

Consolidated Financial Statements

Consolidated Balance Sheets

The Chugoku Bank, Limited and its Consolidated Subsidiaries
March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS:			
Cash and due from banks (Notes 22 and 26)	¥ 1,757,165	¥ 1,000,773	\$ 14,357,096
Call loans	446,381	125,878	3,647,201
Other debt purchased (Notes 7 and 11)	20,532	21,485	167,758
Trading account securities (Notes 7, 14 and 22)	2,834	1,148	23,155
Money trusts (Notes 8 and 22)	27,600	27,300	225,508
Securities (Notes 7, 10, 14 and 22)	2,505,722	2,618,039	20,473,257
Loans and bills discounted (Notes 10, 11, 14 and 22)	5,259,190	5,135,435	42,970,749
Foreign exchange (Note 10)	6,282	8,333	51,327
Lease receivables and investments in leased assets	25,403	24,291	207,557
Other assets (Notes 10, 14, 19, 22 and 23)	139,182	162,723	1,137,200
Tangible fixed assets (Note 12)	36,855	38,766	301,127
Intangible fixed assets (Note 13)	1,484	2,437	12,125
Deferred tax assets (Note 15)	827	809	6,757
Customers' liabilities for acceptances and guarantees (Note 10)	30,918	32,031	252,618
Reserve for possible loan losses (Note 3)	(52,172)	(46,291)	(426,276)
Total assets	¥ 10,208,209	¥ 9,153,162	\$ 83,407,214
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 14 and 22)	¥ 7,861,674	¥ 7,667,019	\$ 64,234,610
Call money	110,709	71,293	904,559
Payables under repurchase agreements (Note 14)	191,006	129,640	1,560,634
Payables under securities lending transactions (Notes 14 and 22)	588,355	172,747	4,807,214
Commercial paper (Note 16)	55,017	54,228	449,522
Borrowed money (Notes 14, 16 and 22)	674,134	286,194	5,508,080
Foreign exchange	625	289	5,106
Bonds payable (Note 17)	10,000	10,000	81,706
Due to trust account	6,935	4,857	56,663
Other liabilities (Notes 16, 19, 22 and 23)	122,071	143,853	997,393
Accrued employees' bonuses	1,479	1,332	12,084
Accrued directors' bonuses	25	27	204
Reserve for directors' retirement benefits	46	67	375
Reserve for reimbursement of deposits	60	307	490
Reserve for point program	108	88	882
Net defined benefit liability (Note 18)	1,804	6,624	14,739
Deferred tax liabilities (Note 15)	813	10,354	6,642
Reserves under special laws	7	6	57
Acceptances and guarantees	30,918	32,031	252,618
Total liabilities	¥ 9,655,795	¥ 8,590,965	\$ 78,893,659
Net assets (Note 25):			
Shareholders' equity			
Common stock			
Authorized shares: 391,000,000 shares in 2022 and 2021			
Issued shares: 195,272,106 shares in 2022 and 2021	¥ 15,149	¥ 15,149	\$ 123,776
Capital surplus	8,153	8,153	66,614
Retained earnings	476,938	463,305	3,896,870
Less treasury stock, at cost			
9,520,961 shares in 2022 and 7,213,056 shares in 2021	(11,623)	(9,622)	(94,966)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 9)	67,608	96,574	552,398
Net deferred losses on hedging instruments	(606)	(5,320)	(4,951)
Accumulated adjustments for retirement benefits (Note 18)	(3,461)	(6,258)	(28,278)
Total	63,540	84,994	519,160
Subscription rights to shares (Note 27)	256	217	2,091
Total net assets	552,414	562,197	4,513,555
Total liabilities and net assets	¥ 10,208,209	¥ 9,153,162	\$ 83,407,214

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Income (Note 23):			
Interest and dividends on:			
Loans and discounts	¥ 45,138	¥ 45,813	\$ 368,804
Securities	19,536	18,871	159,620
Other	1,735	762	14,175
Fees and commissions	19,250	18,640	157,284
Other operating income	31,208	23,240	254,988
Bad debt recovered	42	0	343
Other income	11,967	8,973	97,777
Total income	128,880	116,303	1,053,027
Expenses:			
Interest on:			
Deposits	684	870	5,588
Borrowings	215	1,078	1,756
Other	4,356	4,953	35,591
Fees and commissions	3,485	3,605	28,474
Other operating expenses	24,396	14,162	199,330
General and administrative expenses	56,109	57,285	458,444
Reserve for possible loan losses	8,179	8,736	66,827
Losses on impairment of fixed assets (Note 12)	505	249	4,126
Other expenses	5,537	4,448	45,240
Total expenses	103,470	95,393	845,412
Income before income taxes	25,409	20,910	207,606
Income taxes (Note 15):			
Current	7,140	8,332	58,338
Deferred	(106)	(1,840)	(866)
	7,034	6,491	57,472
Net income	18,374	14,418	150,126
Net income attributable to non-controlling interests	—	—	—
Net income attributable to owners of parent	¥ 18,374	¥ 14,418	\$ 150,126

	Yen		U.S. Dollars (Note 1)
	2022	2021	2022
Per share of common stock			
Basic net income	¥ 98.43	¥ 76.66	\$ 0.804
Diluted net income	98.30	76.58	0.803
Cash dividends applicable to the year (Note 25)	28.00	23.00	0.228

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net income	¥ 18,374	¥ 14,418	\$ 150,126
Other comprehensive income (Note 21):			
Net unrealized gains (losses) on available-for-sale securities	(28,965)	33,586	(236,661)
Net deferred gains (losses) on hedging instruments	4,713	6,136	38,508
Adjustments for retirement benefits	2,797	963	22,853
Total other comprehensive income	(21,454)	40,685	(175,292)
Comprehensive income	¥ (3,079)	¥ 55,104	\$ (25,157)
Comprehensive income attributable to:			
Owners of parent	¥ (3,079)	¥ 55,104	\$ (25,157)
Non-controlling interests	—	—	—

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen									
	2022									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Subscription rights to shares	Total net assets
Net unrealized gains (losses) on available-for-sale securities					Net deferred losses on hedging instruments	Accumulated adjustments for retirement benefits				
Balance at beginning of year.....	¥ 15,149	¥ 8,153	¥ 463,305	¥ (9,622)	¥ 96,574	¥ (5,320)	¥ (6,258)	¥ 84,994	¥ 217	¥ 562,197
Cumulative effects of changes in accounting policies			(335)							(335)
Restated balance	15,149	8,153	462,969	(9,622)	96,574	(5,320)	(6,258)	84,994	217	561,861
Net income attributable to owners of parent			18,374							18,374
Cash dividends			(4,406)							(4,406)
Purchases of treasury stock				(2,000)						(2,000)
Net changes in items other than shareholders' equity					(28,965)	4,713	2,797	(21,454)	39	(21,415)
Net changes during the year	—	—	13,968	(2,000)	(28,965)	4,713	2,797	(21,454)	39	(9,446)
Balance at end of year.....	¥ 15,149	¥ 8,153	¥ 476,938	¥ (11,623)	¥ 67,608	¥ (606)	¥ (3,461)	¥ 63,540	¥ 256	¥ 552,414

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen									
	2021									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Subscription rights to shares	Total net assets
Net unrealized gains (losses) on available-for-sale securities					Net deferred losses on hedging instruments	Accumulated adjustments for retirement benefits				
Balance at beginning of year.....	¥ 15,149	¥ 8,153	¥ 453,024	¥ (9,622)	¥ 62,987	¥ (11,456)	¥ (7,221)	¥ 44,308	¥ 179	¥ 511,193
Net income attributable to owners of parent			14,418							14,418
Cash dividends			(4,137)							(4,137)
Purchases of treasury stock.....				(0)						(0)
Disposals of treasury stock.....			(0)	0						0
Net changes in items other than shareholders' equity					33,586	6,136	963	40,685	37	40,723
Net changes during the year	—	—	10,280	(0)	33,586	6,136	963	40,685	37	51,003
Balance at end of year.....	¥ 15,149	¥ 8,153	¥ 463,305	¥ (9,622)	¥ 96,574	¥ (5,320)	¥ (6,258)	¥ 84,994	¥ 217	¥ 562,197

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)									
	2022									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Subscription rights to shares	Total net assets
Net unrealized gains (losses) on available-for-sale securities					Net deferred losses on hedging instruments	Accumulated adjustments for retirement benefits				
Balance at beginning of year.....	\$ 123,776	\$ 66,614	\$ 3,785,480	\$ (78,617)	\$ 789,067	\$ (43,467)	\$ (51,131)	\$ 694,452	\$ 1,773	\$ 4,593,488
Cumulative effects of changes in accounting policies			(2,737)							(2,737)
Restated balance	123,776	66,614	3,782,735	(78,617)	789,067	(43,467)	(51,131)	694,452	1,773	4,590,742
Net income attributable to owners of parent			150,126							150,126
Cash dividends			(35,999)							(35,999)
Purchases of treasury stock.....				(16,341)						(16,341)
Net changes in items other than shareholders' equity					(236,661)	38,508	22,853	(175,292)	318	(174,973)
Net changes during the year	—	—	114,126	(16,341)	(236,661)	38,508	22,853	(175,292)	318	(77,179)
Balance at end of year.....	\$ 123,776	\$ 66,614	\$ 3,896,870	\$ (94,966)	\$ 552,398	\$ (4,951)	\$ (28,278)	\$ 519,160	\$ 2,091	\$ 4,513,555

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Chugoku Bank, Limited and its Consolidated Subsidiaries
For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities			
Income before income taxes	¥ 25,409	¥ 20,910	\$ 207,606
Depreciation	4,460	4,474	36,440
Losses on impairment of fixed assets	505	249	4,126
Share-based compensation expenses	39	37	318
Provision of reserve for possible loan losses	8,179	8,736	66,827
Increase (decrease) in reserve for point program	19	(6)	155
Increase (decrease) in reserve for directors' retirement benefits	(20)	(14)	(163)
Increase (decrease) in accrued employees' bonuses	147	(63)	1,201
Increase (decrease) in accrued directors' bonuses	(2)	(3)	(16)
Increase (decrease) in net defined benefit liability	(795)	(10,234)	(6,495)
Increase (decrease) in reserve for reimbursement of deposits	(247)	(335)	(2,018)
Interest and dividend income	(66,411)	(65,448)	(542,617)
Interest expense	5,256	6,904	42,944
Losses (gains) related to securities, net	(3,057)	(5,037)	(24,977)
Losses (gains) on money trusts, net	(98)	(109)	(800)
Foreign exchange losses (gains), net	(42,644)	(5,163)	(348,427)
Losses (gains) on disposals of fixed assets, net	(167)	11	(1,364)
Decrease (increase) in trading account securities, excluding foreign exchange contracts	(1,685)	167	(13,767)
Decrease (increase) in call loans and other debt purchased	(319,550)	(62,557)	(2,610,915)
Increase (decrease) in payables under repurchase agreements	61,366	4,935	501,397
Decrease (increase) in due from banks, excluding the Bank of Japan	(1,816)	9,715	(14,837)
Increase (decrease) in commercial paper	788	21,617	6,438
Decrease (increase) in foreign exchange assets	2,050	3,626	16,749
Decrease (increase) in loans and bills discounted	(126,053)	(238,621)	(1,029,928)
Decrease (increase) in lease receivables and investments in leased assets	(1,112)	(161)	(9,085)
Decrease (increase) in other assets	24,194	(19,468)	197,679
Increase (decrease) in deposits	194,654	770,274	1,590,440
Increase (decrease) in borrowed money	387,940	128,828	3,169,703
Increase (decrease) in call money	39,416	41,224	322,052
Increase (decrease) in foreign exchange liabilities	335	17	2,737
Increase (decrease) in payables under securities lending transactions	415,607	(44,416)	3,395,759
Increase (decrease) in due to trust account	2,077	1,548	16,970
Increase (decrease) in other liabilities	(12,947)	28,207	(105,784)
Interest and dividends received	70,273	69,155	574,172
Interest paid	(6,276)	(8,461)	(51,278)
Subtotal	659,839	660,539	5,391,281
Income taxes paid	(9,952)	(4,088)	(81,313)
Income taxes refund	2	30	16
Net cash provided by operating activities	649,889	656,480	5,309,984
Cash flows from investing activities			
Purchases of securities	(1,053,057)	(949,024)	(8,604,109)
Proceeds from sales of securities	878,116	410,210	7,174,736
Proceeds from redemption of securities	288,408	314,319	2,356,467
Purchases of money trusts	(407)	(205)	(3,325)
Proceeds from money trusts	205	114	1,674
Purchases of tangible fixed assets	(2,023)	(2,605)	(16,529)
Purchases of intangible fixed assets	(599)	(820)	(4,894)
Proceeds from sales of tangible fixed assets	689	18	5,629
Net cash provided by (used in) investing activities	111,333	(227,992)	909,657
Cash flows from financing activities			
Issuance of subordinated bonds	—	10,000	—
Cash dividends paid	(4,406)	(4,137)	(35,999)
Purchases of treasury stock	(2,000)	(0)	(16,341)
Repayments on lease obligations	(253)	(220)	(2,067)
Proceeds from sales of treasury stock	—	0	—
Net cash used in (provided by) financing activities	(6,659)	5,642	(54,408)
Effect of exchange rate changes on cash and cash equivalents	13	10	106
Net increase in cash and cash equivalents	754,576	434,140	6,165,340
Cash and cash equivalents at beginning of year	998,813	564,672	8,160,903
Cash and cash equivalents at end of year (Note 26)	¥ 1,753,389	¥ 998,813	\$ 14,326,243

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Chugoku Bank, Limited and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of The Chugoku Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, the Japanese Banking Law and the Japanese Uniform Rules for Bank Accounting and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act, amounts of less than ¥1 million have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into the U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate as at March 31, 2022, which was ¥122.39 for US\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into the U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(a) Principles of Consolidation

Scope of Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

The consolidated financial statements include the accounts of the Bank and its seven significant subsidiaries after elimination of all significant intercompany transactions, balances and unrealized profits.

Seven (seven in 2021) investment partnerships and one (one in 2021) subsidiary, of which the Bank owns a majority of the voting rights, were excluded from the scope of consolidation for the year ended March 31, 2022 because the total amounts of their assets, net income and retained earnings were immaterial and their exclusion from the scope of consolidation would not hinder a rational judgment regarding the consolidated financial position or results of operations.

Investments in the seven (seven in 2021) investment partnerships, one (one in 2021) subsidiary and one (one in 2021) affiliated company also were not accounted for by the equity method for the year ended March 31, 2022 because their exclusion had no significant effect on the consolidated financial statements.

One (one in 2021) company, of which the Bank owns between 20% and 50% of the voting rights (execution rights), was not recognized as an affiliate accounted for using the equity method for the year ended March 31, 2022 because it is held by the Bank's unconsolidated subsidiary for the purpose of incubating investees or earning capital gains through business transactions and not for the purpose of controlling the entity.

Balance Sheet Date of Subsidiaries

The balance sheet date of all consolidated subsidiaries is March 31, the same as that of the Bank.

Goodwill

Goodwill is amortized using the straight-line method over a period of five years. Goodwill which is immaterial in amount is fully charged as loss when incurred.

(b) Trading Account Securities, Securities and Money Trusts

Trading account securities are stated at fair value (cost of sales is computed by the moving-average method). Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving average method. Investments in affiliated companies that are not accounted for by the equity method are stated at cost determined by the moving average method. Available-for-sale securities are stated at fair value. Unrealized gains and losses on these securities, net of applicable income taxes, are reported as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving average method.

Available-for-sale securities without a market price are stated at cost using the moving average method.

Securities constituting trust assets of money trusts are stated in the same manner as trading account securities.

(c) Derivatives and Hedge Accounting

Derivatives are stated at fair value.

The Bank applies the deferred method of hedge accounting for transactions entered into to hedge the interest rate risks associated with various financial assets and liabilities as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guideline No. 24, March 17, 2022) issued by the Japanese Institute of Certified Public Accountants ("JICPA"). The effectiveness of the hedges is assessed for each identified group of hedged loans and securities and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

The Bank applies the deferred method of hedge accounting for transactions entered into to hedge foreign exchange risks associated with various foreign currency-denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In addition to the above methods, the Bank applies the fair value hedge method to portfolio hedges for foreign exchange risks associated with foreign securities, except for bonds, identified as hedged items in advance as long as the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the acquisition cost of the hedged foreign securities in foreign currency.

(d) Tangible Fixed Assets

Tangible fixed assets owned by the Bank and its consolidated subsidiaries are stated at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the asset. For the Bank, estimated useful lives are mainly as follows:

Buildings.....	4 to 40 years
Other.....	2 to 20 years

For consolidated subsidiaries, the useful life of an asset is mainly based on the Corporation Tax Law of Japan.

Lease assets with respect to finance leases that do not transfer ownership of the lease assets and are recorded in "Tangible fixed assets" are depreciated using the straight-line method over the term of the lease, assumed to be the useful life, with a salvage value of zero or the guaranteed amount.

(e) Intangible Fixed Assets

Intangible fixed assets are depreciated using the straight-line method. Costs of software for the Bank's internal use are amortized based on the useable period determined by the Bank (five years).

(f) Foreign Currency Translation

The Bank's assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(g) Reserve for Possible Loan Losses

The Bank writes off loans and makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion estimated to be recoverable due to security interests or guarantees.

For large borrowers who are likely to become bankrupt and borrowers with restructured loans, if the cash flows from the collection of principal and interest can be reasonably estimated, a reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans.

For unsecured and unguaranteed portions of loans to customers not presently in these circumstances but who face a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the estimated loss for the average remaining term on loans and other transactions or the estimated loss over the next three years is recorded, and these estimated losses are calculated by using the loss ratio, derived from the average rate for the Bank's actual rate of loan losses for a fixed past period based on the three-year historical default rate or the past average rate with the long-term perspective such as business cycles, and adding to that the necessary corrections for future estimates. A specific reserve for loans to borrowers in certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans.

Assessment and classification are conducted by each business department and Credit Supervision Department utilizing the internal rules on self-assessment of assets and audited by the Risk Management Department (an independent department). The reserve for possible loan losses is provided based on the auditing results.

Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on historical loan loss ratios and for certain doubtful claims in the amount deemed uncollectable based on individual assessments.

(h) Accrued Employees' Bonuses

Accrued employees' bonuses are provided for the future payment of bonuses to employees in the amounts of the estimated bonuses attributable to the current fiscal year.

(i) Accrued Directors' Bonuses

Accrued directors' bonuses of the Bank's consolidated subsidiaries are provided for the payment of bonuses to directors and corporate auditors based on an estimated amount.

(j) Reserve for Directors' Retirement Benefits

The Bank's consolidated subsidiaries provide for severance and retirement benefits to directors and corporate auditors based on the required amounts determined by internal regulations.

(k) Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits is provided for reimbursement of deposits that were derecognized from liabilities and credited to income. The amount is determined based on the Bank's historical reimbursement ratio for such accounts.

(l) Reserve for Point Program

A reserve for the point program is provided for the accumulation of points granted to credit card holders. The amount of reserve is determined based on the past usage ratio of points by card holders.

(m) Reserve Under Special Laws

A reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Order on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other transactions.

(n) Accounting for Employees' Severance and Retirement Benefits

In determining projected benefit obligation, the estimated amount of retirement benefits is attributed to periods based on a benefit formula basis.

Prior service cost of the cash balance pension plans is recognized as expense using the straight-line method over 10 years, which is within the average of the estimated remaining service years, commencing with the period in which it arises.

Actuarial gains and losses are recognized as expenses using the straight-line method over 10 years, which is within the average of the estimated remaining service years, commencing with the following period.

In calculating the liability for retirement benefits and retirement benefit expenses, the consolidated subsidiaries apply a simplified method under which the amount that would be required to be paid if all the employees voluntarily retired at the fiscal year end is regarded as projected benefit obligation.

(o) Recognition of Revenue and Expenses

(1) Finance leases

As lessor:

Income from finance leases and related leasing costs are recognized when lease payments are received.

(2) Revenue from contracts with customers

The Bank and its consolidated subsidiaries recognize revenue from contracts with customers applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Bank and its consolidated subsidiaries, which provide services related to a wide range of the banking business such as domestic exchange, sales of customers' assets in custody and investment banking business, recognize revenue when satisfying a performance obligation based on contracts with customers.

(p) Income Taxes

Deferred income taxes are recognized for loss carryforwards and taxable temporary differences between carrying amounts for financial reporting purposes and tax bases. In Japan, income taxes applicable to the Bank and its consolidated subsidiaries consist of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local).

(q) Accounting Policy for Loss/Gain on Cancellation of Securities Investment Trusts

The Bank records loss/gain on cancellation during the period of securities investment trusts in interest and dividends on securities. If a negative amount arises for interest and dividends on securities for a particular yen-denominated securities investment trust or foreign-currency-denominated securities investment trust, the full negative amount is recorded in loss on redemption of bonds.

(r) Consumption Taxes

Any non-deductible consumption taxes associated with asset purchases are recorded as expense during the fiscal year.

(s) Per Share Information

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised. Diluted net income per share of common stock assumes the full exercise of the outstanding stock options at the beginning of the year or at the time of the grant.

3. Significant Accounting Estimates

The following describes possible significant impacts that may occur in the consolidated financial statements for the following fiscal year as a result of amounts being recorded in the consolidated financial statements for the fiscal year under review based on accounting estimates.

Reserve for Possible Loan Losses

Credit services are the largest source of revenue for the Group, and credit risk assets such as loans and bills discounted, and customers' liabilities for acceptances and guarantees constitute a high level of materiality on the consolidated balance sheet, and their impact on business results and financial position is large. Accordingly accounting estimates for such are deemed to be items of significance.

(a) Amounts Recorded on the Consolidated Financial Statements for the Fiscal Year Under Review

The reserve for possible loan losses recorded on the consolidated balance sheet as of March 31, 2022 and 2021 was ¥52,172 million (\$467,276 thousand) and ¥46,291 million, respectively, and the details related to the accounting estimates adopted when calculating that amount are described below.

(b) Information to Facilitate Understanding of the Details Related to the Significant Accounting Estimates for the Identified Items

1) Method for Calculating Amounts

For a description of the methods used to calculate amounts, refer to No 2 (g) "Significant Accounting Policies"- "Reserve for Possible Loan Losses."

The self-assessments of assets described in the "Reserve for Possible Loan Losses" refers to the classification of assets according to the degree of risk of collection or risk of damage to value, which is determined by examining each asset held individually. Appropriate write-offs and provisions are made according to classification of borrowers (normal borrowers, borrowers requiring caution, potentially bankrupt borrowers, effectively bankrupt borrowers, and bankrupt borrowers). Loans that are delinquent for over three months and restructured loans are classified as "substandard loans" and are written off or a provision is made for them.

The Bank determines a borrower's ability to repay loans by considering the borrower's actual financial position, cash flow, profitability, etc., based on the basic rating using a rating model, etc., confirms the borrower's loan conditions and their fulfillment status, and determines the classification of borrowers by

taking into consideration the characteristics of the industry, etc., the prospects for business continuity and profitability, the ability to repay the debt based on the annual repayment amount, the appropriateness of the business improvement plan, etc., and support from financial institutions, etc.

Among the borrowers whose lending conditions have been relaxed, loans and bills discounted to such borrowers are not considered to be restructured loans if the borrowers have started to restructure its business through the implementation of financial support in accordance with a drastic business restructuring plan that is highly feasible and a reasonable and highly feasible business improvement plan.

In addition, the Bank manages loans and bills discounted managed by the Structured Finance Center and the International Department, such as structured finance including marketable loans and loans to non-Japanese entities, as Headquarters Loans and bills discounted, and the Bank bases its determination of the classification of the borrowers by comprehensively taking into account all factors including not only formal aspects such as the borrower's cash flow status, whether the borrower is delinquent and the length of any delinquency, and whether the borrower is in legal liquidation or not, but also the understanding of risk factors, analyzing the degree of risk, and available information such as external ratings.

2) Major Assumptions Used for Significant Accounting Estimates

Based on the assumption that there is a certain relationship between the historical default ratio and the expected future credit loss ratio, the Bank calculates the allowance for expected credit loss on loans to normal borrowers and loans to borrowers requiring caution mainly by calculating the credit loss ratio based on the average of the historical default ratio over a certain period of time, which is based on the historical defaults for three years or the past average value with the long-term perspective such as business cycles, and then calculating the expected credit loss ratio after taking into account necessary adjustments such as the average remaining term on loans and bills discounted (The average remaining period for the fiscal years ended March 31, 2022 and 2021 were 5.32 years and 5.04 years, respectively, for normal borrowers; 4.02 years and 3.57 years, respectively, for borrowers requiring caution). The Bank calculates the allowance for expected credit loss on loans to potentially bankrupt borrowers by deducting the estimated amount receivable through the disposal of collateral and the estimated amount that can be collected through guarantees from the amount of the credit loss, and multiplying the remaining amount by the expected credit loss ratio based on the historical default ratio.

As stated in 1) Method for Calculating Amounts, in cases where a borrower whose loan conditions have been relaxed has started to restructure its business through the implementation of financial support in accordance with drastic management restructuring plan that is highly feasible and a reasonable and feasible business improvement plan, the loans and bills discounted to such borrowers are not considered to be restructured loans.

As of March 31, 2022, it was assumed that the impact of COVID-19 would continue for a certain period of time, and reserve for possible loan losses was recorded after determining the classification of the borrowers, giving consideration to the results of examination based on information currently available to the Bank, such as the future trends of the industries that will be significantly affected under this assumption, forecasts for the business recovery of individual borrowers that are impacted, and expected achievement of business improvement plans etc., created by the borrowers.

3) Impact on Consolidated Financial Statements in the Following Fiscal Year

The major assumptions used when determining the classification of the borrowers and calculating the reserve for possible loan losses such as assumptions on the correlating relationship between the historical default rate and the expected loss rate, the average remaining term on loans and bills discounted, the feasibility of

business improvement plan created by the borrowers and the impact of COVID-19, include uncertainties, and if there is an unexpected increase in the default rate due to deteriorated business conditions for major borrowers, extensions on the remaining term on loans and bills discounted, changes to the business environment that form the basis of assumption for figures in business improvement plans created by the borrowers, or if the impact of COVID-19 is worse than anticipated, the amount of loss may increase due to the need to increase the reserve for possible loan losses.

4. Changes in Accounting Policies

Adoption of Accounting Standard for Revenue Recognition, etc.

The Bank has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc., from the beginning of the fiscal year ended March 31, 2022. The Bank recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods and services.

The Bank has adopted the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively adopting the new accounting policies to prior periods is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022, with the new accounting policies adopted from the beginning balance. No effect on retained earnings at the beginning of the fiscal year ended March 31, 2022 was recognized due to this change. In addition, the effect on the consolidated financial statements was immaterial.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on revenue recognition for the fiscal year ended March 31, 2021 are not presented.

Adoption of Accounting Standard for Fair Value Measurement, etc.

The Bank has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Accounting Standard"), etc., from the beginning of the year ended March 31, 2022. With respect to fair value adjustment method in the fair value measurement of derivative transactions, the Bank has changed it to a method that makes the best use of observable inputs estimated from derivatives, etc., traded in markets in accordance with Paragraph 8 of the Fair Value Measurement Accounting Standard. The said change was due to the adoption of the Fair Value Measurement Accounting Standard, and the cumulative effect of retrospectively adopting the new accounting policies to prior periods has been adjusted to retained earnings at the beginning of the year ended March 31, 2022, with the new accounting policies adopted from the beginning balance in accordance with the transitional treatment provided for in the additional clause in Paragraph 20 of the Fair Value Measurement Accounting Standard. Accordingly, retained earnings, other assets and deferred tax liabilities at the beginning of the year ended March 31, 2022 decreased by ¥335 million (\$2,737 thousand), ¥483 million (\$3,946 thousand) and ¥147 million (\$1,201 thousand), respectively. The effect on the consolidated financial statements was immaterial.

In addition, the Bank prospectively adopts the new accounting policies stipulated by the Fair Value Measurement Accounting Standard, etc., in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

Apart from the above, the Bank includes notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the fiscal year ended March 31, 2021 are not presented.

5. New Accounting Standards to Be Applied

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

(a) Overview

The treatment of fair value measurement of investment trusts and its notes, as well as the treatment of notes on fair value of investments in partnerships, etc., for which equity interests are recorded on a net basis on the balance sheet have been established.

(b) Scheduled Date of Application

These ASBJ guidance will be applied at the start of the fiscal year beginning on April 1, 2022.

(c) Effects of Application of the Accounting Standard, etc.

The effects of the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement on the consolidated financial statements are minor.

6. Changes in Presentation

Dividend income of group credit life insurance, etc., into which the Bank entered had been recorded in "Other income" in the prior periods. However, as a result of taking into account the fact that the contracts related to insurance premium and dividend income of group credit life insurance have been changed and dividend income has been increasing the Bank has determined that it would be more appropriate to record the amount of insurance premium less dividend income as expenses from the perspective of presenting insurance premium to be borne by the Bank. Accordingly, it has been deducted from "Fees and commissions" from the fiscal year ended March 31, 2022.

In order to reflect this change, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified. As a result, "Other income" of ¥9,648 million and "Fees and commissions" of ¥4,281 million in the consolidated statement of income for the fiscal year ended March 31, 2021 were changed to ¥8,973 million and ¥3,605 million, respectively.

7. Securities

Securities include investments in interests and equity securities of unconsolidated subsidiaries and affiliates in the amounts of ¥2,526 million (\$20,638 thousand) and ¥108 million (\$882 thousand) as at March 31, 2022 and ¥2,650 million and ¥108 million as at March 31, 2021.

The amounts shown in the following tables include trust certificates classified as "Other debt purchased" and "Trading account securities" in addition to "Securities" stated in the consolidated balance sheet.

The amounts of liabilities for guarantees on corporate bonds included in securities issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) were ¥101,798 million (\$831,750 thousand) and ¥100,209 million as at March 31, 2022 and 2021, respectively.

(1) Trading account securities

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Amount of net unrealized gains (losses) included in the consolidated income statements.....	¥ (16)	¥ (3)	\$ (130)

(2) The following tables summarize acquisition costs and carrying amounts (fair value) of available-for-sale securities with available fair values as of March 31, 2022 and 2021:

Type	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	¥ 111,731	¥ 52,739	¥ 58,991
Bonds	1,015,527	1,001,114	14,412
Japanese government bonds.....	477,108	466,690	10,417
Japanese municipal bonds	373,108	370,058	3,050
Japanese corporate bonds	165,309	164,365	944
Other	275,641	222,522	53,118
Foreign bonds	131,488	129,547	1,941
Other	144,152	92,975	51,176
Subtotal	¥ 1,402,899	¥ 1,276,376	¥ 126,522
Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	¥ 11,858	¥ 14,091	¥ (2,233)
Bonds	735,797	746,328	(10,531)
Japanese government bonds.....	206,242	212,392	(6,149)
Japanese municipal bonds	381,693	385,206	(3,513)
Japanese corporate bonds	147,861	148,729	(868)
Other	328,240	344,387	(16,146)
Foreign bonds	272,470	285,889	(13,419)
Other	55,770	58,497	(2,727)
Subtotal	1,075,895	1,104,807	(28,911)
Total.....	¥ 2,478,795	¥ 2,381,183	¥ 97,611

Type	Thousands of U.S. Dollars		
	2022		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	\$ 912,909	\$ 430,909	\$ 481,991
Bonds	8,297,467	8,179,704	117,754
Japanese government bonds	3,898,259	3,813,138	85,113
Japanese municipal bonds	3,048,517	3,023,596	24,920
Japanese corporate bonds	1,350,674	1,342,961	7,713
Other	2,252,152	1,818,138	434,006
Foreign bonds	1,074,336	1,058,476	15,859
Other	1,177,808	759,661	418,138
Subtotal	\$ 11,462,529	\$ 10,428,760	\$ 1,033,760
Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	\$ 96,887	\$ 115,131	\$ (18,244)
Bonds	6,011,904	6,097,949	(86,044)
Japanese government bonds	1,685,121	1,735,370	(50,241)
Japanese municipal bonds	3,118,661	3,147,364	(28,703)
Japanese corporate bonds	1,208,113	1,215,205	(7,092)
Other	2,681,918	2,813,849	(131,922)
Foreign bonds	2,226,243	2,335,885	(109,641)
Other	455,674	477,955	(22,281)
Subtotal	8,790,710	9,026,938	(236,220)
Total	\$ 20,253,247	\$ 19,455,698	\$ 797,540

Type	Millions of Yen		
	2021		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities.....	¥ 125,208	¥ 59,543	¥ 65,664
Bonds	1,359,396	1,334,347	25,048
Japanese government bonds	508,227	492,072	16,154
Japanese municipal bonds	609,065	601,931	7,133
Japanese corporate bonds	242,103	240,344	1,759
Other	420,708	356,973	63,734
Foreign bonds	267,467	259,301	8,166
Other	153,240	97,672	55,567
Subtotal	¥ 1,905,312	¥ 1,750,865	¥ 154,447
Available-for-sale securities whose fair value does not exceed acquisition cost:			
Equity securities.....	¥ 9,739	¥ 10,632	¥ (893)
Bonds	439,871	444,858	(4,986)
Japanese government bonds	237,443	241,253	(3,809)
Japanese municipal bonds	138,870	139,736	(866)
Japanese corporate bonds	63,557	63,868	(310)
Other	235,853	245,241	(9,388)
Foreign bonds	174,333	181,865	(7,531)
Other	61,519	63,375	(1,856)
Subtotal	685,464	700,731	(15,267)
Total	¥ 2,590,777	¥ 2,451,597	¥ 139,179

(3) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as of March 31, 2022 and 2021:

Held-to-maturity debt securities

Type	Millions of Yen		
	2022		
	Carrying amount	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds carrying amount:			
Japanese government bonds	¥ 11,398	¥ 11,542	¥ 144
Subtotal	¥ 11,398	¥ 11,542	¥ 144
Total	¥ 11,398	¥ 11,542	¥ 144

Type	Thousands of U.S. Dollars		
	2022		
	Carrying amount	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds carrying amount:			
Japanese government bonds	\$ 93,128	\$ 94,305	\$ 1,176
Subtotal	\$ 93,128	\$ 94,305	\$ 1,176
Total	\$ 93,128	\$ 94,305	\$ 1,176

Type	Millions of Yen		
	2021		
	Carrying amount	Fair value	Difference
Held-to-maturity debt securities whose fair value exceeds carrying amount:			
Japanese government bonds	¥ 11,398	¥ 11,643	¥ 244
Subtotal	¥ 11,398	¥ 11,643	¥ 244
Total	¥ 11,398	¥ 11,643	¥ 244

(4) The Bank recognized impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥132 million (\$1,078 thousand) in the year ended March 31, 2022, and impairment loss on equity securities and Japanese corporate bonds in the amounts of ¥149 million and ¥150 million, respectively, in the year ended March 31, 2021.

Impairment loss on securities other than trading account securities, excluding Equity securities, etc., without a market price and investments in partnerships, is recognized for the full amount of loss when the loss is 50% or more of the acquisition cost. For loss between 30% and 50% of the acquisition cost, impairment is determined by the possibility of recovery, with consideration for the trends in market values during the past year.

(5) Total sales of available-for-sale securities for the years ended March 31, 2022 and 2021 were as follows:

Type	Millions of Yen		
	2022		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 40,273	¥ 6,039	¥ 2,752
Bonds	280,291	5,487	3,248
Japanese government bonds	272,773	5,467	3,248
Japanese municipal bonds	7,122	18	—
Japanese corporate bonds	395	1	—
Other	478,396	7,674	10,121
Foreign bonds	441,082	4,122	9,826
Other	37,314	3,551	294
Total	¥ 798,961	¥ 19,200	¥ 16,122

Type	Thousands of U.S. Dollars		
	2022		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	\$ 329,054	\$ 49,342	\$ 22,485
Bonds	2,290,146	44,832	26,538
Japanese government bonds	2,228,719	44,668	26,538
Japanese municipal bonds	58,191	147	—
Japanese corporate bonds	3,227	8	—
Other	3,908,783	62,701	82,694
Foreign bonds	3,603,905	33,679	80,284
Other	304,877	29,013	2,402
Total	\$ 6,527,992	\$ 156,875	\$ 131,726

Type	Millions of Yen		
	2021		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 23,615	¥ 4,626	¥ 1,021
Bonds	149,358	1,124	686
Japanese government bonds	144,322	1,002	686
Japanese municipal bonds	—	—	—
Japanese corporate bonds	5,035	122	—
Other	182,204	3,978	2,734
Foreign bonds	155,074	2,349	2,152
Other	27,129	1,628	581
Total	¥ 355,177	¥ 9,729	¥ 4,442

8. Money Trusts

(1) Money trusts as a type of trading account securities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Carrying amount (fair value)	¥ 23,000	¥ 23,000	\$ 187,923	
Amount of net unrealized gains (losses) included in the consolidated income statements.....	—	—	—	—

(2) Money trusts, other than for investment purposes or held-to-maturity purposes as at March 31, 2022 and 2021 were as follows:

	Millions of Yen				
	2022				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 4,600	¥ 4,600	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars				
	2022				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	\$ 37,584	\$ 37,584	\$ —	\$ —	\$ —

	Millions of Yen				
	2021				
	Carrying amount	Acquisition cost	Difference	Difference when carrying amount exceeds acquisition cost	Difference when carrying amount does not exceed acquisition cost
Money trust	¥ 4,300	¥ 4,300	¥ —	¥ —	¥ —

9. Net Unrealized Gains and Losses on Available-for-sale Securities

Net unrealized gains on available-for-sale securities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net unrealized gains on available-for-sale securities	¥ 97,088	¥ 138,656	\$ 793,267
Deferred tax liabilities	(29,480)	(42,082)	(240,869)
Net unrealized gains on available-for-sale securities before adjustment for non-controlling interests, net of taxes	67,608	96,574	552,398
Non-controlling interests	—	—	—
Net unrealized gains on available-for-sale securities, net of taxes	¥ 67,608	¥ 96,574	\$ 552,398

10. Loans and bills discounted, Other assets

Loans based on the Banking Act and the Law concerning Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are defined as corporate bonds included in “Securities” in the consolidated balance sheet (the whole or part of the redemption of the principal and payment of interest are guaranteed and limited to the corporate bonds issued through private placement of the securities (as provided for by Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans, foreign exchange, those which are included in the accounts of accrued interest and temporary payments under other assets and customers’ liabilities for acceptances and guarantees and lent securities (limited to loan contract for use or lease contracts) .

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans in Bankruptcy/rehabilitation or similar proceedings.....	¥ 21,901	¥ 23,244	\$ 178,944
Loans at risk.....	46,786	38,675	382,269
Loans past due three months or more but less than six months ...	650	833	5,310
Restructured loans.....	27,659	30,343	225,990
Total.....	¥ 96,998	¥ 93,096	\$ 792,532

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, petition for rehabilitation proceedings, etc.

Risk loans are loans whose principal and interest are not likely to be collected pursuant to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not gone bankrupt, and do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings.

Loans past due three months or more but less than six months are loans whose payment of principal and/or interest is past due for three months or more from the due date, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings, or Loans at risk.

Restructured loans are loans whose terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, by providing a grace period for the payment of principal or interest, or by loan forgiveness, and are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for possible loan losses.

Changes in presentation

Following the enforcement of the "Cabinet Office Ordinance for Partial Revision of the Regulation for Enforcement of the Banking Act" (Cabinet Office Ordinance No. 3, January 24, 2020) effective on March 31, 2022, the categories of "Risk management loans" of the Banking Act are presented in accordance with the disclosure requirements based on the Law concerning Emergency Measures for the Revitalization of the Financial Functions.

Bills discounted such as commercial bills discounted and foreign exchanges bought are accounted for as financial transactions in accordance with the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022). The Bank has the right to sell or pledge (re-pledge) commercial bills discounted and foreign exchange bought without restriction. The total face amount of such instruments as at March 31, 2022 and 2021 was ¥15,479 million (\$126,472 thousand) and ¥16,373 million, respectively.

The amount of loan participation recorded in the consolidated balance sheet and included in participated principals that were accounted for as loans to original debtors in accordance with "Accounting Treatment and Representation of Loan Participation" (JICPA Accounting System Committee Report No. 3, November 28, 2014), was ¥1,341 million (\$10,956 thousand) and ¥1,296 million as at March 31, 2022 and 2021, respectively.

11. Commitment Lines

Commitment line agreements are loan agreements that oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries make loans upon the request of an obligor to draw down funds as long as there is no breach in the various terms and conditions stipulated in the relevant agreement. The total unused commitment line balance related to these agreements as at March 31, 2022 and 2021 amounted to ¥1,613,796 million (\$13,185,685 thousand) and ¥1,629,855 million, respectively. Of these amounts, ¥1,484,842 million (\$12,132,053 thousand) for 2022 and ¥1,503,729 million for 2021 were related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

With many of these commitment line agreements, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment does not necessarily affect future cash flows. In certain loan agreements, conditions are included that allow the Bank and its consolidated subsidiaries either to decline the request to drawdown the loan or to reduce the agreed limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank and its consolidated subsidiaries' credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral such as real estate or securities when signing a loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

12. Tangible Fixed Assets

Tangible fixed assets as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Land	¥ 18,895	¥ 19,473	\$ 154,383
Buildings	10,701	11,227	87,433
Lease assets	1,831	2,082	14,960
Other tangible fixed assets	5,376	5,915	43,925
Construction in progress.....	50	67	408
Total.....	¥ 36,855	¥ 38,766	\$ 301,127

Accumulated depreciation as at March 31, 2022 and 2021 was ¥81,304 million (\$664,302 thousand) and ¥80,597 million, respectively. The amounts that were directly offset against acquisition costs as at March 31, 2022 and 2021 were ¥4,981 million (\$40,697 thousand) and ¥5,082 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as "Losses on impairment of fixed assets" for the years ended March 31, 2022 and 2021 as follows:

(Millions of Yen)			2022	
	Purpose of Use	Type	Losses on impairment of fixed assets	
Okayama Prefecture	Branches	10 branches	Land and buildings	¥309
	Idle assets	3 items		
Prefectures other than Okayama	Branches	3 branches	Land and buildings	¥195
	Idle assets	3 items		

(Thousands of U.S. Dollars)			2022	
	Purpose of Use	Type	Losses on impairment of fixed assets	
Okayama Prefecture	Branches	10 branches	Land and buildings	\$2,524
	Idle assets	3 items		
Prefectures other than Okayama	Branches	3 branches	Land and buildings	\$1,593

(Millions of Yen)			2021	
	Purpose of Use	Type	Losses on impairment of fixed assets	
Okayama Prefecture	Branches	3 branches	Land and buildings	¥ 32
	Idle assets	2 items		
Prefectures other than Okayama	Branches	6 branches	Land and buildings	¥216
	Idle assets	3 items		

Within the Bank, the Group office or branch manages and determines income and expenses, and it is the Group office or branch that is the smallest unit of an asset group for recognition and measurement of impairment loss. Fixed assets that do not have identifiable cash flows, such as the corporate headquarters' facilities, the computer center and recreational facilities, are grouped with other assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually. With regard to the consolidated subsidiaries, each subsidiary is considered as the smallest grouping unit.

For assets in which investments were not expected to be recovered, the Bank and its consolidated subsidiaries reduced the carrying amount for branches, idle assets and assets to be disposed of to the recoverable amount (for the year ended March 31, 2022, the net realizable value for all assets, and for the year ended March 31, 2021, the value in use for one branch of the Bank, and the net realizable value for other assets) and recognized a corresponding loss of ¥505 million (\$4,126 thousand) and ¥249 million as "Losses on impairment of fixed assets" for the years ended March 31, 2022 and 2021, respectively.

The recoverable amount for branches, idle assets and assets to be disposed of was the higher of the net realizable value and the value in use. The net realizable value was based on the appraisal value in accordance with Real Estate Appraisal Standards. The value in use was used to estimate the recoverable amount, with future cash flow discounted by 4%.

13. Intangible Fixed Assets

Intangible fixed assets as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Software.....	¥ 1,027	¥ 1,721	\$ 8,391
Software in progress	362	620	2,957
Other intangible fixed assets.....	94	94	768
Total.....	¥ 1,484	¥ 2,437	\$ 12,125

14. Pledged Assets

Pledged assets as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Securities	¥ 1,225,738	¥ 741,443	\$10,015,017
Loans and bills discounted	523,614	—	4,278,241
Other assets	73	81	596
Total.....	¥ 1,749,426	¥ 741,525	\$14,293,863

Liabilities secured by pledged assets were as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Borrowed money.....	¥ 656,830	¥ 268,229	\$ 5,366,696
Payables under securities lending transactions	588,355	172,747	4,807,214
Payables under repurchase agreements.....	191,006	129,640	1,560,634
Deposits.....	32,234	30,563	263,371
Total.....	¥ 1,468,427	¥ 601,180	\$11,997,932

In addition, the following assets were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes as at March 31, 2022 and 2021:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Securities	¥ 21,436	¥ 21,521	\$ 175,145
Trading account securities	99	111	808
Other assets	25	—	204

Other assets included the following items as at March 31, 2022 and 2021:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Initial margins for central counterparty.....	¥ 53,928	¥ 63,743	\$ 440,624
Cash collateral paid for financial instruments	40,716	13,538	332,674
Initial margins for futures markets ..	1,387	776	11,332
Guarantee deposits	793	806	6,479

15. Deferred Tax Assets (Liabilities)

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

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Deferred tax assets:			
Reserve for possible loan losses...	¥ 15,206	¥ 13,620	\$ 124,242
Unrealized losses on available-for-sale securities	8,815	4,656	72,023
Net defined benefit liability	7,967	9,574	65,095
Depreciation	3,989	4,906	32,592
Deferred losses on hedging instruments	1,677	3,283	13,702
Losses on impairment of fixed assets.....	1,276	1,198	10,425
Write-down of securities.....	753	1,607	6,152
Accrued employees' bonuses	515	464	4,207
Software	435	176	3,554
Other	1,245	1,529	10,172
Subtotal	41,882	41,016	342,201
Valuation allowance	(1,943)	(2,650)	(15,875)
Total deferred tax assets	39,938	38,366	326,317

Deferred tax liabilities:

Unrealized gains on available-for-sale securities	(38,266)	(46,727)	(312,656)
Deferred gains on hedges	(1,410)	(948)	(11,520)
Reserve for advanced depreciation of tangible fixed assets.....	(235)	(235)	(1,920)
Other	(12)	(0)	(98)
Total deferred tax liabilities	(39,924)	(47,911)	(326,203)
Net deferred tax assets (liabilities)....	¥ 14	¥ (9,545)	\$ 114

Reconciliation between the statutory tax rate and the effective tax rate of the Bank for the year ended March 31, 2022 was as follows:

	2022
Statutory tax rate:	30.5%
Permanent differences due to non-deductible expenses such as entertainment expenses	0.2%
Permanent differences due to non-taxable income such as dividend income	(0.9)%
Changes in valuation allowance	(2.9)%
Other	0.7%
Effective tax rate	27.6%

Note: Figures for reconciliation between the statutory tax rate and the effective tax rate of the Bank for the years ended March 31, 2021 has been omitted as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

16. Borrowed Money, Commercial Paper and Other Liabilities

Borrowed money, commercial paper and other liabilities as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Borrowed money	¥ 674,134	¥ 286,194	\$ 5,508,080
Commercial paper	55,017	54,228	449,522
Lease liabilities (due within one year) ...	218	220	1,781
Lease liabilities (due after one year)....	1,360	1,576	11,112

The weighted average interest rates on the outstanding balances as at March 31, 2022 and 2021 were as follows:

	2022	2021
Borrowed money	0.074%	0.078%
Commercial paper	0.655%	0.300%
Lease liabilities (due within one year)	—	—
Lease liabilities (due after one year)	—	—

Note: The weighted average interest rate is not shown for lease liabilities because the Bank uses a method that includes amounts equal to the interest in the total capital lease liabilities and that spreads the total amount equal to interest equally over each fiscal year of the lease period.

Borrowed money classified by maturity as at March 31, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Less than one year	¥ 661,811	¥ 273,032	\$ 5,407,394
From one to two years	4,128	3,843	33,728
From two to three years	3,124	3,074	25,524
From three to four years	2,285	2,451	18,669
From four to five years	1,027	1,325	8,391
Over five years	1,757	2,466	14,355
Total borrowed money	¥ 674,134	¥ 286,194	\$ 5,508,080

Commercial paper classified by maturity as at March 31, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Less than one year	¥ 55,017	¥ 54,228	\$ 449,522
Total commercial paper	¥ 55,017	¥ 54,228	\$ 449,522

Lease liabilities classified by maturity as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Less than one year	¥ 218	¥ 220	\$ 1,781
From one to two years	218	218	1,781
From two to three years	216	217	1,764
From three to four years	214	216	1,748
From four to five years	213	214	1,740
Over five years	496	709	4,052
Total lease liabilities	¥ 1,578	¥ 1,796	\$ 12,893

17. Bonds Payable

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Subordinated bond	¥ 10,000	¥ 10,000	\$ 81,706

18. Liability for Employees' Severance and Retirement Benefits (1) Outline of retirement benefit plans

The Bank has defined retirement benefit plans and contribution retirement benefit plans. As for defined retirement benefit plans, the Bank has a corporate pension fund plan and a lump-sum payment plan.

Consolidated subsidiaries mostly provide unfunded lump-sum payment plans. In determining projected benefit obligation, a simplified method has been adopted, and the Bank has set up an employees' retirement benefit trust.

(2) Defined benefit plans

(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
	2022	2021	2022
Beginning balance of projected benefit obligation	¥ 65,867	¥ 64,909	\$ 538,173
Service cost	1,962	2,019	16,030
Interest cost	129	129	1,054
Actuarial differences	104	1,377	849
Retirement benefits paid	(2,390)	(2,567)	(19,527)
Prior service cost	(4,182)	—	(34,169)
Other	—	—	—
Ending balance of projected benefit obligation	¥ 61,490	¥ 65,867	\$ 502,410

(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
	2022	2021	2022
Beginning balance of plan assets ...	¥ 59,242	¥ 46,664	\$ 484,042
Expected return on plan assets ..	1,313	974	10,728
Actuarial differences	(1,083)	1,443	(8,848)
Contribution from the employer..	1,499	11,419	12,247
Retirement benefits paid	(1,287)	(1,259)	(10,515)
Other	—	—	—
Ending balance of plan assets	¥ 59,685	¥ 59,242	\$ 487,662

(c) Reconciliation between the ending balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Funded defined benefit obligation...	¥ 61,121	¥ 65,481	\$ 499,395	
Plan assets.....	(59,685)	(59,242)	(487,662)	
	1,435	6,238	11,724	
Unfunded defined benefit obligation	369	385	3,014	
Net liability (asset) recorded in the consolidated balance sheet	¥ 1,804	¥ 6,624	\$ 14,739	

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Net defined benefit liability.....	¥ 1,804	¥ 6,624	\$ 14,739	
Net defined benefit asset.....	—	—	—	
Net liability (asset) recorded in the consolidated balance sheet	¥ 1,804	¥ 6,624	\$ 14,739	

(d) The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Service cost.....	¥ 1,962	¥ 2,019	\$ 16,030	
Interest cost	129	129	1,054	
Expected return on plan assets	(1,313)	(974)	(10,728)	
Amortization of actuarial differences	1,098	1,319	8,971	
Amortization of prior service cost ...	(69)	—	(563)	
Other	(3)	0	(24)	
Retirement benefit expenses on defined benefit plans.....	¥ 1,803	¥ 2,493	\$ 14,731	

Note: Retirement benefit expenses of consolidated subsidiaries that adopted the simplified method are included in "Service cost."

(e) The components of adjustments for retirement benefits (before tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Prior service cost	¥ 4,113	—	\$ 33,605	
Actuarial differences	(88)	¥ 1,385	(719)	
Total.....	¥ 4,024	¥ 1,385	\$ 32,878	

(f) The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Unrecognized prior service cost	¥ 4,113	—	\$ 33,605	
Unrecognized actuarial differences	(9,093)	(9,005)	(74,295)	
Other	—	—	—	
Total	¥ (4,980)	¥ (9,005)	\$ (40,689)	

(g) Plan assets

- 1) Components of plan assets
Plan assets consisted of the following:

	2022	2021
Investment trusts	33.2%	13.2%
Equity securities.....	18.1%	17.3%
Cash and deposits	11.4%	25.6%
Bonds	11.0%	15.3%
General account.....	7.4%	7.3%
Other	18.9%	21.3%
Total.....	100%	100%

Note: Total plan assets as at March 31, 2022 and 2021 included an employees' retirement benefit trust established for corporate welfare pension plans that represented 43.3% and 44.5% of the total plan assets respectively. In addition, "Investment trusts," which had been included in "Other" in the year ended March 31, 2021, has been presented separately from the year ended March 31, 2022 to clarify the classification. In order to reflect this change, 13.2% presented in "Other" in the year ended March 31, 2021 has been reclassified into "Investment trusts."

- 2) Method used to determine the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined by considering the allocation of plan assets and the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

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

	2022	2021
Discount rate	0.200%	0.200%
Long-term expected rate of return	1.946% - 2.530%	2.068% - 2.100%

Note: Since the Bank has applied the benefit formula basis for calculating retirement benefit obligation, the expected rate of salary increase is not taken into consideration.

(3) Amount of retirement benefit expenses for defined contribution plans

The amount of required contribution to the defined contribution plan of the Bank and its consolidated subsidiaries for the years ended March 31, 2022 and 2021 was ¥193 million (\$1,576 thousand) and ¥186 million, respectively.

19. Derivative Transactions

Derivative transactions as at March 31, 2022 and 2021 were as follows:

(1) Derivative transactions to which hedge accounting is not applied

For derivative transactions to which hedge accounting is not applied, the contract amount or corresponding principal amount stipulated by the contract, the fair value, recognized gains (losses) and the method used to calculate fair value by type of transaction as of the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate the market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Millions of Yen			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	¥ 49,087	¥ 48,687	¥ 386	¥ 386
Pay floating/ receive fixed.....	46,320	46,320	(39)	(39)
Total.....	—	—	¥ 346	¥ 346

Type	Thousands of U.S. Dollars			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	\$ 401,070	\$ 397,802	\$ 3,153	\$ 3,153
Pay floating/ receive fixed.....	378,462	378,462	(318)	(318)
Total.....	—	—	\$ 2,827	\$ 2,827

Type	Millions of Yen			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/ receive floating.....	¥ 45,448	¥ 43,243	¥ (496)	¥ (496)
Pay floating/ receive fixed.....	42,872	41,567	782	782
Total.....	—	—	¥ 286	¥ 286

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Currency-related Derivatives:

Type	Millions of Yen			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥ 544,660	¥ 445,645	¥ 154	¥ 154
Forward foreign exchange				
Sold.....	90,700	64,376	(2,100)	(2,100)
Bought.....	84,413	61,388	3,041	3,041
Currency options				
Sold.....	6,294	3,009	(215)	107
Bought.....	6,294	3,009	215	(59)
Total.....	—	—	¥ 1,095	¥ 1,143

Type	Thousands of U.S. Dollars			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	\$ 4,450,200	\$ 3,641,188	\$ 1,258	\$ 1,258
Forward foreign exchange				
Sold.....	741,073	525,990	(17,158)	(17,158)
Bought.....	689,705	501,576	24,846	24,846
Currency options				
Sold.....	51,425	24,585	(1,756)	874
Bought.....	51,425	24,585	1,756	(482)
Total.....	—	—	\$ 8,946	\$ 9,338

Type	Millions of Yen			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Over-the-counter transactions				
Currency swaps.....	¥ 615,652	¥ 485,460	¥ 153	¥ 153
Forward foreign exchange				
Sold.....	65,720	44,977	1,451	1,451
Bought.....	59,471	44,144	(390)	(390)
Currency options				
Sold.....	9,828	3,743	(291)	257
Bought.....	9,828	3,743	291	(191)
NDF				
Sold.....	95	—	(5)	(5)
Bought.....	92	—	7	7
Total.....	—	—	¥ 1,217	¥ 1,283

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

Bond-related Derivatives:

Type	Millions of Yen			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	¥ 1,203	¥ —	¥ 5	¥ 5
Total.....	—	—	¥ 5	¥ 5

Type	Thousands of U.S. Dollars			
	2022			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	\$ 9,829	\$ —	\$ 40	\$ 40
Total.....	—	—	\$ 40	\$ 40

Type	Millions of Yen			
	2021			
	Contract amount	Over 1 year	Fair value	Recognized gains (losses)
Financial products exchange transactions				
Bond futures				
Sold.....	¥ 302	¥ —	¥ (0)	¥ (0)
Total.....	—	—	¥ (0)	¥ (0)

Note: The above transactions were stated at fair value, and gains and losses were recognized in the consolidated statements of income.

(2) Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, the contract amounts or corresponding principal amounts stipulated by the contract, the fair value, the method used to calculate fair value by type of transaction and the hedge accounting method as of the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate the market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Hedged items	Millions of Yen		
		2022		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills discounted and available-for-sale securities (bonds)			
Interest rate swaps				
Pay fixed/receive floating		¥ 350,943	¥ 242,819	¥ (924)
Total.....		—	—	¥ (924)

Thousands of U.S. Dollars

Type	Hedged items	2022		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills discounted and available-for-sale securities (bonds)			
Interest rate swaps				
Pay fixed/receive floating		\$2,867,415	\$1,983,977	\$ (7,549)
Total.....		—	—	\$ (7,549)

Type	Hedged items	Millions of Yen		
		2021		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting	Loans and bills discounted and available-for-sale securities (bonds)			
Interest rate swaps				
Pay fixed/receive floating		¥ 282,904	¥ 273,690	¥ (6,902)
Total.....		—	—	¥ (6,902)

Note: The deferral method of hedge accounting was applied to the above transactions in accordance with the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022).

Currency-related Derivatives:

Type	Hedged items	Millions of Yen		
		2022		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	¥ 83,219	¥ —	¥ 555
Currency swaps.....	Loans	316,756	228,935	(503)
Total.....		—	—	¥ 51

Thousands of U.S. Dollars

Type	Hedged items	2022		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	\$ 679,949	\$ —	\$ 4,534
Currency swaps.....	Loans	2,588,087	1,870,536	(4,109)
Total.....		—	—	\$ 416

Type	Hedged items	Millions of Yen		
		2021		
		Contract amount	Over 1 year	Fair value
The deferral method of hedge accounting				
Fund-related swaps	Call loans	¥ 22,332	¥ —	¥ (3)
Currency swaps.....	Loans	315,065	223,634	(749)
Total.....		—	—	¥ (752)

Note: The deferral method of hedge accounting was applied to the above transactions in accordance with the "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020).

20. Lease Transactions

Information about operating leases as at March 31, 2022 and 2021 was as follows:

As lessee:

Obligations under operating leases that were not cancellable as at March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Due within one year	¥ 36	¥ 122	\$ 294
Due after one year	—	27	—
Total.....	¥ 36	¥ 150	\$ 294

21. Other Comprehensive Income

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

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Net unrealized gains (losses) on available-for-sale securities:			
Increase (decrease) during the year	¥ (39,286)	¥ 53,089	\$ (320,990)
Reclassification adjustments	(2,281)	(4,892)	(18,637)
Subtotal, before tax	(41,568)	48,196	(339,635)
Tax benefit or (expense)	12,602	(14,610)	102,965
Subtotal, net of tax	(28,965)	33,586	(236,661)
Net deferred gains on hedging instruments:			
Increase during the year	4,138	4,865	33,809
Reclassification adjustments	2,644	3,963	21,603
Subtotal, before tax	6,782	8,829	55,413
Tax benefit or (expense)	(2,068)	(2,692)	(16,896)
Subtotal, net of tax	4,713	6,136	38,508
Adjustments for retirement benefits:			
Increase during the year	2,995	66	24,470
Reclassification adjustments	1,029	1,319	8,407
Subtotal, before tax	4,024	1,385	32,878
Tax benefit or (expense)	(1,227)	(422)	(10,025)
Subtotal, net of tax	2,797	963	22,853
Total other comprehensive income	¥ (21,454)	¥ 40,685	\$ (175,292)

22. Financial Instruments

(1) Information about Status of Financial Instruments

(a) Policies for using financial instruments

The Group is engaged in financial services, primarily the banking business. The Group's core business of banking is mainly financing through deposit-taking operations and investing funds through its loan and securities investment operations.

The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest and exchange rates related to assets and liabilities held by the Bank as well as the risk of fluctuation in the market prices of bonds, stocks and other investment instruments held by the Bank. In addition, the Bank provides hedging services to customers in accordance with their needs.

(b) Details of financial instruments used and the exposure to risks and how they arise

The financial assets held by the Group consist primarily of loans to corporations, local public organizations, local public corporations and individuals in Japan. The Group's loans are categorized into bills discounted, loans on bills, loans on deeds and overdrafts. These loans are subject to the "credit risk" of decline in value or loss due to changes in the financial status of those to whom credit is provided and to the "interest rate risk" of decline in value due to changes in interest rates.

Among other financial assets, the Bank holds securities, trading account securities and other debt purchased, which mainly comprise Japanese stocks and bonds and foreign bonds and trust certificates. The purpose of these instruments include holding to maturity, investment and business development. As financial assets, they are subject to various types of risk. These include the credit risk of the issuer, interest rate risk, which is the risk that the value of the assets may decline due to changes in the prices of securities or other assets ("price fluctuation risk") and the risk of loss incurred if exchange rates differ from original expectations ("exchange rate risk"). Moreover, the Bank's financial assets are subject to the risk that the Bank might not be able to make trades due to turmoil, etc., in the marketplace or be unable to avoid making trades at prices that are more notably disadvantageous than usual ("liquidity risk"). Note that interest rate, price fluctuation and exchange rate risks are collectively known as "market risk."

The Bank also holds financial liabilities in the form of deposits and negotiable certificates of deposit, which are chiefly deposits held in yen or a foreign currency by corporations, local public organizations, local public corporations and individuals in Japan. These deposits are categorized into current deposits, ordinary deposits, saving deposits, deposits at notice, time deposits, installment time deposits, deposits for tax payment, non-resident yen deposits, foreign currency deposits and deposits for offshore accounts. The deposits are subject to the interest rate risk as well as the risk of loss arising from the Bank having difficulty in raising necessary funds or being forced to raise funds at significantly higher interest rates than usual in the event of a shortage of capital due to a mismatch in the terms of the Bank's deposits and its investment portfolio of loans and securities or an unexpected run on the Bank's deposits ("funding risk").

Derivative transactions include interest rate-related transactions (swaps and caps), currency-related transactions (swaps, options, forward exchange contracts and non-deliverable forwards), bond-related transactions (bond futures and bond options), stock-related transactions (stock futures and stock options) and credit derivative transactions (credit default swaps). The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest or exchange rates related to assets and liabilities held by the Bank and fluctuations in the market prices of bonds, stocks and other investment instruments held by the Bank. The Bank also provides hedging services to customers in accordance with their needs. Although the Bank uses derivative transactions to capture short-term gains in assets for trading purposes, any possible loss on these derivative transactions is limited by maintaining a fixed position quota and capping allowed losses.

Of the above-mentioned derivative transactions, used for hedging purposes are carried out in accordance with the hedging policies (reduction of interest risk, etc.) stipulated in the Bank's internal operating regulations and include interest rate swaps for loans and securities and currency swaps for foreign-currency-denominated securities and deposits. In evaluating the effectiveness of hedges, the Bank groups together the loans and interest rate swaps used for market value hedges by the specific term (remaining) of the positions to determine performance. In some cases, the Bank also assesses the

effectiveness of market value hedging instruments on an individual basis. The Bank uses currency swaps and other methods to hedge exchange rate risks and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign-currency-denominated monetary assets or liabilities being hedged.

(c) Policies and processes for managing risk

1) Credit Risk Management

Credit risk refers to loss incurred when the value of assets (including off-balance-sheet assets) declines or becomes worthless due to changes in the financial status of those to whom credit is provided.

The Bank's basic credit risk management policy is to ensure, within the scope of its management capabilities, that the Bank carries out transactions that can secure a return while managing the credit risks of the diverse transactions of each of its divisions and business sections using credit risk assessment and management methods that suit the special characteristics of each transaction in order to maintain a sound asset structure. The Bank carries out its credit risk management based on its Credit Risk Management Standards, which stipulate the structure and systems for credit risk management and various detailed management methods provided for in the Bank's operating regulations.

Based on this framework, the Credit Rating Center and Credit Supervision Department manage the risks of the individual loans of the operational divisions (branches and loan sales departments at the headquarters). The Compliance & Risk Management Department, which is completely independent of the Credit Supervision Department and the operational divisions, is responsible for managing overall credit risk. The Bank has also established an auditing system for credit risk, appointing a Credit Screening Supervisor in the Audit & Inspection Department who is responsible for conducting internal audits for credit risk.

Credit risk management entails determining the overall condition of the customer's business through credit ratings, assessments and other methods. This information is used to carry out credit screening for individual loans, administer the loans after they have been extended and determine write-offs and reserves. From the perspective of loan portfolio management, the Bank strives to strengthen the control of credit risk and its ability to earn stable income by monitoring the loan balance composition and degree of credit risk and cost adjusted income, etc.

In addition, risk managers verify that the calculated degree of credit risk is within the credit risk limits set under the credit risk management plan, conduct stress tests to assess the Bank's degree of capital adequacy and report results regularly to the Board of Directors and other management bodies.

With credit concentration risk, the credit status is monitored and managed by debtor, industry and country and reported to the Board of Directors and other management bodies on a regular basis.

In addition, to strengthen its credit control over large accounts, the Bank has established the Large Account Credit Committee as part of its systematic measures.

2) Market Risk Management

Market risk refers to the risk of incurring loss from fluctuations in profits arising from assets and liabilities and the risk of incurring loss from fluctuations in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in market risk factors such as interest rates, exchange rates and share prices.

The Bank's basic risk management policy for market risk is to determine and analyze the risk from the point of view of fluctuations in both present

value and net interest income and to assess the risk from various angles using stress tests and other methods. The Bank carries out its market risk management based on its Market Risk Management Standards, which stipulate the framework and systems for market risk management and various detailed management methods provided for in the Bank's operating regulations.

The structure for market risk management is divided into the business operations division (front office) and the administrative division (back office). We have also established a risk management division (middle office). Together, these serve as reciprocal restraints.

Trading limits and loss limits have been set for trading operations, the goal of which is to earn trading profit from buying and selling securities in market operations. The limits are managed to ensure that losses in excess of a certain amount do not occur. Banking operations (investment securities) are managed for risk by taking the risk-return balance into consideration through ALM analysis, Value at Risk (VaR) analysis and other means to ensure stable profits over the medium- to long-term. The Bank has also established a system for the flexible management of market risk as well as credit risk and liquidity risk related to market operations.

Market risk management for the entire Bank, including lending and deposit services, is carried out by analyzing risk from multiple aspects such as the calculation of interest rate risk. The ALM Committee discusses the overall management of assets and liabilities and evaluates management and lending policies each month.

Quantitative Information about Market Risk

(Financial instruments to which quantitative analysis of market risk is applied for the purpose of risk management)

The Bank measures market risk volume using VaR and monitors, analyzes, evaluates and controls risks from various aspects, implementing limit controls and stress tests.

The Bank has adopted a variance-covariance model assuming that fluctuations in prices and interest rates will follow a normal distribution and uses a five-year observation period, a 99.9% confidence interval, a 125-business-day holding period for banking business and a 10-business-day holding period for trading activities. Among financial instruments, market price fluctuation risk is measured for equity securities (excluding unlisted equity securities), investment trusts and other assets. Interest rate risk is measured for debt securities, deposits and loans, taking into consideration the correlation between price fluctuation risk and interest rate risk.

Under normal circumstances, interest rates will generally rise when stock prices rise (prices of debt securities will decline) and decline when the stock prices decline (prices of debt securities will rise). Thus, stock prices and interest rates are mutually related, and stock prices and prices of debt securities are inversely related. The Bank maintains a market risk volume smaller than the total price fluctuation risk and interest rate risk taking the correlation into account. At a time of stress, such as in times of a drastic change in the market environment, there is a possibility that the above correlation would not work and another complementary system would be established by different stress tests and capital allocation.

Market risk volume as of March 31, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Market risk volume	¥ 161,362	¥ 162,887	\$ 1,318,424
Banking business.....	161,321	162,884	1,318,089
[Price fluctuation risk]	[107,050]	[117,769]	[874,662]
[Interest rate risk]	[64,830]	[57,771]	[529,700]
[Considering correlation]	[(10,559)]	[(12,657)]	[(86,273)]
Trading activities.....	41	2	334

The Bank conducts back testing, which compares VaR and profit and loss on a regular basis to verify the effectiveness of its measurement of market risk. The profit or loss expected at the time the measurement of VaR is fixed is used for comparison. As a result of back testing, the Bank has determined that there is no problem with its market risk measurement model and measurement methods.

However, since VaR is statistically computed under certain assumptions based on historical market fluctuations, certain risks beyond the assumptions may not be fully captured. Accordingly, a complementary system is established by different stress tests and other considerations.

(Financial instruments to which quantitative analysis of market risk is not applied for the purpose of risk management)

The Bank does not apply market risk measurement to unlisted equity securities, which are measured by credit risk.

3) Liquidity Risk Management

Liquidity risk refers to the risk of incurring losses when it becomes difficult to secure the requisite funds or when funds at a much higher than normal interest rate become necessary due to a mismatch between the timing of procurement and use, an unexpected outflow of funds (hereafter, "funds procurement risks") or risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (hereafter, "market liquidity risk").

The Bank recognizes funds procurement as an important management issue, and its basic funds procurement risk policy is to ensure a stable supply of funds. The Bank's basic policy for managing market liquidity risk is to take into consideration the special features of markets such as market size, liquidity and other factors and pay careful attention to market liquidity. The Bank carries out its funds procurement risk management and market liquidity risk management based on its Market Liquidity Risk Management Standards, which stipulate the framework and systems for funds procurement risk management and market liquidity risk management.

Funds procurement risk management is subject to strict management controls, which are divided between the Funds Procurement Management Division, which procures funds, and the Funds Procurement Risk Management Division, which monitors the status of the procurement of those funds. The Funds Procurement Management Division carefully monitors the daily status of funds procurement for market and other operations and works to limit the risk involved in the procurement of funds. The Funds Procurement Risk Management Division determines the management policies for procuring funds, such as policies on holding highly liquid assets and setting limits on procurement from the market. Therefore, the Funds Procurement Risk Management Division monitors developments to ensure there are no problems with the status of funds procurement in the Funds Procurement Management Division.

Deposits are the source of the majority of the Bank's funds, and the Bank's procurement of funds through deposits is stable. However, we are working to diversify the Bank's means of procurement to prepare for unforeseen circumstances by being able to procure funds from the market utilizing marketable securities held by the Bank. For foreign currency, which are procured mostly from markets, the Bank verifies that funding is feasible at a stress test assuming that it is difficult to procure funds from markets due to deterioration in conditions of foreign currency procurement, and works to maintain the medium to-long-term stability of its foreign currency balance sheet by setting a stable foreign currency ratio. In addition, the Bank monitors various indicators of Japanese yen and foreign currency, and establishes a framework to examine and conduct measures in response to environmental changes based on these indicators.

(d) Supplementary information on fair values

In calculating fair value of financial instruments, certain assumptions are adopted and other factors considered, and the values may differ when adopting different assumptions and when considering other factors.

(2) Fair Values of Financial Instruments

The following are the consolidated balance sheet amounts and fair values and any differences between them as of March 31, 2022 and 2021. Equity securities, etc., without market prices and investments in partnerships are not included in the table below (see Note 1). In addition, the notes on cash and due from banks and payables under securities lending transactions are omitted because they are matured or settled in a short period of time and their fair values approximate the book values.

	Millions of Yen		
	2022		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	¥ 2,834	¥ 2,834	—
(2) Money trusts.....	27,600	27,600	—
(3) Securities			
Held-to-maturity debt securities	11,398	11,542	¥ 144
Available-for-sale securities	2,473,788	2,473,788	—
(4) Loans and bills discounted.....	5,259,190		
(5) Reserve for possible loan losses (*1)	(50,987)		
	5,208,202	5,250,461	42,259
Total assets.....	¥ 7,723,823	¥ 7,766,226	¥ 42,403
Liabilities			
(1) Deposits	¥ 7,650,506	¥ 7,650,761	¥ 255
(2) Negotiable certificates of deposit.....	211,167	211,173	6
(3) Borrowed money.....	674,134	674,169	35
Total liabilities.....	¥ 8,535,808	¥ 8,536,105	¥ 296
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ (40,726)	¥ (40,726)	—
Derivative transactions to which hedge accounting is applied (*3).....	(872)	(872)	—
Total derivative transactions.....	¥ (41,599)	¥ (41,599)	¥ —

	Thousands of U.S. Dollars		
	2022		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	\$ 23,155	\$ 23,155	—
(2) Money trusts.....	225,508	225,508	—
(3) Securities			
Held-to-maturity debt securities	93,128	94,305	\$ 1,176
Available-for-sale securities	20,212,337	20,212,337	—
(4) Loans and bills discounted.....	42,970,749		
(5) Reserve for possible loan losses (*1)	(416,594)		
	42,554,146	42,899,428	345,281
Total assets.....	\$ 63,108,284	\$ 63,454,743	\$ 346,458
Liabilities			
(1) Deposits	\$ 62,509,240	\$ 62,511,324	\$ 2,083
(2) Negotiable certificates of deposit.....	1,725,361	1,725,410	49
(3) Borrowed money.....	5,508,080	5,508,366	285
Total liabilities.....	\$ 69,742,691	\$ 69,745,118	\$ 2,418
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied	\$ (332,755)	\$ (332,755)	—
Derivative transactions to which hedge accounting is applied (*3).....	(7,124)	(7,124)	—
Total derivative transactions.....	\$ (339,888)	\$ (339,888)	\$ —

	Millions of Yen		
	2021		
	Book value	Fair value	Difference
Assets			
(1) Trading account securities	¥ 1,148	¥ 1,148	—
(2) Money trusts.....	27,300	27,300	—
(3) Securities			
Held-to-maturity debt securities	11,398	11,643	¥ 244
Available-for-sale securities	2,585,103	2,585,103	—
(4) Loans and bills discounted.....	5,135,435		
(5) Reserve for possible loan losses (*1)	(45,415)		
	5,090,020	5,131,309	41,289
Total assets.....	¥ 7,714,971	¥ 7,756,505	¥ 41,534
Liabilities			
(1) Deposits	¥ 7,499,830	¥ 7,500,109	¥ 278
(2) Negotiable certificates of deposit.....	167,189	167,196	7
(3) Borrowed money.....	286,194	286,236	42
Total liabilities.....	¥ 7,953,213	¥ 7,953,542	¥ 327
Derivative transactions (*2)			
Derivative transactions to which hedge accounting is not applied	¥ (10,179)	¥ (10,179)	—
Derivative transactions to which hedge accounting is applied (*3).....	(7,655)	(7,655)	—
Total derivative transactions.....	¥ (17,834)	¥ (17,834)	¥ —

Items that did not have a material impact on the consolidated balance sheets were omitted.

(*1) Included are the general reserve for possible loan losses and the specific reserve for possible loan losses.

(*2) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis indicated by parentheses.

(*3) These are derivative transactions such as interest rate swaps designated as hedging instruments to fix cash flows of hedged items such as loans, and the deferral method of hedge accounting is primarily adopted. In addition, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, March 17, 2022) is applied to these hedging relationships.

(Note 1) Equity securities, etc. without market prices and investments in partnerships are indicated below and are not included in "Available-for-sale securities" in the fair value information on financial instruments in the tables above.

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
Unlisted equity securities			
(*1) (*2).....	¥ 4,023	¥ 5,158	\$ 32,870
Investments in partnerships (*3)	15,715	15,579	128,401
Privately placed investment trusts (*3)	795	797	6,495
Foreign stocks in foreign currency (*1)	0	0	0

(*1) Unlisted equity securities are exempted from fair value disclosures in accordance with Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) Impairment losses on unlisted equity securities were recognized in the amount of ¥1 million (\$8 thousand) and ¥0 million for the fiscal years ended March 31, 2022 and 2021, respectively.

(*3) Investments in partnerships, etc., are exempted from fair value disclosures in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Maturities of monetary assets and securities with contractual maturities subsequent to the balance sheet date

	Millions of Yen					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 1,712,633	—	—	—	—	—
Securities	197,714	¥ 295,398	¥ 250,549	¥ 187,827	¥ 262,790	¥ 997,145
Held-to-maturity debt securities.....	—	10,501	897	—	—	—
Japanese government bonds.....	—	10,501	897	—	—	—
Available-for-sale securities with maturities	197,714	284,896	249,652	187,827	262,790	997,145
Japanese government bonds	95,567	84,605	88,813	44,880	95,923	273,560
Japanese municipal bonds	14,795	32,665	37,954	100,727	106,241	462,416
Japanese corporate bonds	60,848	78,197	85,919	10,514	11,325	66,365
Other	26,502	89,427	36,964	31,705	49,299	194,802
Loans and bills discounted (*2)	1,377,755	1,061,628	729,145	462,804	499,004	1,033,842
Total.....	¥ 3,288,103	¥ 1,357,026	¥ 979,694	¥ 650,632	¥ 761,794	¥ 2,030,988

	Thousands of U.S. Dollars					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	\$ 13,993,242	—	—	—	—	—
Securities	1,615,442	\$ 2,413,579	\$ 2,047,136	\$ 1,534,659	\$ 2,147,152	\$ 8,147,275
Held-to-maturity debt securities.....	—	85,799	7,329	—	—	—
Japanese government bonds.....	—	85,799	7,329	—	—	—
Available-for-sale securities with maturities	1,615,442	2,327,771	2,039,807	1,534,659	2,147,152	8,147,275
Japanese government bonds	780,839	691,273	725,655	366,696	783,748	2,235,149
Japanese municipal bonds	120,884	266,892	310,107	823,000	868,052	3,778,217
Japanese corporate bonds	497,164	638,916	702,009	85,905	92,532	542,242
Other	216,537	730,672	302,018	259,048	402,802	1,591,649
Loans and bills discounted (*2)	11,257,087	8,674,140	5,957,553	3,781,387	4,077,163	8,447,111
Total.....	\$ 26,865,781	\$ 11,087,719	\$ 8,004,689	\$ 5,316,055	\$ 6,224,315	\$ 16,594,394

	Millions of Yen					
	2021					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Due from banks (*1).....	¥ 957,200	—	—	—	—	—
Securities	178,431	¥ 411,422	¥ 216,155	¥ 151,510	¥ 361,268	¥ 962,874
Held-to-maturity debt securities.....	—	5,099	6,299	—	—	—
Japanese government bonds.....	—	5,099	6,299	—	—	—
Available-for-sale securities with maturities	178,431	406,322	209,856	151,510	361,268	962,874
Japanese government bonds	98,643	171,101	49,245	5,047	98,445	323,187
Japanese municipal bonds	18,220	45,163	25,816	60,382	138,847	459,505
Japanese corporate bonds	46,947	103,387	81,227	8,204	3,604	62,290
Other	14,620	86,669	53,567	77,876	120,371	117,890
Loans and bills discounted (*2)	1,406,069	1,020,942	754,411	458,147	453,548	954,520
Total.....	¥ 2,541,700	¥ 1,432,364	¥ 970,567	¥ 609,657	¥ 814,817	¥ 1,917,394

(*1) Amounts due from banks with no maturity date are included in "Within 1 year."

(*2) Loans due from bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers in the amount of ¥68,238 million (\$557,545 thousand) and ¥61,756 million and loans without contract due dates in the amount of ¥26,770 million (\$218,727 thousand) and ¥26,039 million are not included in the above tables as at March 31, 2022 and 2021, respectively.

(Note 3) Repayment schedule of deposits, negotiable certificates of deposit, payables under securities lending transactions and borrowed money subsequent to the balance sheet date

	Millions of Yen					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	¥ 7,401,093	¥ 204,876	¥ 43,537	¥ 223	¥ 775	—
Negotiable certificates of deposit.....	210,705	462	—	—	—	—
Payables under securities lending transactions	588,355	—	—	—	—	—
Borrowed money.....	661,811	7,252	3,312	669	537	¥ 550
Total.....	¥ 8,861,966	¥ 212,590	¥ 46,850	¥ 893	¥ 1,312	¥ 550

	Thousands of U.S. Dollars					
	2022					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	\$ 60,471,386	\$ 1,673,960	\$ 355,723	\$ 1,822	\$ 6,332	—
Negotiable certificates of deposit.....	1,721,586	3,774	—	—	—	—
Payables under securities lending transactions	4,807,214	—	—	—	—	—
Borrowed money.....	5,407,394	59,253	27,061	5,466	4,387	\$ 4,493
Total.....	\$ 72,407,598	\$ 1,736,988	\$ 382,792	\$ 7,296	\$ 10,719	\$ 4,493

	Millions of Yen					
	2021					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*).....	¥ 7,252,814	¥ 205,087	¥ 41,179	¥ 98	¥ 650	—
Negotiable certificates of deposit.....	166,660	528	—	—	—	—
Payables under securities lending transactions	172,747	—	—	—	—	—
Borrowed money.....	273,032	6,918	3,777	1,871	400	¥ 194
Total.....	¥ 7,865,255	¥ 212,534	¥ 44,956	¥ 1,969	¥ 1,051	¥ 194

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

(3) Fair Value Information by Level Within the Fair Value Hierarchy

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

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

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

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

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

1) Financial instruments measured at fair values

	Millions of Yen					
	2022					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money trusts	—	¥ 23,000	—	¥	23,000	
Trading account securities and securities						
Trading securities						
Japanese government bonds and Japanese municipal bonds, etc.....	¥ 324	2,510	—		2,834	
Available-for-sale securities (*1)						
Equity securities	123,589	—	—		123,589	
Japanese government bonds	672,055	11,295	—		683,351	
Japanese municipal bonds.....	—	754,802	—		754,802	
Japanese corporate bonds	—	209,589	¥ 103,581		313,171	
Other	121,682	264,531	9,267		395,481	
Total assets	¥ 917,651	¥ 1,265,728	¥ 112,849	¥	2,296,229	
Derivative transactions (*2)						
Interest rate-related derivatives.....	—	¥ (578)	—	¥	(578)	
Currency-related derivatives	—	(41,026)	—		(41,026)	
Bond-related derivatives.....	¥ 5	—	—		5	
Total derivative transactions.....	¥ 5	¥ (41,604)	¥ —	¥	(41,599)	

	Thousands of U.S. Dollars					
	2022					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money trusts	—	\$ 187,923	—	\$	187,923	
Trading account securities and securities						
Trading securities						
Japanese government bonds and Japanese municipal bonds, etc.....	\$ 2,647	20,508	—		23,155	
Available-for-sale securities (*1)						
Equity securities	1,009,796	—	—		1,009,796	
Japanese government bonds.....	5,491,094	92,286	—		5,583,389	
Japanese municipal bonds.....	—	6,167,186	—		6,167,186	
Japanese corporate bonds	—	1,712,468	\$ 846,319		2,558,795	
Other	994,215	2,161,377	75,716		3,231,317	
Total assets	\$ 7,497,761	\$ 10,341,759	\$ 922,044	\$	18,761,573	
Derivative transactions (*2)						
Interest rate-related derivatives.....	—	\$ (4,722)	—	\$	(4,722)	
Currency-related derivatives	—	(335,207)	—		(335,207)	
Bond-related derivatives.....	\$ 40	—	—		40	
Total derivative transactions.....	\$ 40	\$ (339,929)	\$ —	\$	(339,888)	

(*1) Investment trusts adopting the transitional treatment provided for in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the above tables. Such investment trusts in the consolidated balance sheet as of March 31, 2022 were recorded in the amount of ¥203,392 million (\$1,661,835 thousand).

(*2) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis indicated in parentheses.

2) Financial instruments other than those measured at fair value

	Millions of Yen					
	2022					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money trusts	—	—	¥	4,600	¥	4,600
Securities						
Held-to-maturity debt securities						
Japanese government bonds	¥	11,542	—	—		11,542
Loans and bills discounted	—	—		5,250,461		5,250,461
Total assets	¥	11,542	¥	—	¥	5,255,061
Deposits	—	¥	7,650,761	—	¥	7,650,761
Negotiable certificates of deposit	—		211,173	—		211,173
Borrowed money	—		656,830	17,338		674,169
Total liabilities	¥	—	¥	8,518,766	¥	8,536,105

	Thousands of U.S. Dollars					
	2022					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money trusts	—	—	\$	37,584	\$	37,584
Securities						
Held-to-maturity debt securities						
Japanese government bonds	\$	94,305	—	—		94,305
Loans and bills discounted	—	—		42,899,428		42,899,428
Total assets	\$	94,305	\$	—	\$	42,937,012
Deposits	—	\$	62,511,324	—	\$	62,511,324
Negotiable certificates of deposit	—		1,725,410	—		1,725,410
Borrowed money	—		5,366,696	\$	141,661	5,508,366
Total liabilities	\$	—	\$	69,603,447	\$	69,745,118

(Note 1) Description of valuation methods and inputs used in the fair value measurement

Assets

Money trusts

In principle, the fair value of money trusts for which trust asset components are securities is based on the price measured in the same method as securities, and is classified as Level 2 or Level 3 based on the level of its components.

The notes to Money Trusts based on holding purposes are stated in Note 8, "Money Trusts."

Trading account securities and securities

The fair value of trading account securities and securities is classified as Level 1 for those whose unadjusted quoted prices in active markets are available, such as for listed equity securities and Japanese government bonds.

For those using publicly released quoted prices in inactive markets, their fair values are classified as Level 2, such as for Japanese municipal bonds and corporate bonds.

The fair value of private placement bonds is measured by discounting total future cash flows at the risk-free rate plus a premium, which is a credit risk spread of individuals calculated by classification based on in-house rating, and is classified as Level 3.

In cases in which there are no available quoted prices, the fair value is determined using valuation techniques such as the present value method based on future cash flows. Observable inputs, such as swap rates, credit spread and interest rate volatility, are made the best of use in the fair value measurement. The fair value measured using significant unobservable inputs is classified as Level 3.

Loans and bills discounted

Since the terms of bills discounted, loans on bills and overdrafts are short, the fair value of these items approximates the book value. Therefore, the fair value is deemed to be the book value.

The fair value for loans on deeds is determined by estimating future cash flows for individual transactions and calculating the present value. The discount rate used for commercial businesses, local public organizations and local public corporations is the risk-free rate plus a premium for each in-house credit risk rating factor. For loans to individuals, the interest rate on new loans at the end of the fiscal year under review is used. In estimating future cash flows, since cash flows based on variable interest rates reflect market rates in the short term, their terms are deemed to be the period up to the date of the next interest rate change.

In addition, as to claims against bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers, since the estimated amount of bad debt is calculated based on estimated amounts that could be collected

from collateral and guarantees, the fair value approximates the consolidated balance sheet amount as of the consolidated balance sheet date minus the present estimated amount of bad debt. Therefore, the fair value is deemed to be this amount.

In measuring these fair values, since the effect of unobservable inputs is significant, these fair values are classified as Level 3.

Liabilities

Deposits and negotiable certificates of deposit

For demand deposits, including current deposits and ordinary deposits, the fair value is deemed to be the payment amount required on the consolidated balance sheet date (i.e., book value).

In addition, we calculate the fair values of fixed deposits and others and negotiable certificates of deposit by grouping the deposits based on future cash flows and discounting to present value using the interest rate on new deposits as at March 31, 2022. The fair value is classified as Level 2.

Borrowed money

For borrowed money with floating interest rates, the fair value approximates the book value since it follows market interest rates in the short term and the credit standing of the Bank and its consolidated subsidiaries has not changed significantly after the transaction. Therefore, the book value serves as fair value.

For borrowed money with fixed interest rates, the fair value is determined based on the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period, at an interest rate assumed for a new borrowing under the same terms and conditions. For borrowed money whose contract period is short (within a year), the fair value approximates the book value, which is therefore used as fair value.

In measuring these fair values, the fair value is classified as Level 3 if the effect of unobservable inputs is significant. Otherwise, the fair value is classified as Level 2.

Derivative transactions

The fair value of derivative transactions is classified as Level 1 for those whose unadjusted quoted prices in active markets are available, such as for bond futures and interest rate futures.

However, as most of the derivative transactions are over-the-counter transactions and there is no publicly released quoted prices, valuation techniques such as the present value method and the Black-Scholes model are used to measure fair value depending on the type of transaction and the period to maturity. The main inputs used in these techniques are interest rates, foreign exchange rates and volatility. In addition, price adjustments are made based on counterparties' credit risk and the Bank's own credit risk. In cases in which unobservable inputs are not used or their effect is immaterial, the fair value of derivative transactions is classified as Level 2, such as for plain vanilla interest rate swaps and forward foreign exchange.

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

1) Quantitative information on significant unobservable inputs

	2022			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Japanese corporate bonds				
Private placement bonds	Present value method	Credit risk spread	0.028%-4.963%	0.215%

2) A reconciliation from the beginning balances to the ending balances and recognized gains (loss) included in profit (loss) for the fiscal year

	Millions of Yen							
	2022							
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	¥ 104,079	¥ (132)	¥ (169)	¥ (195)	—	—	¥ 103,581	—
Other	9,318	—	108	(158)	—	—	9,267	—

	Thousands of U.S. Dollars							
	2022							
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Net amount of purchases, sales, issuances and settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance	Recognized gains (losses) on financial assets and financial liabilities held at the fiscal year-end included in profit (loss) for the fiscal year
Trading account securities and securities								
Available-for-sale securities								
Japanese corporate bonds	\$ 850,388	\$ (1,078)	\$ (1,380)	\$ (1,593)	—	—	\$ 846,319	—
Other	76,133	—	882	(1,290)	—	—	75,716	—

(*1) Included in "Other operating expenses" in the consolidated statements of income.

(*2) Included in "Net unrealized gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

3) Description of valuation processes used for fair value measurement

The back division of the Bank has established policies and procedures for measuring fair value while the middle division verifies whether inputs used in the fair value measurement and fair value as a result of the measurement are in accordance with the said policies and procedures. In addition, the back division determines the classification of levels of the fair value hierarchy based on the result of such verification. In addition, when using quoted prices obtained from third parties, the Bank verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

4) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Credit risk spread

A significant unobservable input used in measuring the fair value of private placement bonds included in Japanese corporate bonds is a credit risk spread, which is an estimated value calculated by classification based on in-house rating. A significant increase or decrease in the credit risk spread will lead to a significant increase or decrease in fair value.

23. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers for the year ended March 31, 2022 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
2022		
Ordinary income (Note 1).....	¥ 128,565	\$ 1,050,453
Of which, fee and commissions (Note 2) ...	19,249	157,275
Deposit-taking and lending business...	6,514	53,223
Domestic or Foreign exchange business ...	5,182	42,340
Security-related business	2,866	23,416
Agency business.....	1,664	13,595
Custody and safe deposit business.....	153	1,250
Guarantee business	452	3,693
Other business.....	2,415	19,732
Of which, trust fees	0	0
Ordinary income from contracts with customers	¥ 20,780	\$ 169,785
Ordinary income other than the above (Note 1).....	107,785	880,668
Total ordinary income (Note 1)	¥ 128,565	\$ 1,050,453

Notes: 1. Includes revenue based on "Accounting Standard for Financial Instruments "(ASBJ Statement No.10) and "Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Includes revenue based on "Accounting Standard for Financial Instruments "(ASBJ Statement No.10).

(2) Balances of receivables and contract liabilities

Disaggregation of receivables from contracts with customers and contract liabilities as of March 31, 2022 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2022		
Receivables from contracts with customers included in other assets	¥ 764	\$ 6,242
Contract liabilities included in other liabilities.....	8	65

24. Segment Information

(1) Description of reportable segments

The Group's reportable segments are components of the Group for which separate information is available and evaluated regularly by the Board of Directors in deciding how to allocate management resources and evaluating operating segment performance. Each operating segment is controlled by each consolidated subsidiary since each company provides different services.

Accordingly, the Group consists of operating segments differentiated by the services each company provides, and the reportable segments are mainly "Banking" (the Bank), "Leasing" (Chugin Lease), and "Securities" (Chugin Securities).

The "Banking" segment provides diversified financial services such as deposit-taking and lending. The "Leasing" segment is engaged in leasing services and installment sales of properties and goods. The "Securities" segment provides brokerage services for financial instruments.

(2) Methods of measurement for the amounts of ordinary income, profit or loss, assets, liabilities and other items for each reportable segment

The accounting policies for each reportable segment are consistent to those disclosed in Note 2, "Significant Accounting Policies." Intersegment income is based on arm's length prices.

(3) Information about ordinary income, profit or loss, assets, liabilities and other items is as follows:

	Millions of Yen					
	2022					
	Reportable segments				Other	Total
Banking	Leasing	Securities	Total			
Ordinary income:						
External customers	¥ 108,309	¥ 13,103	¥ 3,351	¥ 124,764	¥ 3,801	¥ 128,565
Intersegment income	2,027	236	72	2,337	1,523	3,860
Total	¥ 110,337	¥ 13,339	¥ 3,424	¥ 127,101	¥ 5,324	¥ 132,426
Segment profit	23,408	248	541	24,199	2,194	26,393
Segment assets	10,174,437	43,420	9,344	10,227,202	30,236	10,257,439
Segment liabilities	9,648,210	25,815	4,548	9,678,575	12,815	9,691,390
Other items:						
Depreciation	3,957	420	4	4,382	18	4,400
Interest income	66,830	116	2	66,949	128	67,077
Interest expense	5,224	92	1	5,318	0	5,318

	Thousands of U.S. Dollars					
	2022					
	Reportable segments				Other	Total
Banking	Leasing	Securities	Total			
Ordinary income:						
External customers	\$ 884,949	\$ 107,059	\$ 27,379	\$ 1,019,397	\$ 31,056	\$ 1,050,453
Intersegment income	16,561	1,928	588	19,094	12,443	31,538
Total	\$ 901,519	\$ 108,987	\$ 27,976	\$ 1,038,491	\$ 43,500	\$ 1,082,000
Segment profit	191,257	2,026	4,420	197,720	17,926	215,646
Segment assets	83,131,277	354,767	76,346	83,562,398	247,046	83,809,453
Segment liabilities	78,831,685	210,924	37,159	79,079,785	104,706	79,184,492
Other items:						
Depreciation	32,331	3,431	32	35,803	147	35,950
Interest income	546,041	947	16	547,013	1,045	548,059
Interest expense	42,683	751	8	43,451	0	43,451

	Millions of Yen					
	2021					
	Reportable segments				Other	Total
Banking	Leasing	Securities	Total			
Ordinary income:						
External customers	¥ 97,281	¥ 12,241	¥ 3,048	¥ 112,571	¥ 3,729	¥ 116,301
Intersegment income	1,808	212	62	2,083	1,630	3,713
Total	¥ 99,090	¥ 12,453	¥ 3,111	¥ 114,655	¥ 5,360	¥ 120,015
Segment profit	19,045	537	236	19,819	1,929	21,748
Segment assets	9,119,651	41,745	11,068	9,172,465	28,765	9,201,231
Segment liabilities	8,581,902	24,565	6,520	8,612,988	12,407	8,625,395
Other items:						
Depreciation	4,096	305	6	4,408	28	4,437
Interest income	65,741	111	2	65,855	158	66,014
Interest expense	6,878	94	2	6,975	0	6,975

- Notes: 1. Ordinary income and ordinary profit (segment profit) are presented in place of net sales and operating profit of non-financial industries. Ordinary income and ordinary profit are calculated by deducting non-recurring items from total income or income before income taxes and non-controlling interests.
2. "Other" represents business segments that are not included in the reportable segments and includes the credit guarantee business, the credit card business, consignment of office work and investment management and advisory services in accordance with the Financial Instruments and Exchange Act.
3. A part of dividend income of insurance, which had recorded in "Other income" in the year ended March 31, 2021, has been deducted from "Fees and Commissions" from the year ended March 31, 2022. Accordingly, the figures for the year ended March 31, 2021 were reclassified.

(4) Reconciliations between the total amounts for the reportable segments and the corresponding amounts in the consolidated financial statements

(a) Reconciliation of the total amount of ordinary income for the reportable segments to ordinary income in the accompanying consolidated statements of income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Ordinary income			
Total amount for reportable segments	¥ 127,101	¥ 114,655	\$ 1,038,491
Ordinary income of "Other"	5,324	5,360	43,500
Elimination of intersegment transactions	(3,860)	(3,713)	(31,538)
Ordinary income in the consolidated statements of income	¥ 128,565	¥ 116,301	\$ 1,050,453

Note: "Ordinary income" is presented for local reporting purposes and can be calculated by deducting non-recurring items from "Total income" in the accompanying consolidated statements of income.

(b) Reconciliation of the total amount of segment profit for the reportable segments to ordinary profit in the accompanying consolidated statements of income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Segment profit			
Total amount for reportable segments	¥ 24,199	¥ 19,819	\$ 197,720
Segment profit of "Other"	2,194	1,929	17,926
Elimination of intersegment transactions	(589)	(496)	(4,812)
Ordinary profit in the consolidated statements of income	¥ 25,804	¥ 21,252	\$ 210,834

(c) Reconciliation of the total amount of segment assets to total assets in the accompanying consolidated balance sheets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Segment assets			
Total amount for reportable segments	¥10,227,202	¥ 9,172,465	\$ 83,562,398
Segment assets of "Other"	30,236	28,765	247,046
Elimination of intersegment transactions	(35,511)	(34,350)	(290,146)
Elimination of shares in consolidated subsidiaries	(13,718)	(13,718)	(112,084)
Total assets in the consolidated balance sheets	¥10,208,209	¥ 9,153,162	\$ 83,407,214

(d) Reconciliation of the total amount of segment liabilities to total liabilities in the accompanying consolidated balance sheets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Segment liabilities			
Total amount for reportable segments	¥ 9,678,575	¥ 8,612,988	\$ 79,079,785
Segment liabilities of "Other"	12,815	12,407	104,706
Elimination of intersegment transactions	(35,595)	(34,430)	(290,832)
Total liabilities in the consolidated balance sheets	¥ 9,655,795	¥ 8,590,965	\$ 78,893,659

(e) Reconciliation of the total amount of other items to the corresponding accounts in the accompanying consolidated financial statements

	Millions of Yen			
	2022			
Other items	Total amount for reportable segments	Other	Adjustments	Consolidated financial statements
Depreciation	¥ 4,382	¥ 18	¥ 59	¥ 4,460
Interest income	66,949	128	(666)	66,411
Interest expense	5,318	0	(62)	5,256

	Thousands of U.S. Dollars			
	2022			
Other items	Total amount for reportable segments	Other	Adjustments	Consolidated financial statements
Depreciation	\$ 35,803	\$ 147	\$ 482	\$ 36,440
Interest income	547,013	1,045	(5,441)	542,617
Interest expense	43,451	0	(506)	42,944

	Millions of Yen			
	2021			
Other items	Total amount for reportable segments	Other	Adjustments	Consolidated financial statements
Depreciation	¥ 4,408	¥ 28	¥ 37	¥ 4,474
Interest income	65,855	158	(566)	65,448
Interest expense	6,975	0	(71)	6,904

Note: Adjustments of depreciation are related to lease assets transferred between affiliates, and adjustments of interest income and interest expense are related to intersegment transactions.

Related Information:
Information about services

	Millions of Yen				
	2022				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 45,180	¥ 38,881	¥ 19,250	¥ 25,253	¥ 128,565

	Millions of U.S. Dollars				
	2022				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	\$ 369,147	\$ 317,681	\$ 157,284	\$ 206,332	\$ 1,050,453

	Millions of Yen				
	2021				
	Lending	Securities investment	Services	Other	Total
Ordinary income from external customers.....	¥ 45,813	¥ 28,642	¥ 18,641	¥ 23,203	¥ 116,301

Note: Ordinary income is presented in place of net sales of non-financial industries.

Information about losses on impairment of fixed assets by reportable segments

	Millions of Yen					
	2022					
	Reportable segments				Other	Total
	Banking	Leasing	Securities	Total		
Losses on impairment of fixed assets	¥ 505	¥ —	¥ —	¥ 505	¥ —	¥ 505

	Millions of U.S. Dollars					
	2022					
	Reportable segments				Other	Total
	Banking	Leasing	Securities	Total		
Losses on impairment of fixed assets	\$ 4,126	\$ —	\$ —	\$ 4,126	\$ —	\$ 4,126

	Millions of Yen					
	2021					
	Reportable segments				Other	Total
	Banking	Leasing	Securities	Total		
Losses on impairment of fixed assets	¥ 244	¥ —	¥ 4	¥ 249	¥ —	¥ 249

25. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve was included in retained earnings in the accompanying consolidated balance sheets.

The Japanese Banking Law provides that an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings must

be appropriated to a legal reserve until the total amount of legal earnings reserve and additional paid-in capital equals the amount of the Bank's stated capital.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or be capitalized. These appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The movement of outstanding shares and cash dividends during the years ended March 31, 2022 and 2021 was as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2022

Type of shares					(Thousands of shares)	
	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks	
Issued stock:						
Common stock	195,272	—	—	195,272		
Treasury stock:						
Common stock	7,213	2,307	—	9,520		Note

Note: The increase in treasury stock of 2,307 thousand shares was due to the public bidding of 1,148 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on May 14, 2021; the public bidding of 1,158 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on November 12, 2021; and due to purchases of 0 thousand shares of less than one unit.

For the year ended March 31, 2021

Type of shares					(Thousands of shares)	
	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks	
Issued stock:						
Common stock	195,272	—	—	195,272		
Treasury stock:						
Common stock	7,212	0	0	7,213		Note

Note: The increase in treasury stock of 0 thousand shares was due to purchases of shares of less than one unit. The decrease in treasury stock of 0 thousand shares was due to the sale of 0 thousand shares of less than one unit.

(b) Dividends paid to the shareholders during the year:

For the year ended March 31, 2022

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 25, 2021	General meeting of shareholders	Common stock	¥2,256 million (\$18,432 thousand)	¥12.00 (\$0.098)	Mar. 31, 2021	Jun. 28, 2021
Nov. 12, 2021	Board of Directors	Common stock	¥2,149 million (\$17,558 thousand)	¥11.50 (\$0.093)	Sep. 30, 2021	Dec. 7, 2021

For the year ended March 31, 2021

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 25, 2020	General meeting of shareholders	Common stock	¥2,068 million	¥11.00	Mar. 31, 2020	Jun. 26, 2020
Nov. 13, 2020	Board of Directors	Common stock	¥2,068 million	¥11.00	Sep. 30, 2020	Dec. 8, 2020

Dividends were applicable to the year ended March 31, 2022 but were not recorded in the accompanying consolidated financial statements since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 24, 2022	General meeting of shareholders	Common stock	¥3,064 million (\$25,034 thousand)	¥16.50 (\$0.134)	Mar. 31, 2022	Jun. 27, 2022

Note: The aforementioned has been submitted as a proposal to the Annual General Meeting of Shareholders scheduled to be held on June 24, 2022.

The above cash dividends are distributed from retained earnings.

26. Cash and Cash Equivalents

The reconciliation between “cash and cash equivalents” in the consolidated statements of cash flows and “cash and due from banks” in the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and due from banks.....	¥1,757,165	¥1,000,773	\$14,357,096
Due from banks, excluding the Bank of Japan	(3,776)	(1,960)	(30,852)
Cash and cash equivalents	¥1,753,389	¥ 998,813	\$14,326,243

27. Stock Options

(1) Line item where stock option expense is presented and the amount

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
General and administrative expenses.....	¥ 39	¥ 37	\$ 318

(2) Stock options outstanding as of March 31, 2022 were as follows:

Stock Options	Persons granted	Number of options granted (Note 1)	Date of grant	Exercise period (Note 2)
2009 Stock Options	15 directors	54,700	Jul. 31, 2009	From Aug. 1, 2009 to Jul. 31, 2039
2010 Stock Options	15 directors	68,100	Aug. 2, 2010	From Aug. 3, 2010 to Aug. 2, 2040
2011 Stock Options	14 directors	75,300	Aug. 1, 2011	From Aug. 2, 2011 to Aug. 1, 2041
2012 Stock Options	14 directors	73,700	Aug. 3, 2012	From Aug. 4, 2012 to Aug. 3, 2042
2013 Stock Options	15 directors	49,600	Aug. 2, 2013	From Aug. 3, 2013 to Aug. 2, 2043
2014 Stock Options	15 directors	51,100	Aug. 4, 2014	From Aug. 5, 2014 to Aug. 4, 2044
2015 Stock Options	12 directors	30,800	Jul. 30, 2015	From Jul.31, 2015 to Jul. 30, 2045
2016 Stock Options	12 directors (excluding outside directors and directors serving as audit and supervisory committee members)	50,500	Aug. 2, 2016	From Aug. 3, 2016 to Aug. 2, 2046
2017 Stock Options	9 directors (excluding outside directors and directors serving as audit and supervisory committee members)	29,800	Aug. 2, 2017	From Aug. 3, 2017 to Aug. 2, 2047
2018 Stock Options	9 directors (excluding outside directors and directors serving as audit and supervisory committee members)	37,400	Aug. 3, 2018	From Aug. 4, 2018 to Aug. 3, 2048
2019 Stock Options	8 directors (excluding outside directors and directors serving as audit and supervisory committee members)	45,300	Aug. 2, 2019	From Aug. 3, 2019 to Aug. 2, 2049
2020 Stock Options	8 directors (excluding outside directors and directors serving as audit and supervisory committee members)	48,000	Jul. 30, 2020	From Jul. 31, 2020 to Jul. 30, 2050
2021 Stock Options	8 directors (excluding outside directors and directors serving as audit and supervisory committee members)	54,000	Jul. 29, 2021	From Jul. 30, 2021 to Jul. 29, 2051

Vesting conditions and applicable service periods have not been determined.

Notes: 1. Number of options is converted to number of shares.

2. Persons granted stock options can exercise stock subscription rights within 10 days after retirement.

The following table describes changes in the number of stock options that existed during the year ended March 31, 2022. Number of stock options is converted to number of shares.

	Number of shares							
	2009 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Non-vested:								
April 1, 2021 - Outstanding	3,800	4,700	12,200	11,900	13,100	13,500	10,300	17,000
Granted.....	—	—	—	—	—	—	—	—
Forfeited.....	—	—	—	—	—	—	—	—
Vested.....	—	—	—	—	—	—	—	—
March 31, 2022 – Outstanding	3,800	4,700	12,200	11,900	13,100	13,500	10,300	17,000
Vested:								
April 1, 2021 – Outstanding	—	—	—	—	—	—	—	—
Vested.....	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—
Forfeited.....	—	—	—	—	—	—	—	—
March 31, 2022 - Outstanding	—	—	—	—	—	—	—	—

	Number of shares				
	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options	2021 Stock Options
Non-vested:					
April 1, 2021 - Outstanding	17,400	21,800	45,300	48,000	—
Granted.....	—	—	—	—	54,000
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
March 31, 2022 – Outstanding	17,400	21,800	45,300	48,000	54,000
Vested:					
April 1, 2021 – Outstanding	—	—	—	—	—
Vested.....	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited.....	—	—	—	—	—
March 31, 2022 - Outstanding	—	—	—	—	—

Price information for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 2020 and 2021 stock options is as follows:

	Yen								
	2009 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options	2016 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	—	—	—	—	—	—	—	—	—
Fair appraisal price at date of grant.....	1,197	935	917	926	1,281	1,483	1,815	1,022	1,022

	Yen				
	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options	2021 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	—	—	—	—	—
Fair appraisal price at date of grant.....	1,508	1,099	753	800	728

	U.S. Dollars							
	2009 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options	2016 Stock Options
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise	—	—	—	—	—	—	—	—
Fair appraisal price at date of grant.....	9.78	7.63	7.49	7.56	10.46	12.11	14.82	8.35

	U.S. Dollars				
	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options	2021 Stock Options
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average share price at time of exercise	—	—	—	—	—
Fair appraisal price at date of grant.....	12.32	8.97	6.15	6.53	5.94

(3) Method for estimating the fair value of stock options

The Black-Scholes option pricing model was used to determine fair value.

The assumptions and methods used to estimate the fair value of 2021 stock options were as follows:

	2021 Stock Options
Volatility of stock prices (Note 1)	31.345%
Estimated remaining outstanding period (Note 2)	7 years and 0 months
Estimated dividend (Note 3)	¥22.00 per share
Risk-free interest rate (Note 4)	(0.125)%

Notes: 1. The volatility of stock prices was computed based on the actual stock prices from July 2014 to July 2021, corresponding to the estimated remaining outstanding period.

2. The remaining outstanding period was estimated based on historical data.
3. The estimated dividend was based on actual dividends for the year ended March 31, 2021.
4. The risk-free interest rate is equal to the yield on Japanese government bonds corresponding to the estimated remaining outstanding period.

(4) Method for estimating the number of stock options

The Bank adopted a method to reflect only the actual number of forfeited stock options since it is difficult to reasonably estimate the number to be forfeited in the future.

28. Asset Retirement Obligations

The Bank has future obligations pertaining to the restitution of the facilities at the data center in Haga. However, the period of use of the lease assets related to the obligations cannot be determined because no termination, transfer, etc., has been planned. Therefore, the Bank cannot reasonably estimate the asset retirement obligations and no asset retirement obligation has been recorded.

29. Related-party Transactions

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

Directors of the Bank or major shareholders (individuals only), etc.

2022

Party classification	Name of company or individual	Address	Capital	Type of business	Percentage of voting rights held by the Bank	Relations with related party	Type of transactions	Transaction amounts	Account classification	Balance at end of year
Directors or their close family members	Tsuyoshi Nishiyama	—	—	Officer of a company	—	Borrowing and lending	Lending Note	Average balance ¥27 million (\$220 thousand)	Loans and bills discounted	¥26 million (\$212 thousand)
Company, a majority of whose voting rights are owned by directors or their close family members	Nagareo Co., Ltd.	Asakuchi-city, Okayama Prefecture	¥3 million (\$24 thousand)	Hat manufacturing	—	Borrowing and lending	Lending Note	Average balance ¥33 million (\$269 thousand)	Loans and bills discounted	¥33 million (\$269 thousand)
	Nishi Techno Co., Ltd.	Okayama-city, Okayama Prefecture	¥20 million (\$163 thousand)	Civil engineering	—	Borrowing and lending	Lending Note	Average balance ¥529 million (\$4,322 thousand)	Loans and bills discounted	¥510 million (\$4,167 thousand)
	N-art Co., Ltd.	Kurashiki-city, Okayama Prefecture	¥40 million (\$326 thousand)	Civil engineering	—	Borrowing and lending	Lending Note	Average balance ¥17 million (\$138 thousand)	Loans and bills discounted	¥18 million (\$147 thousand)

Terms of transactions and policies for determining terms

Note: Interest was based on money market rates.

2021

Party classification	Name of company or individual	Address	Capital	Type of business	Percentage of voting rights held by the Bank	Relations with related party	Type of transactions	Transaction amounts	Account classification	Balance at end of year
Directors or their close family members	Tsuyoshi Nishiyama	—	—	Officer of a company	—	Borrowing and lending	Lending Note	Average balance ¥30 million	Loans and bills discounted	¥29 million
Company, a majority of whose voting rights are owned by directors or their close family members	Nagareo Co., Ltd.	Asakuchi-city, Okayama Prefecture	¥3 million	Hat manufacturing	—	Borrowing and lending	Lending Note	Average balance ¥41 million	Loans and bills discounted	¥41 million
	Nishi Techno Co., Ltd.	Okayama-city, Okayama Prefecture	¥20 million	Civil engineering	—	Borrowing and lending	Lending Note	Average balance ¥537 million	Loans and bills discounted	¥534 million

Terms of transactions and policies for determining terms

Note: Interest was based on money market rates.

30. Subsequent Events

Transition to a holding company structure through a sole-share transfer

The Bank has passed a resolution at the Board of Directors' meeting held on May 13, 2022 to establish "Chugin Financial Group, Inc." as a holding company (sole parent company) (the "Holding Company") through a share transfer solely by the Bank (the "Share Transfer") and change to a holding company structure effective as of October 3, 2022 (planned), subject to approval at the Ordinary General Meeting of Shareholders planned to be held on June 24, 2022 and the necessary approvals, etc., being obtained from competent authorities.

(1) Objectives of the Share Transfer

The Bank's corporate principle was to "remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services." To this end, to date the Bank has undertaken activities to develop the regional society by creating a sound corporate culture that is responsive to customer needs.

In FY2017, it formulated the 10-year long-term management plan, "Vision 2027: Plan for Creating the Future Together," and it intends to build a sustainable business model that will develop in step with regional society.

Under its three-year medium-term management plan, "Plan for Creating the Future Together: Stage I," which started at the same time as the long-term management plan, it proceeded with structural reforms such as redeploying human resources by developing an over-the-counter transactions system and reviewing headquarters operations with the objective of rethinking operating hours and staff, and also worked to expand its service menu in non-financial areas, such as by strengthening its consulting functions and entering the personnel placement business.

In addition, under its medium-term management plan that started from FY2020, "Plan for Creating the Future Together: Stage II," based on the results of the structural reforms from the previous medium-term management plan, the Bank has focused on initiatives to contribute to the enhancement of the human resources and organizational capability of the Group in order to improve its capacity for solving regional and customer problems.

Meanwhile, regional society today faces various social issues and rapid changes that include social structural changes such as a decreasing population and aging society, the spread of COVID-19 and the digitalization development opportunities that it affords, as well as the acceleration of global decarbonization efforts to combat global warming. This type of environment greatly affects the lifestyles of individuals and the business activities of corporations, and makes the issues faced by regional society and customers ever greater and more complex, leading to significant changes in the role to be played by regional financial institutions.

In order for the Group to contribute to the sustainable development of regional society in this type of business environment, it has decided to change to a holding company structure as an organizational structure that will allow it to enhance its service menu even further than that to date through an "expansion of service focus," implement an "appropriate allocation of management resources" so it can continue to provide that enhanced service menu, and continue to pursue "the evolution of group governance." Moreover, in order to foster unity as a group, in place of the corporate principle set forth above, it has newly enacted as the group corporate principle its long-term vision to "create with our community, customers and employees a rich future that we can all share" that was prescribed in the long-term management plan. Under this new corporate principle, the Group will strive to improve corporate value by establishing a sustainable business model that will mutually develop together with both regional society and customers and evolving into a comprehensive services business focused on finance, while also flexibly responding to changes in the business environment.

Since the Bank will become a wholly owned subsidiary of the Holding Company due to the Share Transfer, the shares of the Bank will be delisted. The Bank plans to apply for listing of the Holding Company shares, which will be delivered to shareholders as consideration for the Bank's shares, on the Prime Market of the Tokyo Stock Exchange, Inc. ("TSE"). The listing date is subject to review by TSE, but is planned for October 3, 2022, which is the date of registration of establishment of the Holding Company (the effective date of the Share Transfer).

(2) Overview of the Share Transfer

1) Schedule of the Share Transfer

Record date for the Ordinary General Meeting of Shareholders

March 31, 2022 (Thursday)

Board of Directors meeting to approve the share transfer plan

May 13, 2022 (Friday)

Ordinary General Meeting of Shareholders to approve the share transfer plan

June 24, 2022 (Friday) (planned)

Date of delisting of the shares of the Bank

September 29, 2022 (Thursday) (planned)

Date of registration of establishment of the Holding Company (effective date)

October 3, 2022(Monday) (planned)

Date of listing of the shares of the Holding Company

October 3, 2022(Monday) (planned)

This schedule is subject to change as necessary due to the progress of the Share Transfer procedures or for any other reasons.

2) Format of the Share Transfer

A sole share transfer in which the Bank is the wholly owned subsidiary resulting from the share transfer and the Holding Company is the sole parent company established in the share transfer.

3) Details of allotment of shares on the Share Transfer (share transfer ratio)

Company name	Chugin Financial Group, Inc. (Sole parent company established in the share transfer)	The Chugoku Bank, Limited (Wholly owned subsidiary resulting from the share transfer)
Share transfer ratio	1	1

(i) Share transfer ratio

For each common share of the Bank that they hold, one common share of the Holding Company being established will be allotted to the shareholders holding the common shares of the Bank listed in the final shareholder register at the point in time immediately before the point in time when the Holding Company acquires all of the issued shares of the Bank through the Share Transfer.

(ii) Number of shares per unit

The Holding Company will adopt a share unit system, with one unit equaling 100 shares.

(iii) Basis for calculation of the share transfer ratio

The Share Transfer is a sole share transfer to establish the Holding Company as the sole parent company of the Bank, and there is no change in the shareholding structure of the Bank and the shareholding structure of the Holding Company at the time of the Share Transfer; therefore, and with the principal concern that no disadvantage be incurred by the shareholders of the Bank, each shareholder will receive an allotment of one share of the common stock of the Holding Company per share of the common stock of the Bank that it holds.

(iv) Calculation result by third parties, calculation method and basis for calculation thereof

No third-party calculation of the share transfer ratio has been conducted due to the reason mentioned in (iii) above.

(v) Number of new shares to be delivered by the Share Transfer (planned)

Delivery of 185,751,145 shares of common stock is planned.

However, if there is a change in the total number of issued shares of the Bank prior to the Share Transfer taking effect, there will also be a change in the above number of new shares to be delivered by the Holding Company. Because all of the treasury shares held by the Bank that can practically be retired will be retired as of immediately prior to the Holding Company's acquisition of all of the issued shares of the Bank (the "Record Time"), the 9,520,961 treasury shares held by the Bank as of March 31, 2022 are excluded from the above calculation of new shares to be delivered. If the number of treasury shares held by the Bank changes between March 31, 2022 and the Record Time due to the exercise of appraisal rights by the shareholders of the Bank and so on, the number of new shares to be delivered by the Holding Company may change.

4) Treatment of stock acquisition rights and bonds with stock acquisition rights in relation to the Share Transfer

With regard to stock acquisition rights issued by the Bank, equivalent Holding Company stock acquisition rights will be delivered and allocated to holders of the Bank's stock acquisition rights in exchange for the Bank's stock acquisition rights that they hold. The Bank has not issued bonds with stock acquisition rights.

5) Handling of new listing of the Holding Company

The Bank intends to apply to list the shares of the newly established Holding Company on the Prime Market of TSE (Technical Listing), and it intends the listing date to be October 3, 2022. Because the Bank will become the wholly owned subsidiary of the Holding Company through the Share Transfer, the shares of the Bank are planned to be delisted from the Prime Market of TSE as of September 29, 2022, in anticipation of the Share Transfer.

(3) Outline of the holding company to be established through the Share Transfer (sole parent company established in the share transfer) (Planned)

1) Company	Chugin Financial Group, Inc.		
2) Location:	1-15-20 Marunouchi, Kita-ku, Okayama-city		
3) Representatives and officers expected to assume office	Director and President (Representative Director)	Sadanori Kato	(Current Director and President of the Bank)
	Senior Managing Director(Representative Director)	Koji Terasaka	(Current Senior Managing Director of the Bank)
	Senior Managing Director(Representative Director)	Ikuhide Harada	(Current Senior Managing Director of the Bank)
	Chairman of the Board	Masato Miyanaga	(Current Chairman of the Board of The Bank)
	Director	Akira Kodera	(Current Outside Director of the Bank)
	Director (Audit and Supervisory Committee Member)	Hiroyuki Ohara	(Current Managing Director of the Bank)
	Director (Audit and Supervisory Committee Member)	Toshihide Saito	(Current Outside Audit and Supervisory Committee Member of the Bank)
	Director (Audit and Supervisory Committee Member)	Kazuhiro Tanaka	(Current Outside Audit and Supervisory Committee Member of the Bank)
	Director (Audit and Supervisory Committee Member)	Yukiyo Kiyono	(Current Outside Audit and Supervisory Committee Member of the Bank)
	(Note) Akira Kodera among the Directors and Toshihide Saito, Kazuhiro Tanaka, and Yukiyo Kiyono among the Directors (Audit and Supervisory Committee Members) are outside directors prescribed in Article 2-15 of the Companies Act.		
4) Business details	<ul style="list-style-type: none"> • Management of banks and other companies that can be held as subsidiaries pursuant to the Banking Act, and all other business incidental or related thereto; and • Business that can be conducted by the holding company of a bank pursuant to the Banking Act other than the business set forth in the preceding item 		
5) Stated capital	¥16,000 million (\$130,729 thousand)		
6) Fiscal year end:	March 31		

(4) Outline of Accounting Treatment of the Share Transfer

The Share Transfer constitutes a common control transaction for the purpose of corporate accounting, and therefore does not affect profit and loss.

Establishment of subsidiaries

The Bank has passed a resolution to establish Chugin Capital Partners Co., Ltd., C Cube Consulting Co., Ltd. and Chugin Human Innovations Co., Ltd. at the Board of Directors held on February 25, 2022, April 27, 2022 and May 13, 2022, respectively.

(1) Establishment of an investment subsidiary

1) Objectives of the establishment

Looking toward the transition to the group management structure led by a holding company and expanding the Group's business, the Group established the subsidiary to revitalize the regional economy such as proactive support and development for companies tackling business succession and start-up companies.

2) Overview of the subsidiary

Name	Chugin Capital Partners Co., Ltd.
Location of headquarters	1-15-20 Marunouchi, Kita-ku, Okayama-city (9th floor in the Bank)
Business description:	Operation and management of investment limited partners (funds), consulting services and all other business incidental or related thereto
Stated capital	¥50 million (\$408 thousand)
Date of establishment:	April 1, 2022
Shareholders:	The Chugoku bank Limited (a wholly owned subsidiary of the Bank)

(2) Establishment of a DX/SX consulting subsidiary

1) Objectives of the establishment

Looking toward the transition to the group management structure led by a holding company and expanding the Group's business, the Group established the subsidiary to proactively find solutions to management issues of customers and support their core business through consulting services focusing on DX/SX(Digital Transformation/Sustainability Transformation).

2) Overview of the subsidiary

Name	C Cube Consulting Co., Ltd.
Location of headquarters	2-5 Honmachi, Kita-ku, Okayama-city (Chugin station building 4th floor)
Business description:	Consulting services and all other business incidental or related thereto
Stated capital:	¥100 million (\$817 thousand)
Date of establishment	September 1, 2022
Shareholders	The Chugoku bank Limited (a wholly owned subsidiary of the Bank)

(3) Establishment of a personnel consulting subsidiary

1) Objectives of the establishment

Looking toward the transition to the group management structure led by a holding company and expanding the Group's business, the Group established the subsidiary to tackle identifying true issues and needs of its business partners starting from feasibility study as efforts to revitalize the regional economy (region support activities), and to make comprehensive proposals.

2) Overview of the subsidiary

Name	Chugin Human Innovations Co., Ltd.
Location of headquarters	2-5 Honmachi, Kita-ku, Okayama-city (Chugin station building 605)
Business description:	Fee-charging employment placement services based on the Employment Security Act, personnel-related consulting services and all other business incidental or related thereto
Stated capital:	¥50 million (\$408 thousand)
Date of establishment:	May 30, 2022
Shareholders:	The Chugoku bank Limited (a wholly owned subsidiary of the Bank)

Purchases of treasury stock

On May 13, 2022, the Board of Directors of the Bank passed a resolution to purchase up to 1,000 thousand shares of the Bank's common stock from the market at a price not exceeding ¥1,000 million (\$8,170 thousand). The purpose of this purchase was to return profit to shareholders through improvement in its capital efficiency. In accordance with the resolution, the Bank acquired 549 thousand shares for ¥503 million (\$4,109 thousand) by June 10, 2022.

Cancellation of treasury stock

In order to eliminate concern about the potential dilutive effect of its common stock due to the release of treasury stock held by the Bank into the market and clarify return of profits to shareholders, on May 13, 2022, the Board of Directors of the Bank passed a resolution to cancel its treasury stock in accordance with Article 178 of the Companies Act, and conducted it as follows:

Class of shares cancelled	Common stock of the Bank
Number of shares cancelled	9,000 thousand shares (4.6% of the total number of issued shares before the cancellation)
Date of cancellation:	May 20, 2022
Total number of issued shares after the cancellation	186,272,106 shares



Independent auditor's report

To the Board of Directors of The Chugoku Bank, Limited:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We determined that the "Appropriateness of the classification of borrowers who are small and medium-size enterprises" was the key audit matter in our audit of the consolidated financial statements for the current fiscal year.

As for the "Appropriateness of the classification of borrowers who are managed by the headquarters operation," a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, we assessed that the concerns over recoverability of loans to borrowers who are managed by the headquarters operation (Headquarters Loans) have decreased despite the continued adverse impacts of COVID-19 infections, because Headquarters Loans to some borrowers with concerns over recoverability were not included in the balance of loans and bills discounted in the consolidated balance sheet as of March 31, 2022 due to the repayment or other reasons, and other borrowers of Headquarters Loans in general showed a recovering trend in their business performances. Accordingly, we determined that this matter was not a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

Appropriateness of the classification of borrowers who are small and medium-size enterprises

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of The Chugoku Bank, Limited (hereinafter, "Chugoku Bank") and its consolidated subsidiaries, loans and bills discounted of ¥5,259,190 million were recognized, representing a significant proportion (approximately 52%) of the total assets of ¥10,208,209 million. For those loans and bills discounted, reserve for possible loan losses of ¥50,987 million was recognized.</p> <p>As described in Notes 2, "Significant Accounting Policies (g) Reserve for Possible Loan Losses" and Notes 3, "Significant Accounting Estimates" to the consolidated financial statements, Chugoku Bank classified borrowers based on assessment results utilizing the internal rules on self-assessment of assets, and measured the amount of the reserve for possible loan losses for each borrower category.</p> <p>As a regional financial institution, Chugoku Bank provides comprehensive financial services to contribute to the development of regional society in the Eastern Setouchi region centering on Okayama prefecture. As a characteristic of such a regional financial institution, Chugoku Bank provides loans to a relatively large number of small and medium-size enterprises (hereinafter, "SMEs"). As a result, the balance of those loans amounted to ¥2,844,915 million, representing 54% of the total loans and bills discounted.</p> <p>For a number of SMEs that support the development of the regional society, Chugoku Bank provides not only loans but also consulting activities in different life stages. Especially for the periods when SMEs are in lower performance, Chugoku Bank identifies borrowers' management challenges, technical and sales capabilities to address them, growth potential, and business continuity through these consulting activities.</p> <p>In order to classify borrowers into borrower categories, Chugoku Bank considers the borrower's current financial position, as well as the results of assessing the feasibility of the profit plan prepared by the borrower. However, as the plan is based on various assumptions, it</p>	<p>The primary procedures we performed to assess appropriateness of the classification of borrowers who are SMEs included the following:</p> <p>(1) Internal control testing</p> <p>We assessed the design and operating effectiveness of relevant internal controls over the classification of borrowers in the self-assessment of loan quality.</p> <p>In this assessment, we focused our testing on the following:</p> <ul style="list-style-type: none"> ● controls to validate whether the internal rules on self-assessment criteria was set out in compliance with relevant accounting standards; ● IT application controls over the classification of borrowers on a quantitative basis; and ● controls to ensure the effectiveness of the secondary assessment department's verification in the classification of borrowers. <p>(2) Assessment of the appropriateness of the classification of borrowers</p> <p>In order to assess appropriateness of the classification of borrowers who are SMEs, we:</p> <ul style="list-style-type: none"> ● evaluated whether the borrowers' information, including financial data as the basis for classifying the borrower, was sufficient and most recent information by inspecting supporting documents and comparing the information with relevant documents; ● inquired of relevant personnel in the secondary assessment department in order to assess the timeliness and appropriateness of judgments regarding qualitative factors, and inspected relevant documents that contribute to the judgments of the actual conditions of the borrowers' business. Particularly for the borrowers whose financial position had deteriorated or those that were deemed to be significantly affected by the COVID-19 pandemic, we examined their business conditions and forecasts, as well as their cash flow conditions, and evaluated the appropriateness of the judgments regarding qualitative factors; and ● among the loans to SMEs, for the borrowers whose business conditions have not been favourable and whose profit plans served as a key factor for classifying the borrowers, examined the feasibility of those plans in light of the current regional economic conditions, business environment outlook, historical

often involves management's expert judgment to assess its feasibility.

In addition, some borrowers were still in lower performance due to the adverse impacts of COVID-19 infections. Profit plans prepared by these borrowers included assumptions, such as expectation on containment of COVID-19 infections in future and projection of effectiveness of business improvement measures incorporated in the profit plans. Accordingly, these plans involved difficulty to determine the feasibility.

We, therefore, determined that our assessment of the appropriateness of the classification of borrowers who are SMEs was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

business performance, industry trends related to the borrowers, among others. In addition, we evaluated whether the impacts of COVID-19 infections could be an impediment for achieving the profit plans, by examining the borrowers' business conditions and forecasts, as well as their cash flow conditions.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

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

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

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

Kuroki Kenichiro

Designated Engagement Partner

Certified Public Accountant

Kanda Masashi

Designated Engagement Partner

Certified Public Accountant

Saito Koji

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

September 6, 2022