Sold	$279,907	$47,372	$ (7,800)	$ (3,255)
Bought	279,907	47,372	7,800	5,163
Total			$ (4,043)	$ (2,135)

Note: The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.

(3) Other

	Millions of yen			
	2022			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	¥15,770		¥(156)	
Bought	15,770		156	
Weather derivatives:				
Sold	¥ 1,750		¥ (20)	
Bought	1,750		20	
Total			¥ 0	

	Millions of yen			
	2021			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	¥8,560		¥(95)	
Bought	8,560		95	
Weather derivatives:				
Sold	¥ 200		¥ (4)	
Bought	200		4	
Total			¥ 0	

	Thousands of U.S. dollars			
	2022			
	Contractual amount	Contractual amount due after one year	Fair value	Unrealized gains (losses)
Earthquake derivatives:				
Sold	$128,850		$(1,276)	
Bought	128,850		1,276	
Weather derivatives:				
Sold	$ 14,298		$ (166)	
Bought	14,298		166	
Total			$ 0	

Note: The fair values of the above derivatives were principally based on carrying amount considered terms and other elements of derivatives.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related transactions

	Millions of yen		
	2022		
	Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥35,854	¥35,854	¥(388)

	Millions of yen		
	2021		
	Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥113,312	¥93,312	¥(11,422)

	Thousands of U.S. dollars		
	2022		
	Contractual amount	Contractual amount due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$292,951	$292,951	$(3,174)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting based on the rules of the JICPA Industry Committee Practical Guidelines No. 24.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans, available-for-sale securities which are not classified as held-to-maturity debt securities, and time deposits.

(2) Currency-related transactions

	Millions of yen		
	2022		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	¥28,634	¥4,156	¥(3,500)

	Millions of yen		
	2021		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	¥31,955	¥15,348	¥(1,471)

	Thousands of U.S. dollars		
	2022		
	Contractual amount	Contractual amount due after one year	Fair value
Currency swaps	$233,964	$33,964	$(28,605)

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Committee Practical Guidelines No. 25.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were currency-denominated available-for-sale securities.

28. Other Comprehensive Income (Losses)

The components of other comprehensive income (losses) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥(127,702)	¥441,061	$(1,043,407)
Reclassification adjustments to profit or loss	(14,551)	(2,170)	(118,891)
Amount before income tax effect	(142,253)	438,890	(1,162,298)
Income tax effect	(43,509)	134,122	(355,499)
Total	(98,744)	304,768	(806,799)
Deferred gains on derivatives under hedge accounting:			
Gains arising during the year	9,079	18,644	74,185
Reclassification adjustments to profit or loss	1,557	2,140	12,728
Amount before income tax effect	10,637	20,785	86,913
Income tax effect	3,257	6,364	26,613
Total	7,380	14,420	60,300
Defined retirement benefit plans:			
Gains (losses) arising during the year	(531)	1,236	(4,339)
Reclassification adjustments to profit or loss	631	888	5,155
Amount before income tax effect	99	2,125	816
Income tax effect	30	650	249
Total	69	1,474	566
Total other comprehensive income (losses)	¥ (91,294)	¥320,663	$ (745,932)

29. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments
The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.
The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment of the Group.
The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, trust services, etc.

2. Methods of measurement of operating income, profit (loss), assets, liabilities, and other items for each reportable segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."
The profit of the reportable segment is based on "net operating income." "Net operating income" does not include certain other income and expenses, income taxes, and noncontrolling interests.

3. Information about operating income, profit (loss), assets, liabilities, and other items was as follows:

	Millions of yen				
	2022				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 116,220	¥11,201	¥ 127,422		¥ 127,422
Intersegment	819	1,351	2,170	¥ (2,170)	
Total	¥ 117,039	¥12,553	¥ 129,592	¥ (2,170)	¥ 127,422
Segment profit (Note 3)	¥ 26,084	¥ 3,105	¥ 29,189	¥ (13)	¥ 29,176
Segment assets (Note 4)	12,196,727	64,998	12,261,726	(50,758)	12,210,967
Segment liabilities (Note 5)	11,126,767	32,374	11,159,142	(38,491)	11,120,650
Other:					
Depreciation	3,157	109	3,267		3,267
Interest income (Note 3)	81,804	120	81,925	(52)	81,873
Interest expense (Note 3)	2,821	41	2,863	(38)	2,824
Equity in earning of an affiliated company		17	17		17
Investments in an affiliated company accounted by equity method		125	125		125
Increase in tangible and intangible fixed assets	4,924	17	4,942		4,942

	Millions of yen				
	2021				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 97,194	¥10,962	¥ 108,156		¥ 108,156
Intersegment	892	1,409	2,302	¥ (2,302)	
Total	¥ 98,086	¥12,371	¥ 110,458	¥ (2,302)	¥ 108,156
Segment profit (Note 3)	¥ 20,625	¥ 3,152	¥ 23,777	¥ (12)	¥ 23,765
Segment assets (Note 4)	12,256,073	67,054	12,323,128	(49,220)	12,273,908
Segment liabilities (Note 5)	11,106,280	36,341	11,142,621	(36,866)	11,105,754
Other:					
Depreciation	3,281	111	3,393		3,393
Interest income (Note 3)	76,810	119	76,929	(61)	76,867
Interest expense (Note 3)	4,345	50	4,396	(48)	4,347
Equity in earning of an affiliated company		22	22		22
Investments in an affiliated company accounted by equity method		108	108		108
Increase in tangible and intangible fixed assets	3,258	74	3,333		3,333

	Thousands of U.S. dollars				
	2022				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 949,590	$ 91,524	$ 1,041,114		$ 1,041,114
Intersegment	6,694	11,041	17,736	$ (17,736)	
Total	$ 956,284	$102,566	$ 1,058,851	$ (17,736)	$ 1,041,114
Segment profit (Note 3)	$ 213,125	$ 25,373	$ 238,498	$ (113)	$ 238,385
Segment assets (Note 4)	99,654,610	531,076	100,185,686	(414,730)	99,770,955
Segment liabilities (Note 5)	90,912,393	264,521	91,176,915	(314,502)	90,862,412
Other:					
Depreciation	25,799	894	26,693		26,693
Interest income (Note 3)	668,392	988	669,380	(427)	668,953
Interest expense (Note 3)	23,056	342	23,398	(318)	23,080
Equity in earning of an affiliated company		142	142		142
Investments in an affiliated company accounted by equity method		1,027	1,027		1,027
Increase in tangible and intangible fixed assets	40,239	142	40,381		40,381

Notes: 1. "Operating income" was presented as a substitute for sales in industries. "Operating income" did not include certain other income.
2. "Other" included business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, security business, and several other businesses.
3. "Reconciliations" were eliminations of intersegment transactions.
4. "Reconciliations" were eliminations of intersegment assets.
5. "Reconciliations" were eliminations of intersegment liabilities (decrease by ¥40,683 million ($332,411 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥2,191 million ($17,908 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2022			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥45,637	¥50,619	¥31,164	¥127,422

	Millions of yen			
	2021			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥45,959	¥35,117	¥27,079	¥108,156

	Thousands of U.S. dollars			
	2022			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$372,889	$413,591	$254,634	$1,041,114

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2022 and 2021; therefore, geographical operating income information was not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2022 and 2021; therefore, geographical tangible fixed assets information was not presented.

3. Information about major customers

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal years ended March 31, 2022 and 2021; therefore, major customer information was not presented.

30. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2022 and 2021, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2022				
Basic EPS — Net income available to common shareholders	¥20,621	75,584	¥272.82	$2.22
Effect of dilutive securities — Stock acquisition rights		74		
Diluted EPS — Net income for computation	¥20,621	75,659	¥272.55	$2.22
For the year ended March 31, 2021				
Basic EPS — Net income available to common shareholders	¥16,860	75,594	¥223.03	
Effect of dilutive securities — Stock acquisition rights		84		
Diluted EPS — Net income for computation	¥16,860	75,679	¥222.78	

31. Subsequent Events

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2022, was approved at the Bank's general meeting of shareholders held on June 29, 2022:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥65.00 ($0.53) per share	¥4,886	$39,925

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥ 2,698,011	¥ 2,599,277	$22,044,374
Call loans	146,020	194,649	1,193,079
Monetary claims bought	8,554	8,019	69,893
Trading securities	252	175	2,062
Money held in trust	13,087	13,093	106,933
Securities	3,042,173	3,232,904	24,856,392
Loans and bills discounted	6,148,969	6,069,212	50,240,782
Foreign exchanges	9,998	6,986	81,691
Other assets	67,696	64,742	553,121
Tangible fixed assets:	76,448	75,237	624,633
Buildings	27,269	26,158	222,811
Land	43,000	43,362	351,336
Construction in progress	3,186	2,440	26,037
Other tangible fixed assets	2,992	3,276	24,448
Intangible fixed assets:	2,638	2,640	21,561
Software	2,537	2,340	20,734
Other intangible fixed assets	101	299	827
Deferred tax assets		58	
Customers' liabilities for acceptances and guarantees	16,574	15,101	135,423
Allowance for possible loan losses	(33,698)	(26,024)	(275,338)
Total Assets	¥12,196,727	¥12,256,073	$99,654,610
Liabilities and Equity			
Liabilities:			
Deposits	¥ 8,987,866	¥ 8,716,969	$73,436,277
Call money	105,273	459,000	860,147
Payables under securities lending transactions	474,585	429,312	3,877,647
Borrowed money	1,211,816	1,108,416	9,901,272
Foreign exchanges	143	162	1,168
Borrowed money from trust account	4,533	4,170	37,044
Other liabilities	53,097	57,002	433,839
Liability for employees' retirement benefits	24,642	25,316	201,344
Liability for reimbursement of deposit losses	302	412	2,467
Liability for contingent losses	700	919	5,719
Deferred tax liabilities	247,186	289,495	2,019,663
Deferred tax liabilities for land revaluation	46		377
Acceptances and guarantees	16,574	15,101	135,423
Total liabilities	11,126,767	11,106,280	90,912,393
Equity:			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2022 and 2021	42,103	42,103	344,012
Capital surplus	30,455	30,475	248,839
Stock acquisition rights	316	356	2,585
Retained earnings	387,804	374,237	3,168,592
Treasury stock — at cost, 664 thousand shares in 2022 and 234 thousand shares in 2021	(3,645)	(1,279)	(29,782)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	613,187	711,779	5,010,114
Deferred losses on derivatives under hedge accounting	(367)	(7,747)	(3,000)
Land revaluation surplus	104	(132)	854
Total equity	1,069,959	1,149,793	8,742,216
Total Liabilities and Equity	¥12,196,727	¥12,256,073	$99,654,610

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted.
Accordingly, breakdown figures may not add up to sums.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 2022.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd. Year Ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 44,113	¥44,802	$360,433
Interest and dividends on securities	34,135	30,784	278,909
Other interest income	3,555	1,223	29,048
Trust fees	11	12	96
Fees and commissions	17,006	15,544	138,955
Other operating income	16,255	3,096	132,821
Other income	2,014	2,622	16,455
Total income	117,093	98,086	956,721
Expenses:			
Interest expenses:			
Interest on deposits	1,182	1,753	9,658
Interest on borrowed money	52	232	430
Other interest expenses	1,587	2,359	12,966
Fees and commissions	6,149	5,849	50,248
Other operating expenses	15,652	1,706	127,891
General and administrative expenses	53,530	54,692	437,375
Other expenses	13,589	11,566	111,036
Total expenses	91,744	78,161	749,608
Income before Income Taxes	25,348	19,925	207,113
Income Taxes:			
Current	8,662	7,250	70,777
Deferred	(2,032)	(2,203)	(16,606)
Net Income	¥ 18,718	¥14,878	$152,943

	Yen		U.S. dollars
	2022	2021	2022
Per Share Information:			
Basic net income	¥247.65	¥196.81	$2.02
Diluted net income	247.40	196.59	2.02
Cash dividends applicable to the year	100.00	60.00	0.81

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted.
Accordingly, breakdown figures may not add up to sums.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 2022.

Corporate Profile

The Bank's Organization (As of July 1, 2022)

- General Meeting of Shareholders
  - Audit & Supervisory Board
    Audit & Supervisory Board Members
    - Audit & Supervisory Board Secretariat
  - Board of Directors
    - Internal Audit Division
  - Executive Committee
    - Branch Strategy Head Office Secretariat
    - Corporate Planning Division
    - Innovation & Digital Strategy Division
    - Risk Management Division
    - Business Headquarters
    - Public & Regional Affairs Division
    - Business departments: Head Office Business Department, Osaka Business Department, Tokyo Business Department, Domestic branches and Sub-branches
    - Credit Examination Division
    - Treasury & Investment Division
    - International Division
      - Hong Kong Representative Office
      - Shanghai Representative Office
      - Dalian Representative Office
      - Bangkok Representative Office
    - General Secretariat
    - Human Resources & General Affairs Division
    - Kyoto Banking College
    - Business Administration Division
    - Operations Support Division
    - Systems Division

Board of Directors and Audit & Supervisory Board Members (As of June 29, 2022)

President
Nobuhiro Doi

Senior Managing Director
Toshiro Iwahashi

Managing Directors
Mikiya Yasui
Hiroyuki Hata

Directors
Minako Okuno
Junko Otagiri (external)
Chiho Oyabu (external)
Eiji Ueki (external)

Standing Audit & Supervisory Board Member
Masahiko Naka

Audit & Supervisory Board Members
Hiroyuki Ando
Hiroyuki Nakatsukasa (external)
Motoko Tanaka (external)

Managing Executive Officers
Kazuhiro Waki
Hiroshi Nishimura
Minoru Wada
Kenji Hashi
Hiroyuki Tsuji
Takashi Kawasaki
Motoyoshi Tanaka

Executive Officers
Hisamitsu Ito
Kazuhito Aoki
Kenichi Uegaki
Hiroyuki Shikata
Takanori Nakajima
Shintaro Morimoto
Kanji Habuchi
Etsuji Motomasa
Takashi Kawakatsu
Hirofumi Yamamoto

Corporate Data (As of March 31, 2022)

Date of Establishment
October 1, 1941

Number of Employees
3,396

Number of Authorized Shares
200,000,000

Number of Issued Shares
75,840,688

Capital (Paid-in)
¥42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A
S&P* Rating *Standard & Poor's
A-

Major Shareholders (Number of shares in thousands and percentage)

The Master Trust Bank of Japan, Ltd. (trust account)	9,692	(12.89%)
Nippon Life Insurance Company	2,730	(3.63%)
Custody Bank of Japan, Ltd. (trust account)	2,610	(3.47%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,537	(3.37%)
Meiji Yasuda Life Insurance Company	2,500	(3.32%)
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement Business Department)	2,180	(2.90%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service)	2,090	(2.78%)
GIC PRIVATE LIMITED - C (Standing proxy: MUFG Bank, Ltd.)	1,900	(2.52%)
KYOCERA Corporation	1,596	(2.12%)
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust — OMRON Corporation account)	1,528	(2.03%)

International Service Network

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Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services
Kyogin Securities Co., Ltd.	October 2016	3,000	Securities business

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