

# ANNUAL REPORT

YEAR ENDED March 31, 2022

2022



The Akita Bank, Ltd.

## Profile

Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and six consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on The Akita Bank Group Vision, Create value and connect to the future, the Bank will execute its role as a regional bank, which its network covers the area in eastern Japan and expand our financial services including international operations emphasizing relations with regional clients.

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In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

## Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries  
As of and for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2022	2021	2022
Total income	¥39,732	¥43,535	\$324,634
Total expenses	35,310	39,400	288,503
Income before income taxes	4,422	4,134	36,130
Net income attributable to owners of parent	3,184	2,716	26,015

	Yen	U.S. dollars (Note 1)
Net income per share	¥178.02	\$1.45

	Millions of yen		Thousands of U.S. dollars (Note 1)
As of March 31	2022	2021	2022
Total assets	¥3,665,682	¥3,488,741	\$29,950,829
Trading account securities and securities	886,679	755,976	7,244,701
Loans and bills discounted	1,828,129	1,834,802	14,936,914
Deposits	3,031,096	2,903,903	24,765,879
Total net assets	167,872	176,594	1,371,615

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥122.39 = U.S.\$1.00, the exchange rate prevailing as of March 31, 2022.

(2) Capital adequacy ratio stood at 11.83% and 12.10% as of March 31, 2022 and 2021, respectively, in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

## Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31

	Millions of yen				
	2022	2021	2020	2019	2018
Total income	¥39,732	¥43,535	¥46,392	¥45,173	¥47,492
Net income attributable to owners of parent	3,184	2,716	3,128	4,142	4,733

	Yen				
Net income per share	¥178.02	¥151.97	¥174.78	¥230.77	¥263.65

	Percent				
	2022	2021	2020	2019	2018
<b>Income ratio</b>					
Net income to total assets	0.08	0.08	0.10	0.13	0.15
Net income to owned capital	1.85	1.59	1.82	2.33	2.72
<b>Capital adequacy ratio</b>					
Domestic guidelines	11.83	12.10	11.89	11.49	11.24

Notes: (1) The Bank's capital adequacy ratio and net income to owned capital ratio are calculated in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

(2) Common shares were consolidated at the rate of 1 per 10, on October 1, 2017. It is assumed that the share consolidation was carried out at the beginning of fiscal year 2017.

## Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries  
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>ASSETS</b>			
Cash and due from banks (Note 40)	¥ 843,450	¥ 789,282	\$ 6,891,494
Call loans and bills bought	34,693	15,802	283,462
Monetary claims bought	8,215	8,420	67,121
Securities (Notes 8 and 15)	886,679	755,976	7,244,701
Loans and bills discounted (Note 9)	1,828,129	1,834,802	14,936,914
Foreign exchanges (Note 10)	2,415	3,370	19,732
Other assets (Notes 11 and 15)	39,949	57,575	326,407
Premises and equipment (Notes 12 and 33)	18,803	18,763	153,631
Intangible assets (Note 13)	1,575	1,404	12,868
Net defined benefit asset (Note 22)	4,967	3,817	40,583
Deferred tax assets (Note 17)	295	303	2,410
Customers' liabilities for acceptances and guarantees (Note 16)	10,019	11,832	81,861
Reserve for possible loan losses (Notes 4 and 9)	(13,510)	(12,609)	(110,384)
Reserve for investment losses	(0)	(0)	(0)
<b>Total assets</b>	<b>¥3,665,682</b>	<b>¥3,488,741</b>	<b>\$29,950,829</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>LIABILITIES</b>			
Deposits (Notes 15 and 18)	¥3,031,096	¥2,903,903	\$24,765,879
Negotiable certificates of deposit	77,190	77,185	630,688
Call money and bills sold	23,062	942	188,430
Payables under securities lending transactions (Note 15)	71,159	48,177	581,411
Borrowed money (Notes 15 and 19)	266,253	247,546	2,175,447
Foreign exchanges (Note 20)	44	35	359
Other liabilities (Note 21)	11,633	10,317	95,048
Reserve for directors' bonuses	20	20	163
Net defined benefit liability (Note 22)	1,971	2,183	16,104
Reserve for directors' retirement benefits	24	22	196
Reserve for share-based remuneration	57	60	465
Reserve for reimbursement of dormant deposits	351	436	2,867
Reserve for contingent losses	675	796	5,515
Deferred tax liabilities (Note 17)	2,739	7,159	22,379
Deferred tax liability for land revaluation (Note 23)	1,511	1,525	12,345
Acceptances and guarantees (Note 16)	10,019	11,832	81,861
<b>Total liabilities</b>	<b>¥3,497,810</b>	<b>¥3,312,146</b>	<b>\$28,579,213</b>
<b>NET ASSETS</b>			
Capital stock (Note 37)	14,100	14,100	115,205
Capital surplus	9,212	9,212	75,267
Retained earnings (Note 39)	126,780	124,820	1,035,868
Treasury stock (Note 37)	(617)	(637)	(5,041)
Total stockholders' equity	149,476	147,496	1,221,308
Valuation difference on available-for-sale securities (Note 24)	14,270	25,687	116,594
Deferred gains on hedges	3	—	24
Land revaluation excess (Note 23)	2,943	2,975	24,046
Remeasurements of defined benefit plans (Note 22)	490	(239)	4,003
Total accumulated other comprehensive income	17,708	28,423	144,685
Non-controlling interests	687	674	5,613
<b>Total net assets</b>	<b>167,872</b>	<b>176,594</b>	<b>1,371,615</b>
<b>Total liabilities and net assets</b>	<b>¥3,665,682</b>	<b>¥3,488,741</b>	<b>\$29,950,829</b>

See notes to consolidated financial statements.

## Consolidated Statements of Income and Comprehensive Income

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Income</b>			
Interest income			
Interest on loans and discounts	¥15,727	¥15,974	\$128,499
Interest and dividends on securities	8,019	7,913	65,520
Other interest income (Note 25)	222	184	1,813
Fees and commissions (Note 26)	6,254	6,505	51,098
Other operating income (Note 27)	7,083	8,269	57,872
Other income (Note 28)	2,425	4,687	19,813
<b>Total income</b>	<b>39,732</b>	<b>43,535</b>	<b>324,634</b>
<b>Expenses</b>			
Interest expenses			
Interest on deposits	107	205	874
Interest on borrowings, call money and bills sold	53	54	433
Other interest expenses (Note 29)	78	50	637
Fees and commissions (Note 30)	2,228	2,358	18,204
Other operating expenses (Note 31)	8,216	8,741	67,129
General and administrative expenses	21,938	22,981	179,246
Other expenses (Notes 32 and 33)	2,687	5,008	21,954
<b>Total expenses</b>	<b>35,310</b>	<b>39,400</b>	<b>288,503</b>
<b>Income before income taxes</b>	<b>4,422</b>	<b>4,134</b>	<b>36,130</b>
<b>Income taxes</b> (Note 17)			
Current	1,146	1,961	9,363
Deferred	87	(558)	710
<b>Net income</b>	<b>3,188</b>	<b>2,731</b>	<b>26,047</b>
<b>Net income attributable to non-controlling interests</b>	<b>3</b>	<b>14</b>	<b>24</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 3,184</b>	<b>¥ 2,716</b>	<b>\$ 26,015</b>
<b>Net income</b>	<b>¥ 3,188</b>	<b>¥ 2,731</b>	<b>\$ 26,047</b>
<b>Other comprehensive income</b> (Note 34)			
Valuation difference on available-for-sale securities	(11,414)	7,101	(93,259)
Deferred gains on hedges	3	—	24
Remeasurements of defined benefit plans	729	2,246	5,956
<b>Total other comprehensive income</b>	<b>(10,681)</b>	<b>9,347</b>	<b>(87,270)</b>
<b>Comprehensive income</b>	<b>¥ (7,493)</b>	<b>¥12,079</b>	<b>\$ (61,222)</b>
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥ (7,499)	¥12,060	\$ (61,271)
Non-controlling interests	6	18	49
	Yen		U.S. dollars (Note 1)
<b>Net income per share</b> (Note 44)	<b>¥178.02</b>	<b>¥151.97</b>	<b>\$1.45</b>

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of yen				
	Stockholders' equity				Total
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
<b>Balance at March 31, 2020</b>	¥14,100	¥9,212	¥123,439	¥(670)	¥146,081
Changes of items during the period					
Dividends from surplus	—	—	(1,346)	—	(1,346)
Net income attributable to owners of parent	—	—	2,716	—	2,716
Purchase of treasury stock	—	—	—	(0)	(0)
Disposal of treasury stock	—	—	(0)	34	33
Reversal of revaluation reserve for land	—	—	11	—	11
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,381	33	1,414
<b>Balance at March 31, 2021</b>	¥14,100	¥9,212	¥124,820	¥(637)	¥147,496
Changes of items during the period					
Dividends from surplus	—	—	(1,256)	—	(1,256)
Net income attributable to owners of parent	—	—	3,184	—	3,184
Purchase of treasury stock	—	—	—	(2)	(2)
Disposal of treasury stock	—	—	—	22	22
Reversal of revaluation reserve for land	—	—	31	—	31
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	1,959	20	1,980
<b>Balance at March 31, 2022</b>	¥14,100	¥9,212	¥126,780	¥(617)	¥149,476

	Millions of yen						
	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Non-controlling interests	
<b>Balance at March 31, 2020</b>	¥18,590	¥—	¥2,986	¥(2,485)	¥19,091	¥657	¥165,830
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(1,346)
Net income attributable to owners of parent	—	—	—	—	—	—	2,716
Purchase of treasury stock	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	33
Reversal of revaluation reserve for land	—	—	—	—	—	—	11
Net changes of items other than stockholders' equity	7,097	—	(11)	2,246	9,332	16	9,349
Total changes of items during the period	7,097	—	(11)	2,246	9,332	16	10,763
<b>Balance at March 31, 2021</b>	¥25,687	¥—	¥2,975	¥(239)	¥28,423	¥674	¥176,594
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(1,256)
Net income attributable to owners of parent	—	—	—	—	—	—	3,184
Purchase of treasury stock	—	—	—	—	—	—	(2)
Disposal of treasury stock	—	—	—	—	—	—	22
Reversal of revaluation reserve for land	—	—	—	—	—	—	31
Net changes of items other than stockholders' equity	(11,417)	3	(31)	729	(10,715)	13	(10,702)
Total changes of items during the period	(11,417)	3	(31)	729	(10,715)	13	(8,722)
<b>Balance at March 31, 2022</b>	¥14,270	¥3	¥2,943	¥490	¥17,708	¥687	¥167,872

See notes to consolidated financial statements.



	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance at March 31, 2021</b>	\$115,205	\$75,267	\$1,019,854	\$(5,204)	\$1,205,131
Changes of items during the period					
Dividends from surplus	—	—	(10,262)	—	(10,262)
Net income attributable to owners of parent	—	—	26,015	—	26,015
Purchase of treasury stock	—	—	—	(16)	(16)
Disposal of treasury stock	—	—	—	179	179
Reversal of revaluation reserve for land	—	—	253	—	253
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	16,006	163	16,177
<b>Balance at March 31, 2022</b>	\$115,205	\$75,267	\$1,035,868	\$(5,041)	\$1,221,308

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
<b>Balance at March 31, 2021</b>	\$209,878	\$—	\$24,307	\$(1,952)	\$232,233	\$5,506	\$1,442,879
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(10,262)
Net income attributable to owners of parent	—	—	—	—	—	—	26,015
Purchase of treasury stock	—	—	—	—	—	—	(16)
Disposal of treasury stock	—	—	—	—	—	—	179
Reversal of revaluation reserve for land	—	—	—	—	—	—	253
Net changes of items other than stockholders' equity	(93,283)	24	(253)	5,956	(87,548)	106	(87,441)
Total changes of items during the period	(93,283)	24	(253)	5,956	(87,548)	106	(71,263)
<b>Balance at March 31, 2022</b>	\$116,594	\$24	\$24,046	\$4,003	\$144,685	\$5,613	\$1,371,615

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 4,422	¥ 4,134	\$ 36,130
Depreciation and amortization	1,532	1,706	12,517
Losses on impairment of fixed assets	123	157	1,004
Net change in reserve for possible loan losses	901	1,264	7,361
Net change in reserve for investment losses	(0)	0	(0)
Net change in net defined benefit liability	(153)	(22)	(1,250)
Net change in reserve for directors' retirement benefits	1	(2)	8
Net change in reserve for share-based remuneration	(2)	(13)	(16)
Net change in reserve for reimbursement of dormant deposits	(85)	(98)	(694)
Net change in reserve for contingent losses	(120)	(54)	(980)
Gain on fund management	(23,969)	(24,072)	(195,841)
Financing expenses	239	311	1,952
Net (gain) loss related to securities transactions	(535)	(1,854)	(4,371)
Net (gain) loss on money held in trust	30	16	245
Net foreign exchange (gains) losses	(2,421)	(776)	(19,781)
Net (gain) loss on disposal of premises and equipment	170	49	1,389
Net change in loans and bills discounted	5,916	(224,090)	48,337
Net change in deposits	127,192	284,249	1,039,235
Net change in negotiable certificates of deposit	5	(5,556)	40
Net change in borrowed money (excluding subordinated borrowing)	18,707	167,464	152,847
Net change in due from banks (excluding deposit paid to Bank of Japan)	2,350	(369)	19,200
Net change in call loans	(18,685)	(11,479)	(152,667)
Net change in call money	22,119	138	180,725
Net change in payable under securities lending transactions	22,981	(2,496)	187,768
Net change in foreign exchanges assets	955	(1,561)	7,802
Net change in foreign exchanges liabilities	9	(16)	73
Proceeds from fund management	23,918	24,131	195,424
Payments for finance	(226)	(422)	(1,846)
Net change in trading account securities	(1)	427	(8)
Other, net	19,926	804	162,807
Sub-total	205,301	211,967	1,677,432
Income taxes paid	(1,994)	(1,070)	(16,292)
Net cash provided by (used in) operating activities	203,306	210,896	1,661,132
<b>Cash flows from investing activities</b>			
Purchases of securities	(460,651)	(365,206)	(3,763,796)
Proceeds from sales of securities	131,378	66,869	1,073,437
Proceeds from redemption of securities	185,772	258,608	1,517,869
Increase in money held in trust	(1,000)	(1,000)	(8,170)
Decrease in money held in trust	1,000	1,000	8,170
Purchases of premises and equipment	(1,230)	(321)	(10,049)
Proceeds from sales of premises and equipment	12	72	98
Payments for retirement of premises and equipment	(131)	(8)	(1,070)
Purchases of intangible fixed assets	(688)	(262)	(5,621)
Net cash provided by (used in) investing activities	(145,539)	(40,249)	(1,189,141)
<b>Cash flows from financing activities</b>			
Purchases of treasury stock	(2)	(0)	(16)
Proceeds from sales of treasury stock	—	0	—
Cash dividends paid	(1,256)	(1,346)	(10,262)
Cash dividends paid to non-controlling interests	(3)	(2)	(24)
Proceeds from share issuance to non-controlling shareholders	10	—	81
Net cash provided by (used in) financing activities	(1,251)	(1,349)	(10,221)
Effect of exchange rate change on cash and cash equivalents	4	0	32
Net increase (decrease) in cash and cash equivalents	56,519	169,299	461,794
Cash and cash equivalents at beginning of year	781,978	612,679	6,389,231
<b>Cash and cash equivalents at end of year</b> (Note 40)	<b>¥838,498</b>	<b>¥781,978</b>	<b>\$6,851,033</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and subsidiaries  
As of and for the years ended March 31, 2022 and 2021

## 1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan, and the original consolidated financial statements in Japanese language are audited by Deloitte Touche Tohmatsu LLC, the Bank's accounting auditor.

In preparing these consolidated financial statements in English language, 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. The amount of net income attributable to owners of parent in these consolidated financial statements after such modification is the same as that in the audited original consolidated financial statements issued domestically.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, at the rate of ¥122.39 to U.S.\$1.00, the prevailing exchange rate at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

## 2. Principles of Consolidation

### Consolidated subsidiaries

The consolidated financial statements include the accounts of the Bank and six of its subsidiaries, including The Akita Guarantee Service Ltd. and others, whose fiscal year end is consistent to that of the Bank. Shinokuni Akita Trading Co., Ltd. was included in the scope of consolidation from the fiscal year ended March 31, 2022 due to its establishment. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of limited partnerships due to insignificance.

## 3. Summary of Significant Accounting Policies

### (a) Trading account securities

Trading account securities are stated at fair value and the cost of securities sold is determined by the moving average method.

### (b) 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 stated at amortized cost computed using the straight-line method and

(2) available-for-sale securities are stated at fair value with unrealized holding gains and losses, net of applicable taxes, reported as valuation difference on available-for-sale securities in a separate component of net assets. Stocks without market price are stated at cost determined using the moving-average cost method.

Securities held in money trusts, of which funds are principally invested in securities and are separately managed from other beneficiaries, are carried at fair value with unrealized holding gains and losses included in earnings.

For available-for-sale securities, in cases where the fair value has fallen significantly from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the Bank considers recognizing a loss on impairment. The Bank considers the decline to be significant when the fair value of the available-for-sale securities declines more than 30% of the carrying amount. When the fair value of the available-for-sale securities declines 50% or more, the securities are stated at fair value on the consolidated balance sheets and the difference between the fair value and the acquisition price is recognized as a loss. When the fair value of the available-for-sale securities declines from 30% to less than 50% of the carrying amount, the Bank recognizes a loss based on the recoverability of the securities after examining the trends of market prices and the financial position of the issuers.

### (c) Derivatives

Derivatives are carried at fair value which is based on market quotation.

### (d) Premises and equipment

The Bank's depreciation policies are in line with the Corporation Tax Act of Japan. Depreciation is charged using the declining balance method over the estimated useful lives of respective assets. The straight-line method is applied to buildings acquired on or after April 1, 1998 and fixtures and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings:	3–50 years
Others:	3–20 years

Depreciation of premises and equipment owned by consolidated subsidiaries is predominantly charged using the declining balance method over the estimated useful lives of respective assets.

### (e) Intangible assets

Intangible assets are amortized using the straight-line method. Cost of software held for internal-use is amortized over its estimated useful life (mainly 5 years).

### (f) Leased assets

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease periods as the useful life of assets with zero residual value. The Bank leases mainly peripheral devices and automobiles, included in premises and equipment, and software, included in intangible assets.

### (g) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in accordance with the following obligors' categories, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

Normal Obligors:	Obligors whose business conditions are good and financial condition are no particularly problem
Cautious Obligors:	Obligors who have problems with their lending conditions or repayment performance, whose

	business conditions are sluggish or unstable, and whose future management requires attention
Intensive Control Obligors:	whose all or part of the loans are requiring management (restructured loans and loans that are delinquent for over three months), of the Cautious Obligors
Potential Bankrupt Obligors:	Obligors who are not currently in a situation of bankruptcy, but are recognized as having a significant possibility of falling into bankruptcy in the future
Substantially Bankrupt Obligors:	Obligors in substantially the same situation as bankrupt obligors
Bankrupt Obligors:	Obligors who are legally or formally bankrupt, such as bankruptcy or special liquidation

For loans to Intensive Control Obligors, reserves are maintained using the estimated loss ratio for the next three years. For loans to Normal Obligors and other Cautious Obligors, reserves are maintained using the estimated loss ratio for the next one year. The estimated loss is calculated by obtaining a loss rate based on the average of default experiences during the three periods in the past, using the default experiences for one year or three years as a basis. If the loss rate with the business cycle taken into account and based on the average value for a longer and certain period in the past is high, the difference of the loss rates is taken into consideration as adjustment necessary for the estimated future value. In addition, as the Bank judged that the credit risk to obligors belonging to specific industries, such as the accommodation industry, that are recognized to be significantly affected by the COVID-19 pandemic, is increasing, the estimated loss ratio has been adjusted.

For loans to Potential Bankrupt Obligors, the Bank has provided a reserve for possible loan losses calculated first by deducting the expected recovery amount from collateral and guarantee from loans, and then multiplying the remaining amount by the estimated loss ratio determined based on the average of default experiences during a certain period in the past, using the default experiences for three years as a basis. For loans to Bankrupt and Substantially Bankrupt Obligors, the Bank has provided a reserve for possible loan losses based on the amount claimed, net of the expected recovery amount from collateral and guarantee.

The Bank applied the DCF method to estimate a reserve for possible loan losses, if future cash flows of principal and interest are reasonably estimated, for (1) loans to Potential Bankrupt Obligors, where the loan balance, net of the amount secured by collateral, exceeds a certain amount and (2) loans to Intensive Control Obligors and their loan balance exceeds a certain amount. Thus, the difference between the amount calculated by discounting future cash flows of principal and interest using the original interest rate of respective loans and its book value is accounted for as reserve for loan losses.

The collectability of all loans is assessed by branches and the credit supervisory division, with an internal audit by the asset review and inspection division, in accordance with the Bank's policies and rules for the self-assessment of asset quality. The audit division audits the results of the assessment.

The consolidated subsidiaries calculate their reserve for possible loan losses as the amount deemed necessary to cover possible losses, which is estimated based on the actual historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific loans.

## (h) Reserve for investment losses

Reserve for investment losses is provided for possible losses at the estimated amounts based on the financial position of securities' issuers.

### (i) Reserve for employees' retirement benefits

For the calculation of retirement benefit obligation, the Bank applies the benefit formula basis as the method of attributing expected benefit to period. Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (10 years), commencing from the next fiscal year after incurrence.

The consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit cost.

### (j) Reserve for directors' bonuses

Reserve for directors' bonuses is provided as the amount of the estimated bonuses which are attributable to each fiscal year.

### (k) Reserve for retirement benefits to directors

Consolidated subsidiaries of the Bank accrue 100% of obligations for their retirement benefits according to the internal rules, which are based under the assumption that all directors terminate their services at the year end.

### (l) Reserve for share-based remuneration

Reserve for share-based remuneration is based on the Share Delivery Regulations established by the Bank, and is provided in preparation for the issuance of the shares of the Bank to the directors of the Bank (excluding directors serving as Audit and Supervisory Committee members and outside directors). The amount is calculated based on the estimated amount of share-based remuneration obligation at the year end.

### (m) Reserve for reimbursement of dormant deposits

Reserve for the reimbursement of dormant deposits which were de-recognized as liabilities under certain conditions is provided for possible losses on the future claims.

### (n) Reserve for contingent losses

The Bank provides a reserve for future payments under the Responsibility-sharing System with Credit Guarantee Corporations, at an amount estimated based on historical experience.

### (o) Recognition of significant revenues and expenses

#### (1) Revenue from contracts with customers

The Bank recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer.

#### (2) Revenue related to finance lease transactions

The Bank records sales and cost of sales when lease payments are received.

### (p) Foreign currency transaction

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

### (q) Hedge accounting

#### (1) Hedge against interest rate risk

For interest rate derivatives to mitigate the interest rate risks arising from various financial assets and liabilities, the Bank applies the deferred hedge accounting based on the rules prescribed in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guidelines No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (March 17, 2022). Under these rules, hedge effectiveness is assessed by specifying hedged items (such as securities and loans) and the corresponding hedging instruments (such as interest rate swaps).

#### (2) Hedge against foreign exchange risk

For foreign exchange risks arising from financial assets and liabilities

denominated in foreign currencies, the Bank applies the deferred method of hedge accounting based on the rules prescribed in the JICPA Industry Committee Practical Guidelines No. 25, the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (October 8, 2020). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt denominated in foreign currency as hedging instruments, by verifying the correlation between the hedged items and the foreign exchange positions of hedging instruments.

#### (r) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and deposit with the Bank of Japan.

#### (s) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled.

Deferred tax assets are also recognized for the estimated future tax effects attributable to the operating loss carried forward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

### 4. Significant Accounting Estimates

The following is a list of items which were recorded in the consolidated financial statements for the fiscal year ended March 31, 2022 and 2021 using accounting estimates and may have a material impact on the consolidated financial statements for the following fiscal year.

#### (a) Reserve for possible loan losses

Loans and bills discounted are major assets that account for about half of total assets in the consolidated financial statements. The recording of reserve for possible loan losses related to credit risk of loans and bills discounted has a significant impact on the financial condition and operating results of the Bank and its consolidated subsidiaries (the "Group").

Therefore, the Group judges that the estimate of the reserve for possible loan losses is important for accounting purposes.

#### (1) The amounts recorded in the consolidated financial statements as of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Reserve for possible loan losses	¥13,510	¥12,609	\$110,384

#### (2) Information that contributes to understanding of significant accounting estimates on identified items

The Bank determines the obligor category (Normal Obligors, Cautious Obligors (Intensive Control Obligors, other Cautious Obligors), Potential Bankrupt Obligors, Substantially Bankrupt Obligors, Bankrupt Obligors) for each obligor based on the obligor's financial information and available external information, and records reserve for possible loan losses based on the calculation method described in "3. Summary of Significant Accounting Policies (g) Reserve for possible loan losses."

The classification of obligors is reviewed regularly and on an as-needed basis based on the financial information of the obligors, including the impact of the COVID-19 pandemic. However, the category of obligors who are facing poor performance or financial difficulties may depend on the judgment of the reasonableness and feasibility of the expected recovery of future performance and management improvement plans. If the obligor's category changes due to changes in the business

environment surrounding the obligor, which is the premise for judging the reasonableness and feasibility of the management improvement plan, the reserve for possible loan losses may change in the following fiscal year.

The Bank assumed that the economic impact of the COVID-19 pandemic would continue for some years as of March 31, 2022, based on the infection situation in Japan and overseas. The Bank estimated the cash flows considering the impact of the COVID-19 pandemic for some of the obligors to which the DCF method is applied, and recorded reserve for possible loan losses. There is no change in this assumption from the end of the previous fiscal year.

In addition, the Bank judged that the credit risk to obligors belonging to specific industries, such as the accommodation industry, that are recognized to be significantly affected by the COVID-19 pandemic, is increasing. Accordingly, reserve for possible loan losses was additionally recorded by making necessary adjustments to the historical loan loss ratio, assuming that the obligor classification has been lowered.

As a result, reserve for possible loan losses as of March 31, 2022 increased by ¥671 million (U.S.\$5,482 thousand) and ordinary profit and income before income taxes for the fiscal year ended March 31, 2022 decreased by ¥671 million (U.S.\$5,482 thousand).

The reserve for possible loan losses may change in the fiscal year ending March 31, 2023 if the circumstances on which the assumptions are based change.

### 5. Changes in Accounting Policies

#### (a) Application of the Accounting Standard for Revenue Recognition, Etc.

The Bank has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, revised on March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022. The Bank recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer. There is no impact of this change on the consolidated financial statements.

In addition, notes to "Revenue Recognition" for the fiscal year ended March 31, 2021 were not disclosed in accordance with the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

#### (b) Application of the Accounting Standard for Fair Value Measurement, Etc.

The Bank has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and relevant ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022. The Bank has applied the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019). There is no impact of this change on the consolidated financial statements.

In addition, fair value of financial instruments by level is disclosed in Note 35. "Financial Instruments." However, information for the fiscal year ended March 31, 2021 was not disclosed in accordance with the transitional treatment stipulated in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020).



## 6. Additional Information

### (a) Performance-linked stock compensation plan

#### 1. Outline

The Bank has introduced a performance-linked stock compensation plan (the "Plan") using the executive compensation BIP trust. The objective of the Plan is to further clarify the link between the remuneration of directors (excluding directors serving as Audit and Supervisory Committee members and outside directors) and the Bank's business performance and share value, and enhance directors' awareness of contributing to improving business performance over the medium- to long-term and increasing corporate value.

Under the Plan, the Bank's shares are acquired through the trust by using an amount of remuneration for directors contributed by the Bank as funds, and based on the Share Delivery Regulations established by the Bank, the Bank's shares and cash equivalent to the conversion value of the Bank's shares are delivered and paid to the Bank's directors.

#### 2. The Bank's shares remaining in trust

The shares of the Bank remaining in trust are recorded as treasury stock in stockholders' equity. The book value of the treasury stock was ¥113 million (U.S.\$923 thousand) and ¥136 million as of March 31, 2022 and 2021, respectively. The number of shares was 58 thousand and 70 thousand as of March 31, 2022 and 2021, respectively.

## 7. Trading Account Securities

Trading account securities as of March 31, 2022 and 2021 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Amount in the balance sheet	¥ —	¥ —	\$ —
Valuation gain (loss) included in income for the year	—	3	—

## 8. Securities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Japanese government bonds	¥111,829	¥109,642	\$ 913,710
Local government bonds	294,414	244,550	2,405,539
Corporate bonds	124,971	152,940	1,021,088
Share stocks	50,499	53,193	412,607
Other securities	304,963	195,649	2,491,731
Total	¥886,679	¥755,976	\$7,244,701

Fair value and valuation differences of securities as of March 31, 2022 and 2021 and other related information are stated below.

### (a) Held-to-maturity debt securities

None to report as of March 31, 2022 and 2021.

### (b) Available-for-sale securities

The Group's investments in available-for-sale securities as of March 31, 2022 and 2021 were summarized in the following tables. For presentation purposes, the tables also include: (i) trading account securities, (ii) some negotiable certificates of deposit included in cash and deposits and (iii) a part of securities included in monetary claims bought on the consolidated balance sheets, but exclude the stocks of the Bank's subsidiaries and affiliates.

	Millions of yen		
	2022		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 45,536	¥ 15,052	¥30,483
Bonds:			
Japanese government bonds	24,443	24,402	41
Local government bonds	88,224	87,721	503
Corporate bonds	85,366	84,875	491
Bonds total	198,034	196,998	1,035
Others	51,501	47,018	4,482
Subtotal	295,071	259,069	36,001
Carrying value not exceeding cost:			
Stocks	2,937	3,368	(430)
Bonds:			
Japanese government bonds	87,386	89,183	(1,797)
Local government bonds	206,190	207,677	(1,486)
Corporate bonds	39,605	39,812	(207)
Bonds total	333,182	336,673	(3,491)
Others	245,003	256,493	(11,489)
Subtotal	581,123	596,535	(15,411)
Total	¥876,195	¥855,605	¥20,590

	Millions of yen		
	2021		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 49,971	¥ 18,602	¥31,369
Bonds:			
Japanese government bonds	56,993	56,598	394
Local government bonds	171,143	169,807	1,335
Corporate bonds	130,534	129,546	988
Bonds total	358,670	355,952	2,718
Others	75,892	69,373	6,519
Subtotal	484,535	443,927	40,607
Carrying value not exceeding cost:			
Stocks	1,418	1,423	(5)
Bonds:			
Japanese government bonds	52,649	53,167	(518)
Local government bonds	73,407	73,632	(224)
Corporate bonds	22,405	22,451	(46)
Bonds total	148,462	149,252	(789)
Others	112,585	115,558	(2,972)
Subtotal	262,466	266,233	(3,767)
Total	¥747,001	¥710,161	¥36,840

Thousands of U.S. dollars (Note 1)			
2022			
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	\$ 372,056	\$ 122,983	\$249,064
Bonds:			
Japanese government bonds	199,714	199,379	334
Local government bonds	720,843	716,733	4,109
Corporate bonds	697,491	693,479	4,011
Bonds total	1,618,057	1,609,592	8,456
Others	420,794	384,165	36,620
Subtotal	2,410,907	2,116,749	294,149
Carrying value not exceeding cost:			
Stocks	23,997	27,518	(3,513)
Bonds:			
Japanese government bonds	713,996	728,678	(14,682)
Local government bonds	1,684,696	1,696,846	(12,141)
Corporate bonds	323,596	325,288	(1,691)
Bonds total	2,722,297	2,750,821	(28,523)
Others	2,001,822	2,095,702	(93,872)
Subtotal	4,748,124	4,874,050	(125,917)
Total	\$7,159,040	\$6,990,808	\$168,232

### (c) Available-for-sale securities sold

Available-for-sale securities sold and the gains and losses on sale of those securities for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Proceeds from sales	¥130,847	¥65,423	\$1,069,098
Gains	3,859	6,047	31,530
Losses	(1,425)	(1,512)	(11,643)

There were no investment securities which were impaired for the year ended March 31, 2022.

The Bank recognized an impairment loss of ¥778 million on equity securities for the year ended March 31, 2021.

## 9. Loans and Bills Discounted

### (a) Loans and bills discounted as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Bills discounted	¥ 2,176	¥ 2,555	\$ 17,779
Loans on notes	20,597	25,775	168,289
Loans on deeds	1,628,315	1,630,988	13,304,314
Overdrafts	177,040	175,483	1,446,523
Total	¥1,828,129	¥1,834,802	\$14,936,914

### (b) Non-performing loans

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims are recorded in the following accounts: the corporate bonds (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and for which the bonds were issued through private placement of securities (Article 2, paragraph 3 of the Financial Instruments and Exchange Act)) included in "securities," loans and bills discounted, foreign exchanges, accrued interest and suspense payments included in "other assets," and customers' liabilities for acceptances and guarantees in the consolidated balance sheets, and the securities (limited to those used for loans or for lease agreements) when securities in notes are used for loans.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Legal bankruptcy and de facto bankruptcy (*1)	¥ 7,795	¥ 7,485	\$ 63,689
Bankruptcy risk (*2)	34,992	32,145	285,905
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	2,180	1,679	17,811
Total	¥44,968	¥41,310	\$367,415

\*1. "Legal bankruptcy and de facto bankruptcy" are claims against borrowers who have fallen into bankruptcy due to reasons such as the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, and the petition for the commencement of rehabilitation proceedings, and claims equivalent thereto.

\*2. "Bankruptcy risk" are loans to borrowers who are not currently in bankruptcy but are experiencing difficult financial situations and operating conditions with a high possibility that the principal and interest cannot be collected according to the contract, excluding "legal bankruptcy and de facto bankruptcy."

\*3. "Loans past due for three months or more" are classified in this category when three months or more have elapsed since the due date with no payment of principal or interest. Excluded from this balance are the balances of loans in legal bankruptcy and de facto bankruptcy and the balances of bankruptcy risk.

\*4. "Restructured loans" include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by revising terms of repayment favorable to the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, debt waiver, etc.). Excluded from this balance are the balances of loans in legal bankruptcy and de facto bankruptcy, the balances of bankruptcy risk and the balances of loans past due for three months or more.

\*5. The above claim amounts are before deducting reserve for possible loan losses.

### (Changes in Presentation)

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

### (c) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Bank has the rights to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. Their total face value as of March 31, 2022 and 2021 were ¥2,176 million (U.S.\$17,779 thousand) and ¥2,555 million, respectively.

### (d) Contracts of overdraft facilities and loan commitment limits

Contracts of overdraft facilities and loan commitment limits are the contracts detailing that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Unused balance within the limits	¥641,922	¥639,039	\$5,244,889
Of which, the term of contracts is less than one year or revocable at any time	610,977	617,789	4,992,050

Since many of these commitments expire without being utilized, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions such that the Bank can refuse customers' applications for loans and can decrease the contract limits as they see with proper reasons (e.g., changes in financial situations, deterioration of customers' creditworthiness). At the inception of a contract the Bank obtains real estate, securities, etc. as collateral, if considered necessary. Subsequently, the Bank performs periodic reviews of customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or the requirement for additional collateral and guarantees.

## 10. Foreign Exchange Assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Due from foreign banks	¥2,414	¥3,370	\$19,723
Foreign exchange bills bought	0	—	0
Total	¥2,415	¥3,370	\$19,732

## 11. Other Assets

Other assets as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Lease receivables and lease investment assets	¥10,999	¥ 9,870	\$ 89,868
Prepaid expenses	17	20	138
Accrued income	4,776	4,549	39,022
Futures margins	—	83	—
Derivatives	309	78	2,524
Cash collateral paid for financial instruments	700	—	5,719
Others	23,145	42,974	189,108
Total	¥39,949	¥57,575	\$326,407

## 12. Premises and Equipment

Premises and equipment as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Buildings	¥ 6,799	¥ 6,838	\$ 55,551
Land	10,002	10,137	81,722
Leased assets	0	1	0
Construction in Progress	4	11	32
Others	1,995	1,774	16,300
Total	¥18,803	¥18,763	\$153,631

The accumulated depreciation of premises and equipment as of March 31, 2022 and 2021 amounted to ¥32,563 million (U.S.\$266,059 thousand) and ¥32,412 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥1,593 million (U.S.\$13,015 thousand) and ¥1,925 million as of March 31, 2022 and 2021, respectively.

## 13. Intangible Assets

Intangible assets as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Software	¥1,345	¥1,223	\$10,989
Others	230	180	1,879
Total	¥1,575	¥1,404	\$12,868

## 14. Leases

Finance leases

Finance leases that do not transfer ownership

(1) Outline of lease assets

(i) Tangible fixed assets

Vehicle

(ii) Intangible assets

None

(2) Method of depreciation of lease assets

Please refer to Note 3. "Summary of Significant Accounting Policies, (f) Leased assets" in "Notes to Consolidated Financial Statements."



## 15. Assets Pledged

Assets pledged as collateral as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Securities	¥375,662	¥333,224	\$3,069,384
Other assets	49	49	400
<b>Total</b>	<b>¥375,712</b>	<b>¥333,273</b>	<b>\$3,069,793</b>

Liabilities related to above pledged assets as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Deposits	¥ 26,968	¥21,037	\$ 220,344
Payables under securities lending transactions	71,159	48,177	581,411
Borrowed money	263,900	245,100	2,156,221

In addition, the following assets were pledged as collateral for settlements of exchange as of March 31, 2022 and 2021, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Securities	¥ 2,917	¥ 3,456	\$ 23,833
Other assets	19,000	39,000	155,241

## 16. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

## 17. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which results in a statutory rate of approximately 30.5% for the years ended March 31, 2022 and 2021.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Deferred tax assets:			
Net defined benefit liability	¥ 2,807	¥ 2,742	\$ 22,934
Reserve for possible loan losses	3,419	3,347	27,935
Securities	713	724	5,825
Depreciation	264	275	2,157
Remeasurements of defined benefit plans	—	105	—
Others	1,409	1,519	11,512
<b>Total deferred tax assets</b>	<b>8,615</b>	<b>8,715</b>	<b>70,389</b>
Valuation allowance for the total of deductible temporary differences	(2,897)	(2,942)	(23,670)
<b>Subtotal valuation allowance</b>	<b>(2,897)</b>	<b>(2,942)</b>	<b>(23,670)</b>
<b>Total deferred tax assets, net</b>	<b>5,718</b>	<b>5,773</b>	<b>46,719</b>
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(983)	(998)	(8,031)
Valuation difference on available-for-sale securities	(6,081)	(10,916)	(49,685)
Reserve for advanced depreciation of real estate	(78)	(81)	(637)
Remeasurements of defined benefit plans	(215)	—	(1,756)
Others	(804)	(633)	(6,569)
<b>Total deferred tax liabilities</b>	<b>(8,162)</b>	<b>(12,629)</b>	<b>(66,688)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ (2,443)</b>	<b>¥ (6,856)</b>	<b>\$ (19,960)</b>

The following summarizes the amounts shown on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Deferred tax assets	¥ 295	¥ 303	\$ 2,410
Deferred tax liabilities	(2,739)	(7,159)	(22,379)
<b>Net deferred tax assets (liabilities)</b>	<b>¥ (2,443)</b>	<b>¥ (6,856)</b>	<b>\$ (19,960)</b>

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the years ended March 31, 2022 and 2021 was as follows:

	2022	2021
Statutory tax rate	30.5 %	30.5 %
(Adjustments)		
Expenses not deductible for income tax purpose	0.2	0.2
Dividend income not included in taxable income	(4.6)	(4.7)
Inhabitant tax on per capital basis	0.9	1.0
Change in valuation allowance	(1.0)	7.0
Others	1.9	(0.1)
<b>Actual effective tax rate</b>	<b>27.9 %</b>	<b>33.9 %</b>

## 18. Deposits

An analysis of deposits as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Current deposits	¥ 187,586	¥ 165,630	\$ 1,532,690
Ordinary deposits	1,757,008	1,658,757	14,355,813
Saving deposits	49,485	47,228	404,322
Deposits at notice	6,409	7,258	52,365
Time deposits	982,913	980,549	8,030,991
Installment savings	2	3	16
Other deposits	47,690	44,476	389,656
Total	¥3,031,096	¥2,903,903	\$24,765,879

## 19. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Borrowings from other banks	¥266,253	¥247,546	\$2,175,447

The average interest rates of the loans were 0.004% as of March 31, 2022 and 2021, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2022 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2023	¥130,735	\$1,068,183
2024	20,560	167,987
2025	67,100	548,247
2026	47,462	387,793
2027	120	980

## 20. Foreign Exchanges Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Foreign exchange bills sold	¥33	¥ 9	\$269
Foreign exchange bills payable	11	25	89
Total	¥44	¥35	\$359

## 21. Other Liabilities

Other liabilities as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Domestic exchange settlement	¥ 111	¥ 115	\$ 906
Income taxes payable	122	971	996
Accrued expenses	1,612	1,495	13,171
Unearned income	2,257	2,361	18,441
Reserve for interest on installment savings	0	0	0
Variation margins of futures markets	233	—	1,903
Derivatives	1,499	143	12,247
Lease obligations	737	687	6,021
Others	5,059	4,542	41,335
Total	¥11,633	¥10,317	\$95,048

## 22. Reserve for Employees' Retirement Benefits

The Group has defined benefit plans, i.e., Employees' Pension Fund plan (funded plan), and lump-sum retirement plan (non-funded plan). Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary and length of service. Retirement benefit trust is established for the Employees' Pension Fund plan and the lump-sum retirement plan. Some lump-sum retirement plan is substantially the same as funded plan due to the retirement benefit trust.

The Bank has a defined contribution pension plan as well. The amount of contribution required to the defined contribution pension plan was ¥167 million (U.S.\$1,364 thousand) and ¥167 million for the years ended March 31, 2022 and 2021, respectively.

### (a) Changes in projected benefit obligation for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Projected benefit obligation			
— Beginning balance	¥24,715	¥25,279	\$201,936
Service cost	617	672	5,041
Interest cost	105	72	857
Actuarial gains and losses arising in the year	(401)	(82)	(3,276)
Retirement benefits paid	(1,269)	(1,226)	(10,368)
Projected benefit obligation			
— Ending balance	¥23,765	¥24,715	\$194,174

**(b) Changes in plan assets for the years ended March 31, 2022 and 2021 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Plan assets – Beginning balance	¥26,348	¥23,854	\$215,279
Expected return on plan assets	697	655	5,694
Actuarial gains and losses arising in the year	438	2,551	3,578
Retirement benefits paid	(763)	(754)	(6,234)
Others	40	41	326
Plan assets – Ending balance	¥26,761	¥26,348	\$218,653

**(c) Ending balances of projected benefit obligation and plan assets and amounts on the consolidated balance sheets as of March 31, 2022 and 2021 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Projected benefit obligation under funded plan	¥ 23,713	¥ 24,664	\$ 193,749
Plan assets	(26,761)	(26,348)	(218,653)
	(3,048)	(1,684)	(24,903)
Projected benefit obligation under non-funded plan	52	50	424
Net balance on the consolidated balance sheets	¥ (2,995)	¥ (1,633)	\$ (24,470)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net defined benefit liability	¥ 1,971	¥ 2,183	\$ 16,104
Net defined benefit asset	(4,967)	(3,817)	(40,583)
Net balance on the consolidated balance sheets	¥(2,995)	¥(1,633)	\$(24,470)

**(d) Components of retirement benefit cost as of March 31, 2022 and 2021 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Service cost	¥ 575	¥ 630	\$ 4,698
Interest cost	105	72	857
Expected return on plan assets	(697)	(655)	(5,694)
Amortization of actuarial gains and losses	209	597	1,707
Retirement benefit cost	¥ 192	¥ 645	\$ 1,568

Note: The amount of employee contributions to the corporate pension fund is deducted from "Service cost."

**(e) Items accounted for as remeasurements of defined benefit plans, before tax effect, for the years ended March 31, 2022 and 2021 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Actuarial gains and losses	¥(1,049)	¥(3,232)	\$(8,570)
Total	¥(1,049)	¥(3,232)	\$(8,570)

**(f) Remeasurements of defined benefit plans, before tax effect, as of March 31, 2022 and 2021 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Unrecognized actuarial gains and losses	¥(705)	¥344	\$(5,760)
Total	¥(705)	¥344	\$(5,760)

**(g) Plan assets consisted of the following investments as of March 31, 2022 and 2021.**

	2022	2021
Debt securities	19%	20%
Equity securities	43	41
Others	38	39
Total	100%	100%

The total plan assets included the retirement benefit trust established for Employees' Pension Fund plan. The portion to the total plan assets was 40% and 39% as of March 31, 2022 and 2021, respectively.

Long-term expected rate of return on plan assets is determined based on the assumption of: (i) allocation of plan assets and (ii) long-term returns on such assets.

**(h) Assumption used for the calculation of actuarial gains and losses**

The assumption used for the calculation of actuarial gains and losses, on a basis of weighted average, is as follows:

	2022	2021
Discount rate	0.463 to 0.661%	0.311 to 0.476%
Long-term expected rate of return	2.5 to 3.3	2.5 to 3.8
Expected salary raise	3.2	3.2

## 23. Land Revaluation Excess

Pursuant to the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998), the Bank recorded the land owned by the Bank at the fair value and related unrealized gain, net of the applicable income tax effect, was reported as "Land revaluation excess" in net assets. The corresponding deferred tax liability amount was recorded as "Deferred tax liability for land revaluation."

Revaluation date: March 31, 2000

Revaluation method stated in Article 3, Section 3 of the Act on

Revaluation of Land:

The value of land is based on the official notice prices determined by the public notification of the Commissioner of the National Tax Administration and as provided for in the Land-holding Tax Act, as stipulated in Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Differences between the fair value and the carrying value were: ¥4,322 million (U.S.\$35,313 thousand) and ¥4,399 million as of March 31, 2022 and 2021, respectively.

## 24. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Valuation differences:			
Available-for-sale securities	¥20,369	¥ 36,619	\$166,426
Deferred tax liabilities	(6,081)	(10,916)	(49,685)
Non-controlling interests	(17)	(14)	(138)
Valuation differences on available-for-sale securities	¥14,270	¥ 25,687	\$116,594

## 25. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Interest on deposits	¥217	¥138	\$1,773
Others	4	45	32
Total	¥222	¥184	\$1,813

## 26. Fees and Commissions—Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Domestic and foreign exchange	¥1,600	¥1,721	\$13,072
Others	4,653	4,784	38,017
Total	¥6,254	¥6,505	\$51,098

## 27. 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 (Note 1)
	2022	2021	2022
Gains on trading account securities transactions	¥ —	¥ 0	\$ —
Gains of sales and redemption of bonds	2,380	3,513	19,446
Gains on foreign exchange transactions	73	68	596
Others	4,629	4,686	37,821
Total	¥7,083	¥8,269	\$57,872

## 28. 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 (Note 1)
	2022	2021	2022
Recoveries of written off claims	¥ 1	¥ 3	\$ 8
Gains on sales of available-for-sale securities	1,969	4,324	16,087
Gains on money held in trust	0	—	0
Gains on disposal of fixed assets	2	18	16
Others	451	340	3,684
Total	¥2,425	¥4,687	\$19,813

## 29. Other Interest Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Interest on interest rate swaps	¥—	¥—	\$ —
Others	78	50	637
Total	¥78	¥50	\$637

## 30. Fees and Commissions—Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Domestic and foreign exchanges	¥ 195	¥ 265	\$ 1,593
Others	2,033	2,093	16,610
Total	¥2,228	¥2,358	\$18,204

### 31. 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 (Note 1)
	2022	2021	2022
Losses on redemption of bonds	¥2,092	¥2,335	\$17,092
Losses on sales of bonds	1,715	2,045	14,012
Loss on trading account securities transactions	1	—	8
Others	4,406	4,359	35,999
Total	¥8,216	¥8,741	\$67,129

### 32. 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 (Note 1)
	2022	2021	2022
Provision of reserve for possible loan losses	¥1,670	¥2,641	\$13,644
Written off of loans	49	35	400
Losses on sales of available-for-sale securities	0	819	0
Losses on devaluation of available-for-sale securities	6	783	49
Losses on money held in trust	31	16	253
Losses on disposals of fixed assets	173	67	1,413
Impairment losses	123	157	1,004
Others	632	487	5,163
Total	¥2,687	¥5,008	\$21,954

### 33. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of the following fixed assets, included in "other expenses," for the years ended March 31, 2022 and 2021.

For the year ended March 31, 2022

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Branch Buildings	Land and Buildings; two places	¥ 26	\$ 212
	Idle Assets	Land and Buildings; 15 places	97	792
Total			¥123	\$1,004
Components of impairment losses:				
Buildings			¥ 41	\$ 334
Land			81	661

For the year ended March 31, 2021

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Branch Buildings	Land and Buildings; three places	¥ 55
	Idle Assets	Land; 12 places	4
Other	Branch Buildings	Land and Buildings; three places	98
Total			¥157
Components of impairment losses:			
Buildings			¥ 50
Land			107

For the purpose of identifying impaired assets, the assets of each individual branch are grouped as a unit.

The recoverable values of such assets are measured as the higher of net realizable values or value in use. Net realizable values are determined by the appraisal value based on Japanese Real Estate Appraisal Standards (issued by the Ministry of Lands, Infrastructure and Transport) less estimated costs of disposal. Value in use is calculated by discounting the future cash flow by 1.0 % and 1.9% as of March 31, 2022 and 2021, respectively.

### 34. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥(15,908)	¥11,589	\$(129,977)
Recycling	(341)	(1,420)	(2,786)
Before tax effect adjustment	(16,249)	10,169	(132,764)
Tax effect	4,835	(3,068)	39,504
Valuation difference on available-for-sale securities	¥(11,414)	¥ 7,101	\$ (93,259)
Deferred gains on hedges:			
Amount arising in the year	¥ (106)	—	\$ (866)
Recycling	111	—	906
Before tax effect adjustment	5	—	40
Tax effect	(1)	—	(8)
Deferred gains on hedges	¥ 3	—	\$ 24
Remeasurements of defined benefit plans			
Amount arising in the year	¥ 840	¥ 2,634	\$ 6,863
Recycling	209	597	1,707
Before tax effect adjustment	1,049	3,232	8,570
Tax effect	(320)	(985)	(2,614)
Remeasurements of defined benefit plans	¥ 729	¥ 2,246	\$ 5,956
Total other comprehensive income	¥(10,681)	¥ 9,347	\$ (87,270)

## 35. Financial Instruments

### (a) Status

#### (1) Policy on financial instruments

The Group engages in banking as the mainstay of business, as well as other financial services such as leasing and guarantee. To execute these services, the Bank utilizes funds acquired primarily from deposits and applies funds mainly to extend loans and purchase securities. To ensure sound and appropriate banking operations without succumbing to the pursuit of excessive profit or risk aversion, the Bank conducts suitable risk management and seeks to maintain the right balance between profit and risk in fund-raising and application activities. The Bank also utilizes derivative transactions to hedge potential risks.

#### (2) Financial instruments and associated risks

Financial assets held by the Group are primarily loans and investment securities.

Loans are exposed to credit risk, which could lead to losses if the financial status of certain borrowers deteriorates, causing the asset value of collateral to decrease or disappear altogether.

Securities held by the Bank are mainly bonds, stocks, investment trusts, and investments in partnerships through capital contributions. The Bank holds these securities to secure profit, primarily from interest and dividends, and for strategic purposes, such as business alliances. These securities are exposed to the credit risk of the respective issuers as well as market risk that could lead to losses caused by fluctuations, particularly in interest rates, exchange rates and market prices, that erode the value of held assets.

Financial liabilities held by the Group are mainly deposits. Deposits are exposed to liquidity risk, which could lead to losses if an unexpected outflow of cash, for example, forces the Bank to acquire funds at significantly higher interest rates than usual (funding liquidity risk), or changes in the market environment force the Bank into transactions at prices that are more disadvantageous than usual (market liquidity risk).

The Bank engages in derivative transactions, including interest rate swaps, bond futures, forward exchange contracts and currency options. Interest rate swaps and bond futures serve to hedge against interest rate fluctuations affecting on-balance-sheet transactions. Forward exchange contracts and currency options serve to hedge foreign exchange fluctuations. (Please refer to Note 3. "Summary of Significant Accounting Policies, (q) Hedge accounting," regarding hedging instruments, hedged items, the Bank's accounting standards and qualifying method.)

Some transactions that do not meet hedge accounting criteria are exposed to interest rate risk and foreign exchange risk.

#### (3) Risk management for financial instruments

To ensure the quality and appropriateness of its banking operations, the Bank undertakes integrated risk management, a self-administered process whereby inherent risks are evaluated according to category, such as credit risk and market risk, and are viewed in total and compared against operating capacity, that is, net worth. Risk management for financial instruments also falls within the scope of this process.

Integrated risk management entails risk capital allocation by division and risk category within net worth on a yearly basis, monitoring risk volume, which is quantified using methods such as Value at Risk (VaR) and the status of allocated risk capital, and sufficient verification of business soundness and capital adequacy. In addition, corporate structures, such as the Board of Directors, are provided with regular updates on risk status and risk volume is capped when conditions require such action.

In setting caps on risk volume, the Bank considers profitability and efficiency, including a suitable assessment of risk and return, to underpin efforts that will enhance operations and results.

#### (i) Credit risk management

Through the application of a credit policy that outlines the Bank's basic lending policy and screening criteria, and a credit risk management standard outlining/detailing specific lending rules, the Bank has established an administration policy for consolidated subsidiaries and strategic investments, in order to prevent excessive loan volume to a specific industry or group, with

the aim of making risk management as accurate as possible.

In addition, the Bank maintains a credit rating system for corporate clients to quantify credit risks and is improving loan pricing. Furthermore, for loans and bills discounted, which account for the majority of credit risk, the Bank has separated the screening and administration division from the sales promotion division and set up a screening and administration system that is not influenced by the sales promotion division. Through a specialized screening and loan management and recovery structure, the Bank is able to ensure asset quality and improve asset value.

#### (ii) Market risk management

The Bank's risk volume control structure is supported by regular reports to the Risk Management Committee on interest rate risk volume associated with the Bank's assets and liabilities, and interest rate, exchange rate and stock price risk volume associated with market transactions.

In its market transactions, the Bank strives for the efficient application of funds and optimum risk and return, within the limits of allocated risk capital determined through integrated risk management and the predetermined annual capital budget. The Bank also maintains a structure with middle offices specializing in risk management that are independent of both front offices, which engage in market transactions, and back offices, which handle administrative tasks. This structure reinforces the system of mutual checks and balances and helps to prevent potential processing mistakes and unauthorized transactions, although these are very unlikely.

#### (iii) Liquidity risk management

The Bank maintains an appropriate financial position with regard to liquidity risk by continually improving the accuracy of the methods used to estimate and verify fund utilization and acquisition balances. In addition, the Bank strives to prevent liquidity risk through the assessment and analysis of conditions in financial markets and society at large that could affect cash flow. To respond quickly to fund-impacting situations that arise, the Bank has established classifications for cash flow conditions, ranging from "normal" to "cause for concern" and "critical," and procedures are in place for dealing with situations that fall into the "cause for concern" and "critical" categories.

#### (iv) Risk management relating to derivative transactions

To manage risks relating to interest rate swaps, the necessity of hedging transactions and the status of derivative transactions are continuously monitored at the Risk Management Committee. Bond futures are operated based on commitment lines and loss-cut rules as prescribed in the annual operation policy for securities, and the status of its operations is periodically monitored by the market risk management department. Regarding forward exchange contracts and currency options, it is vital to manage total balances including on-balance-sheet and off-balance-sheet transactions, in addition to the assessment of individual transactions.

#### (v) Quantitative information on market risk

For the Group, the key financial instruments influenced by interest rate risk, a major risk variable, are: loans, bonds classified as available-for-sales securities under investment securities, deposits, negotiable certificates of deposit, and interest rate swaps under derivative transactions. The Group uses the measure VaR to calculate changes in the economic value of these financial assets and financial liabilities, which facilitates quantitative analysis for controlling the risk of interest rate fluctuations.

To calculate the associated value impact of interest rate risk on revenues using VaR, the Group divides risk-prone financial assets and financial liabilities into fixed interest rate and floating interest rate groups, breaks down the balances into appropriate periods corresponding to respective interest due dates, and applies the variance-covariance method reflecting the correlation effect among risk factors (holding period: 40 days; confidence interval: 99%; observation period: 5 years) based on interest rate margins, the spread between lending and borrowing rates, for each period. As of March 31, 2022 and 2021, the Group's interest rate risk volume (estimated decrease in economic value) was ¥2,965 million (U.S.\$24,225 thousand) and ¥4,665 million, respectively.

Interest due dates on demand deposits subject to VaR measurement are

sorted according to set periods, based on effective due dates estimated using internal models.

The Group also tests financial instruments with market value to compare actual losses at the end of the horizon period with model-derived VaR estimates, in an effort to verify that the measurement models used to identify interest rate risk are suitably accurate. However, VaR measures interest rate risk at a certain degree of probability statistically based on past market movements, so the technique may be unable to identify risk when market conditions are uncharacteristically volatile.

#### **(4) Supplemental information relating to fair market values**

Certain assumptions are used for measurement of fair value of financial instruments. Accordingly, the result of such measurement may vary if different assumptions are used.



## (b) Fair value of financial instruments

The amounts on the consolidated balance sheets, fair values and their differences as of March 31, 2022 and 2021 are shown below. Stocks without market price and investment in partnerships are excluded from the following tables. Cash and due from banks, call loans and bills bought, foreign exchanges (assets and liabilities), call money and bills sold, and payables under securities lending transactions are omitted since they are settled in a short time period and the fair value approximates such carrying amount.

### As of March 31, 2022

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Monetary claims bought	¥ 8,215	¥ 8,215	¥ —	\$ 67,121	\$ 67,121	\$ —
(2) Securities						
Available-for-sale securities	876,194	876,194	—	7,159,032	7,159,032	—
(3) Loans and bills discounted	1,828,129			14,936,914		
Reserve for possible loan losses (*1)	(12,348)			(100,890)		
	1,815,780	1,836,367	20,586	14,836,016	15,004,224	168,200
Total assets	¥2,700,190	¥2,720,776	¥20,586	\$22,062,178	\$22,230,378	\$168,200
(1) Deposits	¥3,031,096	¥3,031,121	¥ 25	\$24,765,879	\$24,766,083	\$ 204
(2) Negotiable certificates of deposit	77,190	77,192	1	630,688	630,705	8
(3) Borrowed money	266,253	266,253	—	2,175,447	2,175,447	—
Total liabilities	¥3,374,540	¥3,374,567	¥ 27	\$27,572,023	\$27,572,244	\$ 220
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ 203	¥ 203	¥ —	\$ 1,658	\$ 1,658	\$ —
Hedge accounting is applied	(1,393)	(1,393)	—	(11,381)	(11,381)	—
Total derivative transactions	¥ (1,189)	¥ (1,189)	¥ —	\$ (9,714)	\$ (9,714)	\$ —

\*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted.

\*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

### As of March 31, 2021

	Millions of yen					
	Book value	Fair value	Difference			
(1) Monetary claims bought	¥ 8,420	¥ 8,420	¥ —			
(2) Securities						
Available-for-sale securities	747,000	747,000	—			
(3) Loans and bills discounted	1,834,802					
Reserve for possible loan losses (*1)	(11,400)					
	1,823,402	1,849,482	26,080			
Total assets	¥2,578,823	¥2,604,904	¥26,080			
(1) Deposits	¥2,903,903	¥2,903,937	¥ 33			
(2) Negotiable certificates of deposit	77,185	77,187	1			
(3) Borrowed money	247,546	247,546	—			
Total liabilities	¥3,228,636	¥3,228,671	¥ 35			
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ (65)	¥ (65)	¥ —			
Hedge accounting is applied	—	—	—			
Total derivative transactions	¥ (65)	¥ (65)	¥ —			

\*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted.

\*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.



The book values of stocks without market price and investment in partnerships as of March 31, 2022 and 2021 were as follows. Those items are excluded from available-for-sale securities shown above.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Non-listed stocks (*1, *2)	¥2,025	¥1,803	\$16,545
Investment in partnerships (*3)	8,335	7,088	68,101
Others (*4)	123	82	1,004

\*1. Non-listed stocks are not included in the fair value information based on paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020).

\*2. The Bank recognizes impairment losses of ¥6 million (U.S.\$49 thousand) and ¥4 million, for the years ended March 31, 2022 and 2021, respectively.

\*3. Investment in partnership is not included in the fair value information based on paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021).

\*4. Others are not included in the fair value information based on paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020).

#### Redemption schedules for monetary claims and securities with maturity dates as of March 31, 2022 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥ 803,189	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	34,693	—	—	—	—	—
Monetary claims bought	8,215	—	—	—	—	—
Securities						
Available-for-sale securities with maturity	72,004	75,240	68,920	61,275	312,383	175,569
Japanese government bonds	14,548	—	—	—	68,473	28,807
Local government bonds	10,082	9,504	1,505	45,992	104,890	122,439
Corporate bonds	40,557	35,925	33,225	4,383	10,590	298
Loans and bills discounted (*)	219,099	222,320	247,942	118,168	268,773	529,992
Total	¥1,137,202	¥297,561	¥316,863	¥179,444	¥581,157	¥705,562

(\*) Loans and bills discounted in the above table excluded loans to Bankrupt Obligor, Substantially Bankrupt Obligor and Potential Bankrupt Obligor in the total amount of ¥39,891 million (U.S.\$325,933 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥181,940 million (U.S.\$1,486,559 thousand).

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$6,562,537	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	283,462	—	—	—	—	—
Monetary claims bought	67,121	—	—	—	—	—
Securities						
Available-for-sale securities with maturity	588,316	614,756	563,117	500,653	2,552,357	1,434,504
Japanese government bonds	118,865	—	—	—	559,465	235,370
Local government bonds	82,376	77,653	12,296	375,782	857,014	1,000,400
Corporate bonds	331,375	293,528	271,468	35,811	86,526	2,434
Loans and bills discounted (*)	1,790,170	1,816,488	2,025,835	965,503	2,196,037	4,330,353
Total	\$9,291,625	\$2,431,252	\$2,588,961	\$1,466,165	\$4,748,402	\$5,764,866

Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2022 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	¥2,872,754	¥ 24,716	¥ 5,106	¥ —	¥ —	¥ —
Negotiable certificates of deposit	77,190	—	—	—	—	—
Call money and bills sold	23,062	—	—	—	—	—
Payables under securities lending transactions	71,159	—	—	—	—	—
Borrowed money	130,735	87,660	47,583	161	112	—
Total	¥3,174,902	¥112,377	¥52,689	¥161	¥112	¥ —

(\*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥128,518 million (U.S.\$1,050,069 thousand) were not included in the above table.

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	\$23,472,130	\$201,944	\$ 41,719	\$ —	\$ —	\$ —
Negotiable certificates of deposit	630,688	—	—	—	—	—
Call money and bills sold	188,430	—	—	—	—	—
Payables under securities lending transactions	581,411	—	—	—	—	—
Borrowed money	1,068,183	716,234	388,781	1,315	915	—
Total	\$25,940,861	\$918,187	\$430,500	\$1,315	\$915	\$ —

(c) Fair value of financial instruments by level

The fair values of financial instruments are categorized into the following three levels depending on the observability and the significance of inputs used in the fair value measurements.

Level 1 fair value: Of observable inputs used in fair value measurement, fair values measured at quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Of observable inputs used in fair value measurement, fair values measured using inputs other than Level 1 inputs

Level 3 fair value: Fair values measured using unobservable inputs

When using more than one input that is significant to fair value measurement, the Bank categorizes the fair value on the basis of the lowest priority level input.

(1) Financial instruments measured at fair value in the consolidated balance sheets

As of March 31, 2022

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Japanese government bonds and local government bonds	¥111,829	¥294,414	¥ —	¥406,244
Corporate bonds	—	112,286	12,685	124,971
Stocks	48,473	—	—	48,473
Others (*1)	26,812	2,923	—	29,735
Total assets	¥187,115	¥409,624	¥12,685	¥609,425
Derivative transactions (*2)				
Currency related	¥ —	¥ (1,390)	¥ —	¥ (1,390)
Bond related	201	—	—	201
Total derivative transactions	¥ 201	¥ (1,390)	¥ —	¥ (1,189)

	Thousands of U.S. dollars (Note 1)			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Japanese government bonds and local government bonds	\$ 913,710	\$2,405,539	\$ —	\$3,319,258
Corporate bonds	—	917,444	103,644	1,021,088
Stocks	396,053	—	—	396,053
Others (*1)	219,070	23,882	—	242,952
Total assets	\$1,528,842	\$3,346,874	\$103,644	\$4,979,369
Derivative transactions (*2)				
Currency related	\$ —	\$ (11,357)	\$ —	\$ (11,357)
Bond related	1,642	—	—	1,642
Total derivative transactions	\$ 1,642	\$ (11,357)	\$ —	\$ (9,714)

\*1. Investment trusts to which the transitional treatment stipulated in Article 5, paragraph 6 of the Supplementary Provision of the "Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Order No. 9, March 6, 2020) was applied, are not included in the above table. The amount of these investment trusts on the consolidated balance sheets is ¥266,769 million (U.S.\$2,179,663 thousand).

\*2. For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

## (2) Financial instruments other than those measured at fair value in the consolidated balance sheets As of March 31, 2022

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 8,215	¥ —	¥ 8,215
Loans and bills discounted	—	601,618	1,234,748	1,836,367
Total assets	¥ —	¥ 609,834	¥1,234,748	¥1,844,582
Deposits	¥ —	¥3,031,121	¥ —	¥3,031,121
Negotiable certificates of deposit	—	77,192	—	77,192
Borrowed money	—	266,253	—	266,253
Total liabilities	¥ —	¥3,374,567	¥ —	¥3,374,567

	Thousands of U.S. dollars (Note 1)			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$ —	\$ 67,121	\$ —	\$ 67,121
Loans and bills discounted	—	4,915,581	10,088,634	15,004,224
Total assets	\$ —	\$ 4,982,711	\$10,088,634	\$15,071,345
Deposits	\$ —	\$24,766,083	\$ —	\$24,766,083
Negotiable certificates of deposit	—	630,705	—	630,705
Borrowed money	—	2,175,447	—	2,175,447
Total liabilities	\$ —	\$27,572,244	\$ —	\$27,572,244

## Note 1: Explanation of valuation techniques and inputs used for fair value measurement

### Assets

#### Monetary claims bought

Regarding monetary claims bought, book values are deemed fair values as the majority of such monetary claim are due within six months and the fair values approximate the book values. The fair values are categorized as Level 2 fair value.

#### Securities

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

When published quoted prices are available but not considered to be in active markets, the fair values are categorized as Level 2 fair value. This mainly includes local government bonds and corporate bonds.

If quoted prices are not available, the fair values are measured using valuation techniques such as the present value technique of future cash flows. The Bank uses observable inputs as much as possible in valuations. Those inputs include TIBOR, the Japanese government bond yields, prepayment rates, credit spreads, probability of bankruptcy, and the loss ratio in bankruptcy. If significant unobservable inputs are used in the measurement, the fair values are categorized as Level 3 fair value.

#### Loans and bills discounted

For loans and bills discounted with floating interest rates, the book values are deemed fair values as the fair values approximate the book values because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate loans and bills discounted.

Loans and bills discounted with fixed interest rates are categorized by nature, internal credit rating and maturity, and the present value is calculated based on the future cash flows, net of reserves for possible loan loss, discounted by the market interest rate.

Regarding loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors, possible loan losses are estimated based on the present value of estimated future cash flows or collectible amounts from collateral and guarantees. Thus, the book value is deemed as fair value since the fair value approximates the book value.

Regarding loans and bills discounted which have no predetermined maturity since they are fully secured by collateral, their book values are deemed fair values as the fair values approximate the book values based on the repayment period and interest rate terms.

If the impact of unobservable inputs on the fair value is significant, they are categorized as Level 3 fair value, and if not, they are categorized as Level 2 fair value.

### Liabilities

#### Deposits and negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the book value) is used as the fair value. For time deposits and negotiable certificates of deposit, the fair value is calculated based on the present value discounted the future cash flows, after each deposits are categorized by product and maturity.

The discount rate uses the market interest rate. Their fair values are categorized as Level 2 fair value.

#### Borrowed money

For floating-rate borrowings, the book values are deemed fair values as the fair values approximate the book values because the market interest rate is reflected in the interest rate set within a short time period and there has been no significant change in creditworthiness of the Bank or its consolidated subsidiaries after execution of such borrowings.

The book values of fixed rate borrowings are used as their fair values

as both the amounts on the consolidated balance sheets and the fair values are insignificant. They are categorized as Level 2 fair value.

### Derivative transactions

For derivative transactions, when quoted unadjusted prices in active markets are available, the fair values are categorized as Level 1 fair value. This mainly includes bond futures.

However, most derivative transactions are over-the-counter transactions and there is no published quoted price. Accordingly, the fair values are measured using the present value technique and valuation techniques such as the Black-Scholes model, depending on the type of transactions and the period until maturity. The main inputs used in these valuation techniques are interest rates, exchange rates and volatility. The Bank makes price adjustments when the impact based on credit risks of the counterparty and the Bank itself is significant. If no unobservable input is used or its impact is not significant, the fair values are categorized as Level 2 fair value. This includes forward exchange contract transactions.

## Note 2: Level 3 fair value of financial instruments measured at fair value in the consolidated balance sheets

### (1) Quantitative information on significant unobservable inputs

As of March 31, 2022

	Valuation techniques	Significant unobservable inputs	Scope of Inputs	Weighted average of inputs
Securities				
Corporate bonds				
Privately placed bonds	Present value technique	Probability of bankruptcy	0.0% - 5.9%	0.3%
		Loss ratio in bankruptcy	31.3%	31.3%

### (2) Reconciliation of beginning balance to ending balance, valuation gains/losses recognized in income/loss for the fiscal year ended March 31, 2022

Millions of yen							
	Balance as of April 1, 2021	Income (loss) or other comprehensive income		Net of purchases, sales, issuances, and settlements	Transfer to Level 3 fair value (*3)	Transfer from Level 3 fair value (*4)	Balance as of March 31, 2022
		Recognized in income (loss) (*1)	Recognized in other comprehensive income (*2)				Valuation gains or losses on financial assets and liabilities held at March 31, 2022 recognized in income/loss (*1)
Securities							
Available-for-sale securities							
Corporate bonds	¥12,091	¥(9)	¥(55)	¥660	¥—	¥—	¥12,685

Thousands of U.S. dollars (Note 1)							
	Balance as of April 1, 2021	Income (loss) or other comprehensive income		Net of purchases, sales, issuances, and settlements	Transfer to Level 3 fair value (*3)	Transfer from Level 3 fair value (*4)	Balance as of March 31, 2022
		Recognized in income (loss) (*1)	Recognized in other comprehensive income (*2)				Valuation gains or losses on financial assets and liabilities held at March 31, 2022 recognized in income/loss (*1)
Securities							
Available-for-sale securities							
Corporate bonds	\$98,790	\$(73)	\$(449)	\$5,392	\$—	\$—	\$103,644

\*1. The amount is included in "other operating income" and "other operating expenses" in the consolidated statements of income.

\*2. The amount is included in "valuation difference on available-for-sale securities" under "other comprehensive income" in the consolidated statements of comprehensive income.

\*3. This transfer is from Level 2 to Level 3 fair value and due to the change of observability of inputs used for fair value measurement based on market liquidity. The transfer is made on the last day of fiscal year.

\*4. This transfer is from Level 3 to Level 2 fair value and due to the change of observability of inputs used for fair value measurement based on market liquidity. The transfer is made on the last day of fiscal year.

### (3) Explanation of the fair value valuation process

The Group has established policies and procedures for determining fair value in the middle division and the back division. The Bank verifies the validity of valuation techniques and inputs used to measure fair value and the appropriateness of the level classification of the fair value.

When measuring fair value, the Group uses a valuation model that can most appropriately reflect the nature, characteristics and risks of each asset.

When using a quoted price obtained from a third party, the Bank verifies the validity of the price by using appropriate methods, such as by confirming the valuation technique and input used and comparing with the fair value of similar financial products.

### (4) Explanation of the impact on fair value of changes in significant unobservable inputs

#### Probability of bankruptcy

Probability of bankruptcy is an estimate that indicates the possibility of not collecting contractual payments. In general, a significant increase (decrease) in bankruptcy probability is accompanied by a decrease (increase) in recovery rate and an increase (decrease) in discount rate, resulting in a significant decrease (increase) in fair value.

#### Loss ratio in bankruptcy

Loss ratio in bankruptcy is the ratio of loss expected to occur at the time of bankruptcy to the total balance of bonds, and is an estimate calculated based on the past bankruptcy record of counterparties. A significant increase (decrease) in the loss ratio in bankruptcy causes a significant decrease (increase) in fair value.

### 36. Derivative Financial Instruments Transaction

#### Derivative transactions to which hedge accounting is not applied

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2022 and 2021 were summarized below.

(1) Foreign exchange related transactions (over the counter)

As of March 31	Millions of yen			
	2022			
	Contract amounts	Due after one year	Fair value	Gains/losses
Currency swaps:	¥4,503	¥4,503	¥ 5	¥ 5
Forward exchange contracts:				
Sold	295	—	(14)	(14)
Bought	176	—	12	12
Currency options:				
Sold	1,326	—	(45)	(35)
Bought	1,326	—	45	40
Total			¥ 2	¥ 7

The above derivatives are valued at the fair value and valuation gains/losses are recognized as income or loss.

As of March 31	Millions of yen			
	2021			
	Contract amounts	Due after one year	Fair value	Gains/losses
Currency swaps:	¥5,668	¥4,074	¥ 7	¥ 7
Forward exchange contracts:				
Sold	381	—	(15)	(15)
Bought	218	—	11	11
Currency options:				
Sold	1,166	—	(27)	(21)
Bought	1,166	—	27	22
Total			¥ 3	¥ 4

As of March 31	Thousands of U.S. dollars (Note 1)			
	2022			
	Contract amounts	Due after one year	Fair value	Gains/losses
Currency swaps:	\$36,792	\$36,792	\$ 40	\$ 40
Forward exchange contracts:				
Sold	2,410	—	(114)	(114)
Bought	1,438	—	98	98
Currency options:				
Sold	10,834	—	(367)	(285)
Bought	10,834	—	367	326
Total			\$ 16	\$ 57

(2) Bond futures related transactions (listed)

As of March 31	Millions of yen			
	2022			
	Contract amounts	Due after one year	Fair value	Gains/losses
Bond futures:				
Sold	¥20,000	¥ —	¥201	¥201
Bought	—	—	—	—
Total			¥201	¥201

The above derivatives are valued at the fair value and valuation gains/losses are recognized as income or loss.

	Millions of yen			
	2021			
	Contract amounts	Due after one year	Fair value	Gains/losses
As of March 31				
Bond futures:				
Sold	¥20,000	¥ —	¥(69)	¥(69)
Bought	—	—	—	—
Total			¥(69)	¥(69)

	Thousands of U.S. dollars (Note 1)			
	2022			
	Contract amounts	Due after one year	Fair value	Gains/losses
As of March 31				
Bond futures:				
Sold	\$163,412	\$ —	\$1,642	\$1,642
Bought	—	—	—	—
Total			\$1,642	\$1,642

### Derivative transactions to which hedge accounting is applied

Foreign exchange related transactions

	Millions of yen			
	2022			
	Main hedged items	Contract amounts	Due after one year	Fair value
As of March 31				
Principle method:				
Forward exchange contracts	Call loans	¥22,375	¥ —	¥(1,393)
Total				¥(1,393)

	Thousands of U.S. dollars (Note 1)			
	2022			
	Main hedged items	Contract amounts	Due after one year	Fair value
As of March 31				
Principle method:				
Forward exchange contracts	Call loans	\$182,817	\$ —	\$(11,381)
Total				\$(11,381)

The deferred method of hedge accounting is primarily applied based on the JICPA Industry Committee Practical Guidelines No. 25.

**No transaction to report as of March 31, 2021.**

## 37. Capital Stock

The number of the Bank's authorized shares was 68,745,500 as of March 31, 2022 and 2021.

The number of shares in issue was 18,093,643 as of March 31, 2022 and 2021.

The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan and executive compensation BIP trust was 143,107 and 141,595 as of March 31, 2022 and 2021, respectively.

## 38. Stock Option Rights

None to report.

## 39. Retained Earnings

Japanese banks, including the Bank, are required to comply with the Banking Act. In accordance with the Companies Act ("the Act"), the Bank has provided a legal reserve which is included in retained earnings. The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated as a legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the common stock account. The Act also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the stockholders either as a return of capital or as dividends subject to the approval of the stockholders.

The maximum amount which the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Act.

## 40. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash and due from banks	¥843,450	¥789,282	\$6,891,494
Due from banks without interest	(867)	(394)	(7,083)
Ordinary due from banks	(1,208)	(948)	(9,870)
Time deposits with banks	(2,000)	(5,000)	(16,341)
Others	(875)	(959)	(7,149)
Cash and cash equivalents	¥838,498	¥781,978	\$6,851,033

## 41. Revenue Recognition

### Breakdown of revenue from contracts with customers

For the year ended March 31, 2022

	Millions of yen			
	2022			
	Banking	Leasing	Other	Total
Fees and commissions				
Deposits and loans	¥ 1,739	¥ —	¥ —	¥ 1,739
Exchange transactions	1,600	—	—	1,600
Insurance service (over-the-counter)	478	—	—	478
Investment trust service (over-the-counter)	559	—	—	559
Others	943	—	579	1,523
Other ordinary income	1	141	4	148
Ordinary income from contracts with customers	¥ 5,323	¥ 141	¥584	¥ 6,049
Ordinary income other than the above	29,009	4,490	180	33,680
Ordinary income for external customers	¥34,332	¥4,632	¥765	¥39,730

	Thousands of U.S. dollars (Note 1)			
	2022			
	Banking	Leasing	Other	Total
Fees and commissions				
Deposits and loans	\$ 14,208	\$ —	\$ —	\$ 14,208
Exchange transactions	13,072	—	—	13,072
Insurance service (over-the-counter)	3,905	—	—	3,905
Investment trust service (over-the-counter)	4,567	—	—	4,567
Others	7,704	—	4,730	12,443
Other ordinary income	8	1,152	32	1,209
Ordinary income from contracts with customers	\$ 43,492	\$ 1,152	\$4,771	\$ 49,423
Ordinary income other than the above	237,020	36,686	1,470	275,185
Ordinary income for external customers	\$280,513	\$37,846	\$6,250	\$324,618

"Ordinary income other than the above" is mainly income to which the "Accounting Standard for Financial Instruments" is applied, including income from fund management.



## 42. Segment Information

### (a) Outline of reportable segment

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group offers total financial services mainly through operating branches with a philosophy that seeks to contribute to regional prosperity. Reportable segments are composed of banking business, leasing business and other businesses including consulting business, guarantee business and credit card business.

### (b) Basis of measurement for the amount of ordinary income, segment profit, assets and other items by reporting segment

Accounting procedures applied to operating segments are consistent to those applied to the preparation of consolidated financial statements. Ordinary income from inter-segment transactions is measured on the assumption of arm's length transaction.

### (c) Ordinary income, segment profit, assets and other items by reportable segment for the years ended March 31, 2022 and 2021

Year ended March 31, 2022	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 34,332	¥ 4,632	¥ 788	¥ 39,753	¥ (22)	¥ 39,730
Inter-segment	450	151	428	1,030	(1,030)	—
Total	¥ 34,783	¥ 4,783	¥ 1,216	¥ 40,783	¥ (1,053)	¥ 39,730
Segment profit	¥ 4,731	¥ 98	¥ 293	¥ 5,123	¥ (407)	¥ 4,716
Segment assets	3,656,225	15,300	11,660	3,683,186	(17,504)	3,665,682
Segment liabilities	3,496,562	10,488	4,136	3,511,186	(13,376)	3,497,810
Other items:						
Depreciation and amortization	¥ 1,503	¥ 16	¥ 13	¥ 1,532	¥ —	¥ 1,532
Interest income	24,324	24	71	24,420	(451)	23,969
Interest expenses	227	54	0	282	(43)	239
Extraordinary income	2	—	—	2	—	2
Extraordinary losses	295	1	—	296	—	296
(Of which, Impairment losses)	123	—	—	123	—	123
Income taxes	1,098	27	107	1,233	0	1,233
Increase in premises & equipment and intangibles	1,841	72	5	1,919	0	1,919

Year ended March 31, 2021	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 38,109	¥ 4,668	¥ 764	¥ 43,542	¥ (24)	¥ 43,517
Inter-segment	386	169	457	1,013	(1,013)	—
Total	¥ 38,495	¥ 4,838	¥ 1,222	¥ 44,556	¥ (1,038)	¥ 43,517
Segment profit	¥ 4,243	¥ 167	¥ 287	¥ 4,697	¥ (355)	¥ 4,341
Segment assets	3,480,921	14,262	11,495	3,506,678	(17,937)	3,488,741
Segment liabilities	3,311,902	9,446	3,957	3,325,306	(13,159)	3,312,146
Other items:						
Depreciation and amortization	¥ 1,690	¥ 6	¥ 10	¥ 1,706	¥ —	¥ 1,706
Interest income	24,351	33	81	24,465	(392)	24,072
Interest expenses	300	47	0	348	(37)	311
Extraordinary income	18	0	—	18	—	18
Extraordinary losses	225	0	0	225	—	225
(Of which, Impairment losses)	157	—	—	157	—	157
Income taxes	1,272	44	85	1,403	—	1,403
Increase in premises & equipment and intangibles	615	18	25	659	(2)	657

Year ended March 31, 2022	Thousands of U.S. dollars (Note 1)					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	\$ 280,513	\$ 37,846	\$ 6,438	\$ 324,805	\$ (179)	\$ 324,618
Inter-segment	3,676	1,233	3,497	8,415	(8,415)	—
Total	\$ 284,198	\$ 39,079	\$ 9,935	\$ 333,221	\$ (8,603)	\$ 324,618
Segment profit	\$ 38,655	\$ 800	\$ 2,393	\$ 41,857	\$ (3,325)	\$ 38,532
Segment assets	29,873,559	125,010	95,269	30,093,847	(143,018)	29,950,829
Segment liabilities	28,569,017	85,693	33,793	28,688,503	(109,289)	28,579,213
Other items:						
Depreciation and amortization	\$ 12,280	\$ 130	\$ 106	\$ 12,517	\$ —	\$ 12,517
Interest income	198,741	196	580	199,526	(3,684)	195,841
Interest expenses	1,854	441	0	2,304	(351)	1,952
Extraordinary income	16	—	—	16	—	16
Extraordinary losses	2,410	8	—	2,418	—	2,418
(Of which, Impairment losses)	1,004	—	—	1,004	—	1,004
Income taxes	8,971	220	874	10,074	0	10,074
Increase in premises & equipment and intangibles	15,042	588	40	15,679	0	15,679

### 43. Related Party Transactions

Related party transactions for the years ended March 31, 2022 and 2021 and related information were as follows:

Related party	Category/Business	Account	Amounts of transaction			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
			2022	2021	2022	2022	2021	2022
Yoshiyuki Tsuji	Director of the Bank	Loan	¥ —	¥ —	\$ —	¥19	¥ 24	\$155
IYATAKA GROUP (*1)	Wedding halls	Loan	—	—	—	—	613	—
		Lease transaction	—	1	—	—	12	—
Produce Pro Inc. (*2)	Advertising	Loan	—	4	—	—	24	—

The conditions of the above transactions were the same as arm's length transactions.

\*1. Mr. Masashi Kitajima and his family own 58.2% of voting rights of IYATAKA GROUP as of June 25, 2020. Mr. Masashi Kitajima retired from the position of director of the Bank on June 25, 2020. The balance as of March 31, 2021 is the balance as of the same date.

\*2. Mr. Masashi Kitajima and his family own 100.0% of voting rights of Produce Pro Inc. as of June 25, 2020. Mr. Masashi Kitajima retired from the position of director of the Bank on June 25, 2020. The balance as of March 31, 2021 is the balance as of the same date.

#### 44. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2022 and 2021 were as follows:

	Yen		U.S. dollars (Note 1)
	2022	2021	2022
Net assets per share	¥9,344.19	¥9,838.06	\$76.34
Net income per share	178.02	151.97	1.45

Note: Diluted net income per share for the years ended March 31, 2022 and 2021 is not presented because there are no dilutive shares.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income attributable to owners of parent	¥ 3,184	¥ 2,716	\$ 26,015
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stock owners of parent	3,184	2,716	26,015
Average number of common stock (thousand shares)	17,889	17,877	—

Note: The Bank's shares held by the executive compensation BIP trust, which are recorded as treasury stock in stockholders' equity, are included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of net income per share. The average number of treasury stock during the period, which was deducted in the calculation of net income per share, was 61 thousand shares and 75 thousand shares in the years ended March 31, 2022 and 2021, respectively.

#### 45. Subsequent Events

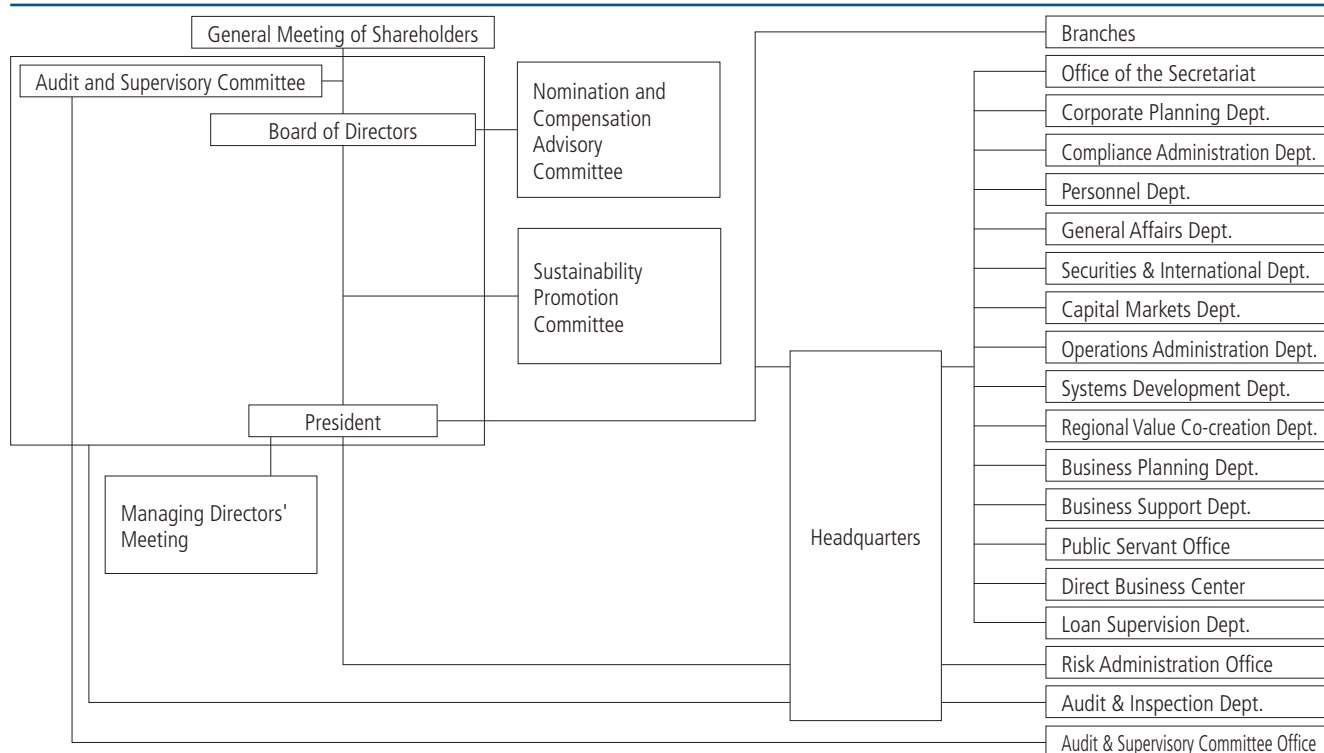
None to report.

# Corporate Information

## Corporate Data (As of March 31, 2022)

Corporate Name	The Akita Bank, Ltd.
Head Office	2-1, Sanno 3-Chome, Akita-shi, Akita 010-8655, Japan
Date of Establishment	January, 1879
Number of Shares Issued and Outstanding	18,093 thousand shares
Number of Employees (including executive officers who do not concurrently serve as directors)	1,293
Number of Branches	98
Paid-in Capital	¥14.1 billion

## Organization (As of June 30, 2022)



## Directors, Audit and Supervisory Committee Members & Executive Officers (As of June 30, 2022)

President and Representative Director Akihiro Araya	Outside Directors, Audit and Supervisory Committee Members Kenichi Kobayashi Kyoko Omoteyama Mitsuya Hasebe
Directors and Managing Executive officers Tsuyoshi Minakawa Chikara Miura Hiroyoshi Miura Kosuke Ashida	Senior Executive Officer Satoru Nakayama
Outside Directors Yoshiyuki Tsuji Junichi Sakaki Naofumi Nakata Tamaki Kakizaki	Executive Officers Arata Tateoka Tetsuya Hayashiguchi Susumu Shindo Hideaki Hosaka Masahiro Haraoka Akihiro Kikkawa Keiji Sato Hisanori Sasaki Jotaro Tsukamoto
Directors, Audit and Supervisory Committee Members Masahiko Sato Jushin Kudo	

# ANNUAL REPORT

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2022



The Akita Bank, Ltd.