

ANNUAL REPORT 2023

Year Ended March 31, 2023



Corporate Data

(As of March 31, 2023)

Head Office

1-2, Nanukamachi 3-chome, Yamagata
990-8642, Japan
Phone:+81 23 623 1221
URL:https://www.yamagatabank.co.jp/

Date of Establishment

April 14, 1896

Paid-in Capital

¥12,008million

Stock Exchange Listing

Tokyo Stock Exchange

Credit Rating

A+ (JCR)

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Toward a sustainable society — Sustainability initiatives —

Based on the management philosophy “to grow and develop with our regional community,” Yamagata Bank aims to contribute to the achievement of sustainable local community through our business activities and we have launched sustainability initiatives, such as nurturing regional industries and preserving the environment.

Sustainability Policy

Pursuant to our company credo “to grow and develop with our regional community” and as a company responsible for promoting regional growth, the Yamagata Bank Group will seriously address the challenges our community issues and thereby contribute to the realization of a sustainable regional community.

5 Materialities (Core Focus Areas)

-  Sustainable Growth of Regional Economy / Nurturing Regional Industries
-  Environmental Protection and Climate Change Response
-  Achieving a Fulfilling Regional Community
-  Improved employee engagement
-  Strengthening Corporate Governance

Sustainable Growth of Regional Economy / Nurturing Regional Industries

- SDGs related products and services
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- Strengthening of asset building support with “Fund Wrap”
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- Digital transformation support services for businesses
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- Business matching platform
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Environmental Protection and Climate Change Response

- Agreement to Promote Carbon Neutrality
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- Forest Conservation Activities “Gurutto Hanagasa no Mori”
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Achieving a Fulfilling Regional Community

- Promoting Sports with the “Lyers”
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- For children, taking charge of tomorrow.
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Improved employee engagement

- Improving employee job satisfaction and promoting diversity
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- Raising health awareness and strengthening mental health care
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Strengthening Corporate Governance

- Anti-Money Laundering and Countering the Financing of Terrorism
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- Maintenance of business continuity plan
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Message from Management

Yamagata Prefecture, the location of our main business area, is about 300 kilometers north of Tokyo and belongs to the Tohoku region of Japan. Yamagata City, where our head office is located, is near Sendai, the largest city in the Tohoku region, and they have active economic ties. Yamagata Prefecture has a population of approximately 1.04 million people and is home to agriculture, including rice and cherries, as well as a thriving manufacturing industry that produces a wide range of products from traditional crafts to electronics.

The Japan's domestic economy slowly recovered as the impact of COVID-19 gradually lessened last year. Regarding to the regional economy of Yamagata Prefecture, production activities showed a slowdown in manufacturing, a key industry, due to weak external demand. On the other hand, consumer spending and tourism industry recovered as economic conditions returned closer to normal from the impact of COVID-19.

We offer its corporate clients a broad range of management advice beyond finance, such as building a business model corresponding to the post COVID-19 realities, labor shortages. It is our core mission as a regional financial institution to help building sustainable regional communities amidst the population decline under Japan's world-leading declining birthrate and aging society.

Our 20th Long-Term Management Plan "Transform" (FY2021-FY2023), which launched in 2021, is entering its final fiscal year. Our raison d'etre (corporate purpose) is to contribute to the development of the region. As a company responsible for the growth of Yamagata Prefecture, we work earnestly to solve region-specific issues and focus on

creating new regional value. Furthermore, we incorporate ESG (environment, social, governance) perspectives into our management and continue to work on sustainability issues such as SDGs (sustainable development goals) and decarbonization. To solve problems such as promotion for DX (digital transformation), we demonstrate our high consulting capabilities and expertise and work to strengthen the development of professional human resources. We continue to strive to grow and develop together with all stakeholders. We would like to ask all of you for your continued warm support and patronage.



Eiji Sato
President

A handwritten signature in black ink that reads "E. Sato". The signature is written in a cursive, flowing style.

Management policies

20th Long-Term Business Plan: "Transform"

(April 2021 - March 2024)

Business Resources Supporting The Yamagata Bank (end of March, 2023)

Financial Capital

Trusted Reliability and Safety

- Capital adequacy ratio (Basel III Domestic Standards, non-consolidated) **10.25%**
- Credit Rating (Japan Credit Rating Agency, Ltd.) **A+**

Human Resources

Financial expertise and broad ranged problem-solving skill

Organizational system corresponding to diversity

- Number of employees **1,165**
- Utilizing specialist qualifications
1st grade of Certified Financial Planner, Securities analysts, Real estate appraisers, Small and medium enterprise management consultants, Real estate transaction agent, Certified public accountants, Information Technology Strategist, etc.
- Awarded "Platinum Kurumin" certification **First time ever to be awarded in Japan: April 2015**
- Awarded "Platinum Kurumin Plus" certification: **May 2023**
- Health and productivity superior corporation (Large corporation division): Certified, **6 consecutive years**

Knowledge Resources

Group management system capable of providing comprehensive financial information services

- Group companies **8 companies**
- History and tradition founded **127 years ago**

Social Resources

Abundant network of branches and high market share

- Number of branch offices **84 branches**
(Number of branches with counter: 52/Number of branch-in-branch offices: 32)
- Number of ATM devices **253 units**
- Unmanned service areas **126 locations**

Business Model

Management Philosophy

Grow and develop together with the regional community, satisfy all of our customers, and give our employees stability and opportunities.

Long-Term Vision

A hybrid company offering financial customers and maximizes the potential

Creating a sustainable regional community
(Regional revitalization and regional economic renewal / development)

Achieving Value

Phase

Establishing a New

Phase

Achieving Hybrid

Phase

Responding to COVID-19 and

20th Long-Term Business Plan
April 2021 to March 2024

TRANS

Key Strategy 1:

Staying close and supporting our customers amidst the COVID-19 and post COVID-19 challenges.

Key Strategy 2:

Efforts to strengthen our consulting business and expand the range of our business services.

This 20th long-term business plan is proceeding toward 2030, aiming to respond to a hybrid company, in a manner that connects

We established our 20th long-term business plan: "Transform" as a plan to cover a three-year period (April 2021 to March 2024). This is Phase 1 of a long-term vision heading toward 2030, to assist the regional economy and company management in the recovery from COVID-19, pursuing a sustainable business model with the aim of becoming a hybrid company offering financial / business participation.

Sustainability Policy

Pursuant to our management philosophy "to grow and develop with our regional community" and as a company responsible for promoting regional growth, the Yamagata Bank Group will seriously address the challenges our community issues and thereby contribute to the realization of a sustainable regional community.

al / business participation that creates value together with our
 tial of our region.

3
 Business Model
 2
 Company
 1
Challenging the Hybrid Company

Customer-oriented business and creation of added-value

3
 Business Model

2
 Company

1
Challenging the Hybrid Company

FORM

Key Strategy 3:

Structural reform and cost management to provide high quality services.

Key Strategy 4:

More sophisticated securities investment and risk management, and utilization of risk appetite framework.

sitioned as Phase 1 of a long-term vision to COVID-19 and the challenge of becoming cts to our vision.

Providing Value to Our Stakeholders

Our Regional Community

- Working for sustainable development; regional renewal.
- Revitalization of regional economy; nurturing industry.
- Commitment to environmental protection.

Our Customers

- Creating value together with our customers by helping to resolve their issues.
- Supporting stable asset building and asset succession for our customers.

Our Shareholders

- Increasing our medium to long term corporate value.

Our Employees and Officers

- Positive work environment.
- Supporting broad employee training efforts.
- Supporting various working styles and diversity.

Our Commitment to Achieving ESG Management and SDGs

We incorporate ESG (Environment, Social, Governance) perspectives into our management with the aim of improving corporate value over the medium to long term.

As a community-based banking group, we will contribute to the achievement of the SDGs through our comprehensive financial information services.

SUSTAINABLE DEVELOPMENT GOALS

Consolidated Five-Year Financial Highlights

Yen: In millions except per share data and percentages

U.S. dollars: In thousands except per share data and percentages

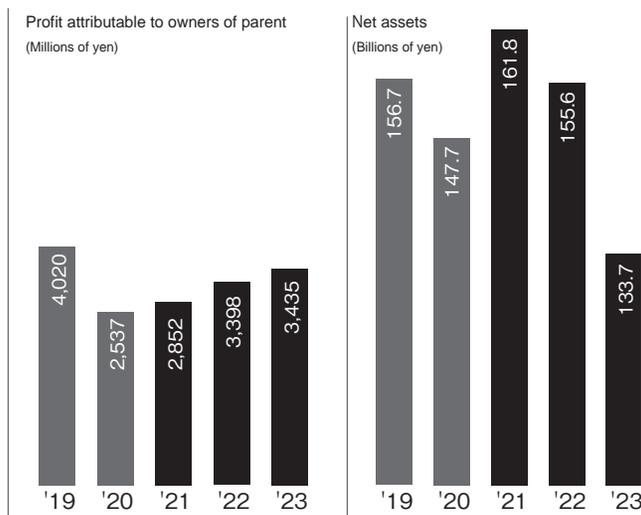
Years ended March 31

For the fiscal year:	2023	2022	2021	2020	2019	2023
	(Millions of yen)					(Thousands of U.S. dollars)
Ordinary income	¥ 51,184	¥ 44,026	¥ 41,225	¥ 44,041	¥ 47,354	\$ 383,316
Ordinary expenses	45,646	38,536	36,386	39,406	41,391	341,845
Profit before income taxes	4,996	5,367	4,264	4,468	5,910	37,418
Profit attributable to owners of parent	3,435	3,398	2,852	2,537	4,020	25,728
At the fiscal year-end						
Assets	¥ 3,144,460	¥ 3,538,352	¥ 3,128,968	¥ 2,653,119	¥ 2,576,980	\$ 23,548,718
Loans and bills discounted	1,793,470	1,709,107	1,739,782	1,713,248	1,699,188	13,431,219
Securities	977,273	1,087,504	901,513	758,083	677,078	7,318,756
Liabilities	3,010,730	3,382,723	2,967,155	2,505,412	2,420,219	22,547,220
Deposits	2,746,286	2,707,646	2,579,349	2,267,133	2,212,792	20,566,813
Net assets	133,729	155,628	161,812	147,706	156,761	1,001,497
Amounts per share						
Cash dividends	¥ 35.00	¥ 35.00	¥ 30.00	¥ 30.00	¥ 35.00	\$ 0.26
Profit attributable to owners of parent	107.40	104.86	87.50	77.86	123.36	0.80
Diluted profit attributable to owners of parent	—	—	—	—	110.01	—
Net assets	4,174.44	4,861.13	4,957.12	4,526.62	4,804.85	31.26
Ratios:						
Capital adequacy ratio (Domestic standard)	2023	2022	2021	2020	2019	
	10.73%	10.39%	10.79%	11.02%	11.59%	

Notes 1 : U.S. dollars represent transactions, for the convenience of readers, at ¥ 133.53=U.S.\$1.00 the rate prevailing on March 31, 2023.

2 : Diluted profit attributable to owners of parent for the fiscal year ended March 31, 2023, 2022, 2021 and 2020 is not listed because there are no potentially dilutive shares.

The graph contains consolidated data.



Independent Auditor's Report

The Board of Directors
The Yamagata Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Yamagata Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Classification of material debtors for which there are concerns about business performance	
Description of Key Audit Matter	Auditor's Response
The Yamagata Bank, Ltd. and its consolidated subsidiaries (the Group) are engaged in the banking business with a business base mainly in Yamagata Prefecture, and the lending business is the Group's core business activity. The loans included in the consolidated balance sheet at the end of the fiscal year ended March 31, 2023 totaled 1,793,470 million yen (57.0% of total assets). The collectability of loans recorded by the Group is subject to uncertainties due to	In considering the appropriateness of the classification of debtors, we mainly performed the following audit procedures:

<p>economic trends in Japan and overseas, particularly regional economic trends, changes in the financial and economic environment (e.g., fluctuations in interest rates and stock prices), deterioration in the business performance and financial position of debtors depending on the success or failure of their business, and changes in the value of collateral such as real estate. Additionally, while the impact of the COVID-19 pandemic is gradually easing, factors such as the accelerated increase in raw material prices and rapid fluctuations in exchange rates may have a significant impact on the performance of debtors.</p> <p>As such, the Group calculates the expected amount of loans that will not be collected based on the classification of debtors, the status of credit protection, and the historical loan loss ratio, and records this amount as an allowance for loan losses.</p> <p>The allowance for loan losses included in the consolidated balance sheet at the end of the fiscal year ended March 31, 2023 was 8,643 million yen as described in g. “Allowance for Loan Losses” of Note 3 “Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, and details for calculating method of the allowance for loan losses are described in the same section of Notes to Consolidated Financial Statements.</p> <p>The allowance for loan losses is calculated in accordance with the Group’s predetermined standards for self-assessment and for write-offs and allowances. The calculation process includes the classification of debtors which is determined by evaluating the business performance, financial position and repayment status of debtors and the future outlook thereof.</p> <p>As described in t. “Significant Accounting Estimates” of Note 3 “Summary of Significant Accounting Policies” to the consolidated financial statements, the key assumptions underlying the calculation of the allowance for loan losses are “the impact of COVID-19 pandemic” and “the future outlook for individual debtor performance etc. in determining debtor classification.” The Group</p>	<ul style="list-style-type: none"> • We evaluated the Group’s internal controls for ensuring the accuracy of the classification of debtors, credit rating data underlying such classification, and the financial information of debtors upon which classifications and credit ratings are based, and compliance with regulations and the like as it relates to the foregoing. • We held discussions with management and divisions responsible for loans in consideration of available external information such as that underlying economic forecasts in order to consider the reasonableness of the Group’s assumptions regarding the impact of COVID-19. • In order to consider the appropriateness of the classification of individual debtors, we selected a sample of debtors for consideration, taking into account the debtors’ business type, operating area, degree of deterioration in business performance or financial position, repayment status, and details reported by business branches on the impact of COVID-19 on the business performance of debtors. We also considered the monetary impact of the changes in debtor classification on the amount recorded in the allowance for loan losses. Additionally, in order to identify risk scenarios in which credit risk is expected to rise in consideration of factors such as the external environment and, further, in order to select debtors for which there are concerns about deterioration in the future outlook for business performance, we utilized self-assessment data analysis tools (tools used in audits of self-assessments to support the selection of audit samples with a focus on areas where there is credit risk by visualizing debtor and receivable data from the standpoint of geographical area, business type, and debtor’s financial condition). In performing analysis, we visualized the distribution of the type of business, operating area, and debtor classification and a distribution combining multiple financial indicators of each debtor (e.g., a combination of change in total asset turnover ratio and percent change in sales) to identify a certain level of bias and
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<p>expects that “the impact of COVID-19 pandemic” on the economic activities in the Group’s core business region to be limited as the overall effect of COVID-19 pandemic gradually eases and as it has been re-classified to the less serious level 5 infectious disease category.</p> <p>In addition, when debtors for which there are concerns about business performance prepare business improvement plans, the Group evaluates the reasonableness and feasibility of the business improvement plans and considers these plans to be an important factor related to future outlook in the classification of debtors.</p> <p>The future outlook for business performance, which include evaluations of the reasonableness and feasibility of business improvement plans of debtors for which there are concerns about business performance, involve significant uncertainty and are highly dependent on management's judgment since such future outlook are affected by changes in the business environment surrounding debtors, such as the effect of COVID-19 and rising inflation, as well as the success or failure of debtors' business strategies. Currently, there is rising uncertainty about the future outlook for business performance for certain debtors due to inflation and rapid fluctuations in exchange rates. In addition, if the allowance for loan losses significantly increases or decreases due to the classification of material debtors, it may have a significant impact on the Group’s financial position and operating results.</p> <p>Accordingly, we have determined that the classification of material debtors for which there are concerns about business performance is a key audit matter.</p>	<p>deviation and, taking into account these results, we selected an additional sample of debtors whose credit risk is assumed to be high.</p> <ul style="list-style-type: none"> • We performed the following audit procedures to consider the appropriateness of the classification of debtors for the debtors selected for consideration: <ul style="list-style-type: none"> -We evaluated data regarding sampled debtors’ recent repayment status, financial position, and business performance by inspecting a set of materials related to self-assessment conducted by the Group, such as debtor-related explanatory materials including a description of the business, borrowing and repayment status, research materials that provide details of actual financial position, financial statements, and the trial balance. In addition, we made inquiries of the divisions responsible for loans as necessary to confirm our understanding. -We considered the appropriateness of the Group’s evaluations of the reasonableness and feasibility of business improvement plans taking into account the impact of COVID-19 and inflation on future outlook for major items such as sales, cost of sales, and selling, general and administrative expenses in business improvement plans prepared by debtors. Our procedures also consisted of conducting trend analysis based on past results, evaluating whether the debtor had historically achieved its previous business improvement plans, analyzing the latest monitoring conducted by the Group, and making comparisons with available external information such as that related to the industry to which the debtors belong.
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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of 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, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 26, 2023

佐藤 森夫

/s/ Morio Sato

Designated Engagement Partner
Certified Public Accountant

大村 真敏

/s/ Masatoshi Omura

Designated Engagement Partner
Certified Public Accountant

Review of Operations

The Conditions of Consolidated Accounts

The general situation in this term (from April 1, 2022 to March 31, 2023)

Deposits and negotiable certificates of deposit

The year-end consolidated balance of deposits and negotiable certificates of deposit increased by 22.1 billion yen to 2,826.1 billion yen, mainly due to an increase in personal deposits.

Deposited financial assets

The year-end consolidated balance of deposited financial assets increased by 12.4 billion yen to 303.5 billion yen, mainly due to an increase in public bonds and investment trusts.

Loans and bills discounted

The year-end consolidated balance of loans and bills discounted increased by 84.3 billion yen to 1,793.4 billion yen, due to an increase in loans to public and corporate sector.

Securities

The year-end consolidated balance of securities decreased by 110.2 billion yen to 977.2 billion yen, mainly due to a decrease in government bonds and other securities such as foreign securities denominated in foreign currencies.

Profit and loss

The consolidated ordinary income increased by 7,158 million yen from the previous year to 51,184 million yen, mainly due to an increase in interest income including interest and dividends on securities. Consolidated ordinary expenses increased by 7,110 million yen from the previous year to 45,646 million yen, mainly due to an increase in other ordinary expenses including loss on sales of bonds. As a result, consolidated ordinary profit increased by 47 million yen from the previous year to 5,537 million yen, and consolidated profit attributable to owners of parent increased by 37 million yen from the previous year to 3,435 million yen.

Results by business segment

In the banking business, ordinary income for the fiscal year was 44,578 million yen, which was 7,247 million yen more than that for the previous fiscal year; segment profit for the fiscal year was 4,984 million yen, which was 235 million yen more than that for the previous fiscal year.

In the leasing business, ordinary income for the fiscal year was 5,978 million yen, which was 68 million yen less than that for the previous year; segment profit for the fiscal year was 245 million yen, which was 16 million yen less than that for the previous fiscal year.

In the credit guarantee business, ordinary income for the fiscal year was 953 million yen, which was 35 million yen more than that for the previous fiscal year; segment profit for the fiscal year was 785 million yen, which was 119 million yen more than that for the previous fiscal year.

In other business sectors, ordinary

income for the fiscal year was 1,624 million yen, which was 100 million yen more than that for the previous fiscal year; segment profit for the fiscal year was 262 million yen, which was 31 million yen less than that for the previous fiscal year.

Cash flows

The cash flows from operating activities resulted in outflows of 469.3 billion yen (an increase in outflows of 919.5 billion yen from the previous year), mainly due to a decrease in borrowings.

The cash flows from investment activities resulted in inflows of 75.4 billion yen (an increase in inflows of 270.1 billion yen from the previous year), mainly due to proceeds from the sales and redemption of securities exceeding the purchase of securities.

The cash flows from financing activities resulted in outflows of 1.2 billion yen (a decrease in outflows of 0.3 billion yen from the previous year), due to dividend distributions, etc.

As a result, the year-end consolidated cash and cash equivalents decreased by 395.0 billion yen from the previous year to 240.8 billion yen.

Financial Statements

Consolidated Balance Sheet

As of March 31, 2023 and 2022

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S.dollars)(Note2)
Assets			
Cash and due from banks (Note 19)	¥ 249,798	¥ 646,471	\$ 1,870,728
Call loans and bills bought	20,793	5,080	155,718
Monetary claims bought	5,449	8,552	40,810
Money held in trust	9,534	2,763	71,406
Securities (Note 4, 5, 6, 7, 11 and 22)	977,273	1,087,504	7,318,756
Loans and bills discounted (Note 6 and 7)	1,793,470	1,709,107	13,431,219
Foreign exchanges	899	865	6,736
Other assets (Note 6 and 7)	46,761	47,165	350,198
Property, plant and equipment (Note 10)	16,758	16,677	125,501
Buildings, net (Note 9)	6,696	6,966	50,151
Land (Note 8)	7,871	8,003	58,947
Construction in progress	488	25	3,659
Other, net (Note 9)	1,701	1,681	12,742
Intangible assets	3,849	4,314	28,827
Software	3,646	4,079	27,308
Other	202	235	1,519
Assets for retirement benefits (Note 26)	3,412	3,197	25,556
Deferred tax assets (Note 27)	10,613	477	79,486
Customer's liabilities for acceptances and guarantees (Note 6)	14,488	15,145	108,505
Allowance for loan losses	(8,643)	(8,971)	(64,732)
Assets	<u>¥ 3,144,460</u>	<u>¥ 3,538,352</u>	<u>\$ 23,548,718</u>
Liabilities and Net Assets			
Liabilities			
Deposits (Note 7)	¥ 2,746,286	¥ 2,707,646	\$ 20,566,813
Negotiable certificates of deposit	79,889	96,408	598,285
Call money and bills sold	13,353	119,074	100,000
Payables under securities lending transactions (Note 7)	20,431	39,547	153,013
Borrowed money (Note 7)	119,858	386,868	897,614
Foreign exchanges	46	31	344
Other liabilities	14,658	16,225	109,779
Provision for bonuses for directors	22	22	168
Liabilities for retirement benefits (Note 26)	51	57	388
Provision for retirement benefits for directors	12	15	93
Provision for share payments of board incentive plan	97	84	732
Provision for reimbursement of deposits	82	109	617
Provision for contingent loss	236	259	1,769
Provision for loss on interest repayment	56	56	423
Deferred tax liabilities (Note 27)	49	39	373
Deferred tax liabilities for land revaluation (Note 8)	1,107	1,131	8,296
Acceptance and guarantees	14,488	15,145	108,505
Liabilities	<u>¥ 3,010,730</u>	<u>¥ 3,382,723</u>	<u>\$ 22,547,220</u>
Net Assets			
Shareholders' equity (Note 17 and 32)			
Share capital	¥ 12,008	¥ 12,008	\$ 89,931
Capital surplus	10,215	10,215	76,505
Retained earnings	128,946	126,679	965,671
Treasury shares	(881)	(901)	(6,601)
Shareholders' equity	<u>150,288</u>	<u>148,002</u>	<u>1,125,506</u>
Valuation difference on available-for-sale securities (Note 22)	(18,150)	6,315	(135,928)
Deferred gains or losses on hedges	(598)	(1,174)	(4,482)
Revaluation reserve for land (Note 8)	972	1,009	7,284
Retirement benefits liability adjustments	1,041	1,305	7,800
Accumulated other comprehensive income	<u>(16,734)</u>	<u>7,455</u>	<u>(125,325)</u>
Non-controlling interests	175	170	1,316
Net assets	<u>¥ 133,729</u>	<u>¥ 155,628</u>	<u>\$ 1,001,497</u>
Liabilities and net assets	<u>¥ 3,144,460</u>	<u>¥ 3,538,352</u>	<u>\$ 23,548,718</u>

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2023 and 2022

Consolidated Statements of Income

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S.dollars)(Note2)
Ordinary income	¥ 51,184	¥ 44,026	\$ 383,316
Interest income	31,492	27,564	235,845
Interest on loans and discounts	17,000	16,132	127,318
Interest and dividends on securities	14,086	10,714	105,492
Interest on call loans and bills bought	171	4	1,286
Interest on deposits with banks	162	630	1,216
Other interest income	71	81	532
Fees and commissions	7,678	7,699	57,501
Other ordinary income	9,931	7,260	74,376
Other income	2,082	1,502	15,592
Reversal of allowance for loan losses	133	—	996
Recoveries of written off receivables	17	15	127
Other (Note 12)	1,932	1,487	14,468
Ordinary expenses	45,646	38,536	341,845
Interest expenses	3,718	1,194	27,846
Interest on deposits	2,116	436	15,849
Interest on negotiable certificates of deposit	6	8	45
Interest on call money and bills sold	232	17	1,744
Interest on payables under securities lending transactions	512	48	3,836
Interest on borrowings and rediscounts	462	52	3,461
Other interest expenses	388	630	2,909
Fees and commissions payments	2,451	2,480	18,359
Other ordinary expenses	16,674	9,724	124,877
General and administrative expenses (Note 13)	20,785	21,949	155,658
Other expenses	2,016	3,186	15,104
Provision of allowance for loan losses	—	970	—
Other (Note 14)	2,016	2,216	15,104
Ordinary profit	5,537	5,489	41,470
Extraordinary income	1	106	7
Gain on disposal of non-current assets	1	106	7
Extraordinary losses	542	228	4,059
Loss on disposal of non-current assets	443	66	3,323
Impairment loss (Note 15)	98	162	736
Profit before income taxes	4,996	5,367	37,418
Income taxes -current	1,083	1,755	8,115
Income taxes -deferred (Note 27)	472	208	3,536
Income taxes	1,555	1,964	11,651
Profit	3,440	3,403	25,766
Profit attributable to non-controlling interests	5	5	37
Profit attributable to owners of parent	¥ 3,435	¥ 3,398	\$ 25,728
Consolidated Statements of Comprehensive Income			
Profit	¥ 3,440	¥ 3,403	\$ 25,766
Other comprehensive income (Note 16)	(24,153)	(8,008)	(180,887)
Valuation difference on available-for-sale securities	(24,465)	(8,753)	(183,222)
Deferred gains or losses on hedges	575	(334)	4,311
Retirement benefits liability adjustments	(263)	1,079	(1,976)
Comprehensive income	(20,713)	(4,604)	(155,120)
Comprehensive income attributable to owners of parent	(20,718)	(4,609)	(155,158)
Comprehensive income attributable to non-controlling interests	5	5	37

Consolidated Statements of Changes in Equity

For the year ended March 31, 2023	Shareholders' equity				(Millions of yen)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance as of April 1, 2022	¥ 12,008	¥ 10,215	¥ 126,679	¥ (901)	¥ 148,002
Changes during period					
Dividends of surplus			(1,204)		(1,204)
Profit attributable to owners of parent			3,435		3,435
Acquisition of treasury shares				(1)	(1)
Disposal of treasury shares				20	20
Reversal of revaluation reserve for land			36		36
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,267	19	2,286
Balance as of March 31, 2023	¥ 12,008	¥ 10,215	¥ 128,946	¥ (881)	¥ 150,288

For the year ended March 31, 2023	Shareholders' equity				(Thousands of U.S.Dollar)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2022	\$ 89,931	\$ 76,505	\$ 948,693	\$ (6,748)	\$ 1,108,382
Changes during period					
Dividends of surplus			(9,023)		(9,023)
Profit attributable to owners of parent			25,728		25,728
Acquisition of treasury shares				(9)	(9)
Disposal of treasury shares				155	155
Reversal of revaluation reserve for land			271		271
Net changes in items other than shareholders' equity					
Total changes during period	—	—	16,977	146	17,124
Balance as of March 31, 2023	\$ 89,931	\$ 76,505	\$ 965,671	\$ (6,601)	\$ 1,125,506

For the year ended March 31, 2022	Shareholders' equity				(Millions of yen)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance as of April 1, 2021	¥ 12,008	¥ 10,215	¥ 127,139	¥ (3,142)	¥ 146,220
Cumulative effects of changes in accounting policies			(52)		(52)
Restated balance as of April 1, 2021	12,008	10,215	127,086	(3,142)	146,167
Changes during period					
Dividends of surplus			(980)		(980)
Profit attributable to owners of parent			3,398		3,398
Acquisition of treasury shares				(556)	(556)
Disposal of treasury shares				9	9
Cancellation of treasury shares		(0)	(2,787)	2,788	—
Reversal of revaluation reserve for land			(36)		(36)
Net changes in items other than shareholders' equity					
Total changes during period	—	(0)	(407)	2,241	1,834
Balance as of March 31, 2022	¥ 12,008	¥ 10,215	¥ 126,679	¥ (901)	¥ 148,002

For the year ended March 31, 2023	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2022	¥ 6,315	¥ (1,174)	¥ 1,009	¥ 1,305	¥ 7,455	¥ 170	¥ 155,628
Changes during period							
Dividends of surplus							(1,204)
Profit attributable to owners of parent							3,435
Acquisition of treasury shares							(1)
Disposal of treasury shares							20
Reversal of revaluation reserve for land							36
Net changes in items other than shareholders' equity	(24,465)	575	(36)	(263)	(24,190)	5	(24,185)
Total changes during period	(24,465)	575	(36)	(263)	(24,190)	5	(21,898)
Balance as of March 31, 2023	¥ (18,150)	¥ (598)	¥ 972	¥ 1,041	¥ (16,734)	¥ 175	¥ 133,729

For the year ended March 31, 2023	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2022	\$ 47,294	\$ (8,794)	\$ 7,556	\$ 9,776	\$ 55,833	\$ 1,278	\$ 1,165,494
Changes during period							
Dividends of surplus							(9,023)
Profit attributable to owners of parent							25,728
Acquisition of treasury shares							(9)
Disposal of treasury shares							155
Reversal of revaluation reserve for land							271
Net changes in items other than shareholders' equity	(183,222)	4,311	(271)	(1,976)	(181,159)	37	(181,121)
Total changes during period	(183,222)	4,311	(271)	(1,976)	(181,159)	37	(163,997)
Balance as of March 31, 2023	\$ (135,928)	\$ (4,482)	\$ 7,284	\$ 7,800	\$ (125,325)	\$ 1,316	\$ 1,001,497

For the year ended March 31, 2022	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2021	¥ 15,068	¥ (839)	¥ 972	¥ 225	¥ 15,426	¥ 165	¥ 161,812
Cumulative effects of changes in accounting policies							(52)
Restated balance as of April 1, 2021	15,068	(839)	972	225	15,426	165	161,759
Changes during period							
Dividends of surplus							(980)
Profit attributable to owners of parent							3,398
Acquisition of treasury shares							(556)
Disposal of treasury shares							9
Cancellation of treasury shares							—
Reversal of revaluation reserve for land							(36)
Net changes in items other than shareholders' equity	(8,753)	(334)	36	1,079	(7,971)	5	(7,966)
Total changes during period	(8,753)	(334)	36	1,079	(7,971)	5	(6,131)
Balance as of March 31, 2022	¥ 6,315	¥ (1,174)	¥ 1,009	¥ 1,305	¥ 7,455	¥ 170	¥ 155,628

Consolidated Statements of Cash Flows

For the years ended March 31, 2023 and 2022

	2023	2022	2023
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)(Note 2)
Cash flows from operating activities			
Profit before income taxes	¥ 4,996	¥ 5,367	\$ 37,418
Depreciation	1,881	1,864	14,092
Impairment loss	98	162	736
Increase (decrease) in allowance for loan losses	(327)	(936)	(2,454)
Decrease (increase) in assets for retirement benefits	(215)	(1,860)	(1,610)
Increase (decrease) in liabilities for retirement benefits	(5)	4	(38)
Increase (decrease) in provision for retirement benefits for directors	(3)	4	(22)
Increase (decrease) in provision for share payments of board incentive plan	12	(11)	96
Increase (decrease) in provision for reimbursement of deposits	(26)	(13)	(198)
Increase (decrease) in provision for contingent loss	(23)	(31)	(172)
Increase (decrease) in provision for point service program	—	(53)	—
Interest income	(31,492)	(27,564)	(235,845)
Interest expenses	3,718	1,194	27,846
Loss (gain) related to securities	5,926	3,325	44,380
Loss (gain) on money held in trust	(140)	(58)	(1,055)
Foreign exchange loss (gain) , net	(14,409)	(28)	(107,909)
Loss (gain) on disposal of non-current assets	442	(40)	3,315
Net decrease (increase) in loans and bills discounted	(84,363)	33,047	(631,792)
Net increase (decrease) in deposits	38,640	123,528	289,373
Net increase (decrease) in negotiable certificates of deposit	(16,519)	15,573	(123,712)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(267,009)	127,980	(1,999,623)
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	1,585	2,135	11,870
Net decrease (increase) in call loans	(12,604)	(4,270)	(94,395)
Net increase (decrease) in call money	(105,721)	116,295	(791,746)
Net increase (decrease) in payables under securities lending transactions	(19,116)	29,019	(143,159)
Net decrease (increase) in foreign exchanges-assets	(33)	(42)	(252)
Net increase (decrease) in foreign exchanges-liabilities	14	(6)	109
Interest received	30,499	26,847	228,409
Interest paid	(3,221)	(1,228)	(24,122)
Other	(1,660)	1,440	(12,436)
Subtotal	(469,077)	451,646	(3,512,898)
Income taxes paid	(639)	(1,414)	(4,785)
Income taxes refunded	403	—	3,025
Net cash provided by (used in) operating activities	(469,312)	450,231	(3,514,658)
Cash flows from investing activities			
Purchase of securities	(679,392)	(569,901)	(5,087,940)
Proceeds from sales of securities	722,594	349,870	5,411,478
Proceeds from redemption of securities	40,461	31,015	303,017
Increase in money held in trust	(6,065)	(1,682)	(45,422)
Decrease in money held in trust	69	48	519
Purchase of property, plant and equipment	(976)	(2,827)	(7,309)
Proceeds from sales of property, plant and equipment	15	318	112
Payments for retirement of property, plant and equipment	(359)	—	(2,694)
Expenditure for acquisition of intangible assets	(795)	(1,517)	(5,953)
Payments for asset retirement obligations	(124)	(4)	(933)
Net cash provided by (used in) investing activities	75,427	(194,680)	564,873
Cash flows from financing activities			
Dividends paid	(1,204)	(980)	(9,023)
Purchase of treasury shares	(1)	(556)	(9)
Net cash provided by (used in) financing activities	(1,206)	(1,536)	(9,032)
Effect of exchange rate change on cash and cash equivalents	2	(1)	16
Net increase (decrease) in cash and cash equivalents	(395,088)	254,013	(2,958,800)
Cash and cash equivalents at beginning of year	635,940	381,927	4,762,530
Cash and cash equivalents at end of year (Note 19)	¥ 240,852	¥ 635,940	\$ 1,803,730

Notes to Consolidated Financial Statements

March 31, 2023

1. Basis of Presentation

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

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

As permitted by the Financial Instruments and Exchange Act amounts of less than one million yen have been omitted. 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.

2. U.S. Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of 133.53=U.S.\$1.00, the rate of exchange in effect on March 31, 2023, has been used in translation. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 8 subsidiaries, except for 4 subsidiaries which are not consolidated due to their immateriality.

All significant intercompany receivables and payables and transactions have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Immaterial goodwill is charged to income when incurred.

b. Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or available-for-sale securities. Trading account securities, which are purchased for trading purposes, are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities whose fair value is deemed to be extremely difficult to determine are carried at cost. The cost of securities sold is determined by the moving average method.

c. Derivative financial instruments

Derivatives are stated at fair market value.

d. Property, plant and equipment

The Bank recognizes depreciation by the straight-line method applicable to each specific category of assets. The useful lives of buildings and equipment are summarized as follows:

Buildings : 2 to 50 years Equipment : 2 to 15 years

Depreciation of property, plant and equipment of the consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.

e. Intangible assets

Intangible assets are depreciated by the straight-line method. The

Bank's software, which is used in-house, is depreciated based on the estimated period of use (mainly five years) at the Bank and at consolidated subsidiaries.

f. Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value or, where lease agreements stipulate guarantee of residual value, the guaranteed residual value. The Bank leases certain vehicles, computer equipment and other assets.

g. Allowance for loan losses

The Bank's allowance for doubtful accounts is treated as follows in accordance with the self-assessment standards and write-off/provision standards that have been set in advance. For loans specified as performing loans or sub-performing loans pursuant to the "Practical Guidelines for Self-Assessment of Assets by Financial Institutions such as Banks and for Auditing of the Write-off of Doubtful Accounts and Allowances for Doubtful Accounts" (Japan Institute of Certified Public Accountants, Bank Audit Special Committee Report No. 4, April 14, 2022), the estimated losses among performing loans over the next year and the estimated losses for sub-performing loans over the next three years is calculated and recorded based for the most part on the loan loss ratio over the past 5 calculation periods. In addition, the estimated losses may be calculated after making revisions, as necessary, such as to future prospects, etc. For loans that may be deemed to be in danger of bankruptcy, deduct from the amount of the loan the estimated marketable value of collateral and the estimated recoverable amount by way of guarantees, and for those debtors for whom the remaining balance exceeds a stipulated amount, the amount shall be recorded which remains after subtracting the recoverable portion reasonably estimated based on cash flow, and for other debtors, the estimated losses over the next three years shall be calculated and recorded, based on the past loan loss ratio. For loans that may be deemed to be in danger of bankruptcy or deemed a defacto bankrupt loan, the balance is recorded after deducting from the loan amount, the estimated disposal price of the collateral and the recoverable amount from guarantees.

All loans are assessed by a front department based on asset self-assessment standards, and the asset audit department, which is independent of that department, audits the assessment results.

Regarding the allowance for doubtful accounts of consolidated subsidiaries, for general loans, the amount deemed necessary in consideration of the past loan loss ratio is recorded, and for specific loans for which there is a concern regarding possible sub-performance, these are individually considered for their potential recoverability, and the estimated non-recoverable amount for each is recorded respectively.

h. Provision for bonuses for directors

Provision for bonuses for directors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payments to directors.

i. Provision for retirement benefits for directors

Provision for retirement benefits for directors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future retirement payments to directors.

j. Provision for share payments of board incentive plan (BIP)

Provision for share payments of board incentive plan is provided for the expected stock payments due to points assigned to directors based on the stock incentive plan, in order to prepare for the delivery of the Bank's stock through the board incentive BIP trust.

k. Provision for reimbursement of deposits

Provision for reimbursement of deposits which are derecognized as liabilities is provided for the possible losses on the future claims of repayments based on historical repayment experience.

l. Provision for contingent loss

Provision for contingent loss is provided for future estimated payments to the Credit Guarantee Corporations.

m. Provision for loss on interest repayment

Provision for loss on interest repayment is provided for the possible losses on the future claims of returning interests.

n. Employees' retirement benefits

For the calculation of employees' retirement benefit obligation, the estimated amount of employees' retirement benefits is attributed to each period by the straight-line method.

Prior service cost is amortized as incurred, by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, by the straight-line method over a period (5 years) which falls within the average remaining years of service of the active participants in the plans.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the necessary payments of the voluntary retirement for all employees at the fiscal year-end.

o. Foreign currency translation

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the balance sheet date.

p. Standard for recording revenues and expenses

1. Standard for recording revenues and expenses related to financial lease transactions

The method used is that sales and cost of sales are recorded at the time of receipt of lease payments.

2. Recognition standard for stock dividends included in interest and dividends on securities

Regarding the recognition standard for stock dividends from other appropriations of retained earnings (only when the dividend property is cash), it is recorded in the fiscal year that includes the effective date of the resolution regarding dividends passed by the general meeting of shareholders, board of directors, or other body with decision-making authority of the issuing company.

3. Standard for recording revenues from contracts with customers

The primary performance obligation of the Bank's and its consolidated subsidiaries' principal business with respect to revenue arising from contracts with customers is the provision of services related to financial services, with revenue recognized primarily at the time the promised services are delivered to the customer, in the amount expected to be received in exchange for such services.

q. Hedge accounting

1. Interest rate risk hedges

The Bank uses deferral hedges described in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Operational Guidelines No. 24 of the Industry-Specific Committee of the Japan Institute of Certified Public Accountants, March 17, 2022. Hereinafter, the "Operational Guidelines No. 24 of the Industry-Specific Committee.") to hedge interest rate risks generated by the Bank's financial assets and liabilities. The effectiveness of hedges to offset market fluctuations is assessed for each hedged item (for example, deposits and loans) and its hedging instrument (such as interest rate swaps). Concerning hedges to fix cash flows, the Bank identifies hedged items by grouping them based on interest rate indexes and on interest rate revision periods in accordance with Report No. 24 of the Industry Audit Committee, and specifies interest rate swaps as hedging instruments. The Bank specifies hedges in such a way that the major conditions of hedged

items and hedging instruments are almost the same, so we believe that our hedges are highly effective.

2. Exchange rate fluctuation risk hedges

The method of accounting used for the hedging of foreign currency fluctuation risk arising from the bank's foreign currency-denominated financial assets and liabilities is to treat it as a deferred hedge as specified in the "Accounting and audit handling of accounting for foreign currency-denominated transactions in the banking industry" (Operational Guidelines No. 25 of the Industry-Specific Committee of the Japan Institute of Certified Public Accountants October 8, 2020. Hereinafter, the "Operational Guidelines No. 25 of the Industry-Specific Committee.") We assess the effectiveness of the hedge by regarding currency swaps and foreign exchange swaps, which are conducted to reduce or eliminate exchange rate fluctuation risks generated by monetary claims and liabilities in foreign currencies, etc., as hedging instruments and by checking whether or not we have appropriate foreign currency positions for the hedging instruments to meet the hedged items (monetary claims and liabilities in foreign currencies, etc.). In addition, in order to hedge the exchange fluctuation risk of foreign currency-denominated securities (other than bonds), we identify in advance the foreign-currency denominated securities to be hedged and fair value hedge is applied for the entirety, subject to certain conditions including the spot-forward spreads (in foreign currency basis) exceeding the acquisition cost being recognized as liabilities for the relevant foreign-currency denominated securities.

r. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

s. Principles and procedures of accounting treatment adopted when the provisions of the relevant accounting standards, etc. are not clear.

Cancellation of investment trusts

Gains and losses associated with the cancellation / redemption of investment trusts are aggregated for the entire investment trust, and in the case of an overall profit including any distributions of profit made during the period, it is recorded as a "interest and dividends on securities" of "interest income," and in case of an overall loss, it is recorded as "other ordinary expense."

t. Significant Accounting Estimates

The following sets forth the items for which an amount is recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the next fiscal year.

allowance for doubtful accounts

1. Amount recorded in the consolidated financial statements for the current fiscal year.

	current fiscal year (March 31, 2023)
allowance for doubtful accounts	¥ 8,643 million (\$ 64,732 thousand)

Information to better understand the content of significant accounting estimates that relate to certain identified items.

1) Calculation method

The calculation method for determining the allowance for doubtful accounts is described in "g. Allowance for loan losses" of "3. Summary of Significant Accounting Policies". It is our assessment that the past loan loss ratio is sufficient for purposes of estimating future losses, and so we calculated the estimated future losses based on the relevant loan loss ratio and recorded the allowance for doubtful accounts.

2) Key assumptions

a. The impact of the COVID-19 pandemic

We expect the impact of the COVID-19 on economic activities in our core business region to be limited as the overall effect of COVID-19 gradually eases and as it has been re-classified to the less serious level 5 infectious disease category.

b. The future outlook for individual debtor performance etc. in determining debtor classification

In determining debtor classification, the debt servicing capacity of individual debtors is assessed and an assumption is made regarding our future outlook for business performance, taking into account the impact of the above-referenced COVID-19 situation and rising inflation, etc. If the debtor has prepared a management improvement plan, etc., assumptions are made concerning our future outlook for business performance etc. based on an assessment of the management

improvement plan, etc.

3) Impact on consolidated financial statements during the next fiscal year

If the assumptions used in the initial estimation change due to changes in the business environment surrounding the debtor, such as the effect of COVID-19 or rising inflation, or the success or failure of individual debtors' business strategies, it may have a significant impact on the amount recorded for allowance for doubtful accounts during the next fiscal year.

u. Changes in accounting policy

(Application of Accounting Standard for Fair Value Measurement)

We have decided to apply the Implementation Guidance on the Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) hereinafter referred to as the "Implementation Guidance on the Accounting Standard for Fair Value Measurement," from the beginning of the current fiscal year. In accordance with the transitional treatment specified in Paragraph 27-2 of the Implementation Guidance on the Accounting Standard for Fair Value Measurement, we will apply the new accounting policies established by the Implementation Guidance on the Accounting Standard for Fair Value Measurement prospectively.

As a result, investment trusts incorporating real estate with no market value in trust properties are measured at fair value. Please note that in the explanatory notes regarding investment trusts in the "Financial Instruments Related" footnote, which provides a breakdown of the fair value of financial instruments by level, we do not include information regarding the previous fiscal year in accordance with Paragraph 27-3 of the Implementation Guidance on the Accounting Standard for Fair Value Measurement.

v. Additional information

The Bank has implemented a BIP trust for directors using the trust framework to grant Bank stock as director compensation, with the aim of motivating directors to more strongly commit to the medium - to long - term contribution to the Bank's corporate value and improvement of the Bank's business performance.

1. Summary of the transaction

Pursuant to the Stock Grant Rules of the Bank, points are allotted to each director based upon level of achievement of business performance goals each fiscal year and based upon individual position, and the Bank stock and the money equivalent to the converted value of the Bank stock based on the points are granted and delivered through the trust at the time of leaving the Bank.

2. Matters regarding the Bank stock held by the trust

- (1) The Bank's stock held by the trust is recorded as treasury stock as part of shareholder's equity at the trust's book value.
- (2) The trust's book value was ¥191 million (\$1,434 thousand) and ¥212 million at March 31, 2023 and 2022, respectively.
- (3) The number of Bank stocks held by the trust was 134 thousand shares and 149 thousand shares at March 31, 2023 and 2022, respectively.

4. Stock or Contributed Capital of Non-Consolidated Subsidiaries and Affiliated Companies

Stock or contributed capital of non-consolidated subsidiaries and affiliated companies totaled ¥1,498 million (\$11,224 thousand) and ¥1,119 million at March 31, 2023 and 2022, respectively.

5. Government Bonds and Local government bonds with Lending Agreements

The "securities" include government bonds and local government bonds lent through unsecured lending agreements. Their amount totaled nil and ¥17,698 million at March 31, 2023 and 2022, respectively.

6. Loans and Bills Discounted

(i) Claims pursuant to the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Claims include corporate bonds (limited to those for which redemption of the principal and payment of interest is guaranteed in

whole or in part, and where the corporate bond was issued by private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)) within the "securities" in the consolidated balance sheets, loans, foreign exchange, "other assets" including those recorded in accounts for accrued interest, suspense payments and collateral for acceptances and guarantees; and if there are securities recorded in the notes that are being loaned, such securities (limited to those under a lease or rental agreement).

2023 2022 2023

(Millions of yen) (Thousands of U.S. dollars)

	2023	2022	2023
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Total bankruptcy reorganization claims and similar claims	¥ 2,947	¥ 3,154	\$ 22,074
Total doubtful claims	11,538	11,576	86,408
Total claims that are delinquent for over three months	—	—	—
Total restructured claims	8,013	6,586	60,015
Total Amount	22,499	21,317	168,499

Bankrupted claims and similar claims are claims against debtors who have fallen into bankruptcy due to initiation of bankruptcy proceedings, reorganization proceedings, petition for commencement of rehabilitation proceedings, etc., and other similar claims.

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

Claims that are delinquent for over three months are loans with principal or interest unpaid for over three months from the day after the agreed-upon payment date, and do not fall under the category of bankrupt, reorganization or similar claims or doubtful claims.

Restructured claims are loans for which concessions favorable to the debtor were provided with the intent of supporting the debtor's restructuring, such as by reducing or waiving interest, postponing principal or interest payments, claim forgiveness, or providing other concessions to the debtor, and exclude claims in bankruptcy or reorganization or similar claims, doubtful claims, and claims delinquent for over three months.

The above claim amounts are before deduction based on allowance for doubtful accounts.

(ii) Bills discounted are accounted for as financial transactions in accordance with "Operational Guidelines No.24 of the Industry-Specific Committee". The Bank has rights to sell or pledge accepted banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills acquired at a discount and foreign exchange bought at a discount was ¥2,975 million (\$22,284 thousand) and ¥2,776 million as of March 31, 2023 and 2022, respectively.

(iii) Overdraft facility and committed loan facility are agreements under which the Bank and the consolidated subsidiaries are bound to extend credits up to a prearranged amount, at the request of the customer, unless the customer is in breach of contract. The unutilized balance of such contracts amounted to ¥518,860 million (\$3,885,723 thousand) and ¥542,478 million as of March 31, 2023 and 2022, respectively, of which the balance of contracts that have a term of one year or less are unconditionally cancelable at any time was ¥490,082 million (\$3,670,207 thousand) and ¥508,979 million as of March 31, 2023 and 2022, respectively. Since many of these contracts are scheduled to expire without the rights having been exercised, any unutilized balance in itself does not necessarily affect the future cash flows of the Bank or its consolidated subsidiaries. A provision is included in many of these contracts which entitles the Bank and the consolidated subsidiaries to refuse the execution of such loans, or to reduce the maximum amount loaned under such contracts when there is a change in the debtor's financial situation, or when it is necessary to secure a claim, or when other similar factors arise. In addition, the Bank and its consolidated subsidiaries obtain, if needed, real estate or securities as collateral at the time when the contracts are entered into and subsequently monitor the debtor's financial condition periodically based on, and in accordance with, the procedures established. If deemed necessary, specific measures such as amendments to the contracts are undertaken in order to control the credit risk.

7. Assets Pledged

Pledged assets and liabilities related to pledged assets as of March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Pledged assets:Securities	¥ 270,825	¥ 260,439	\$ 2,028,200
Loans and bills discounted	¥ —	¥ 347,966	\$ —
Liabilities related to the above pledged assets			
Deposits	¥ 15,787	¥ 23,464	\$ 118,233
Payable under securities lending transactions	¥ 20,431	¥ 39,547	\$ 153,013
Borrowed money	¥ 115,890	¥ 381,964	\$ 867,895

In addition, securitized totaling ¥5,321 million (\$39,855 thousand) and ¥4,938 million were pledged as collateral for settlement of exchange and futures transactions at March 31, 2023 and 2022, respectively. Cash collateral paid for financial instruments included in other assets was nil and ¥ 1,684 million at March 31, 2023 and 2022, respectively. Deposits included in other assets as of March 31, 2023 and 2022 were ¥183 million (\$1,375 thousand) and ¥206 million, respectively. Initial margins of central counterparty included in other assets was ¥ 20,000 million (\$149,779 thousand) and ¥20,000 million at March 31, 2023 and 2022, respectively.

8. Land Revaluation

Pursuant to the "Law Concerning the Land Revaluation" (the "Law"), land used for the Bank's business operations was revalued on March 31, 2002. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in net assets at an amount net of the related tax effect at March 31, 2002. The corresponding income taxes were included in liabilities at March 31, 2002 as deferred tax liability on revalued land.

The Land revaluation was determined based on two methods, the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments, and appraisal by a real estate appraiser.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the Law, and the total book value of the land after the revaluation was ¥2,060 million (\$15,427 thousand) and ¥2,729 million at March 31, 2023 and 2022, respectively.

9. Accumulated Depreciation

Accumulated depreciation totaled ¥24,230 million (\$181,463 thousand) and ¥24,731 million at March 31, 2023 and 2022, respectively.

10. Recorded Reduction in Value of Property, plant and equipment

The recorded reduction in value of property, plant and equipment was ¥ 1,785 million (\$13,372 thousand) and ¥ 1,832 million at March 31, 2023 and 2022, respectively. During the current fiscal year there were no new property, plant and equipment for which the book value was reduced in value.

11. Guarantee Obligations in Respect of the Corporate Bonds

Among the corporate bonds included in the "securities", the guarantee obligations in respect of the corporate bonds pursuant to private offering securities (Article 2, paragraph 3 of the Financial Instruments and Exchange Act) were ¥21,048 million (\$157,627 thousand) and ¥19,725 million at March 31, 2023 and 2022, respectively.

12. Other Income

Other income includes gain on sales of equity securities etc. of ¥ 1,337 million (\$10,015 thousand) and ¥1,123 million at March 31, 2023 and 2022, respectively.

13. General and Administrative Expenses

General and Administrative Expenses include salary and benefits of ¥9,081 million (\$68,014 thousand) and ¥9,189 million, Periodic pension costs of ¥△318 million (△2,385 thousand) and ¥△24 million, and outsourcing

costs of ¥2,314 million (\$17,331 thousand) and ¥2,500 million at March 31, 2023 and 2022, respectively.

14. Other Expenses

Other expenses include loss on sales of equity securities etc. of ¥1,450 million (\$10,862 thousand) and ¥1,270 million at March 31, 2023 and 2022, respectively.

15. Impairment Loss

For the following branch businesses, etc., where the investment amount cannot be expected to be recovered due to a decrease in cash flow due to a decrease in operating income, a decline in land prices, and a decision to consolidate branches etc., the book value is reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss in the form of an impairment loss.

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Classification	Main Use, etc.	Type	Place	Impairment loss
Working assets	2 branch businesses	Land	Yamagata Prefecture	¥ 89 (of which land 89)
Idle Assets	3 idle assets	Land, Buildings and Movable Property	Yamagata Prefecture	¥ 9 (of which land 8)
Total				¥ 98

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

Classification	Main Use, etc.	Type	Place	Impairment loss
Working assets	2 branch businesses	Land	Yamagata Prefecture	\$ 668 (of which land 668)
Idle Assets	3 idle assets	Land, Buildings and Movable Property	Yamagata Prefecture	\$ 68 (of which land 64)
Total				\$ 736

Preceding fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Classification	Main Use, etc.	Type	Place	Impairment loss
Working assets	5 branch businesses	land and buildings	Yamagata Prefecture	¥ 162 (of which land 102)
Total				¥ 162

As for the shop businesses, since the financial balance of business office groups operating jointly is continuously monitored on a group unit basis (however, for each shop business not operating jointly as part of a group, on a shop-by-shop basis), each group or shop constitutes the smallest grouping unit, and for idle assets, each asset constitutes the smallest grouping unit. Headquarters, office centers, company housing, dormitories, etc. are categorized as shared assets since they do not generate independent cash flow. The recoverable amount of the asset group is measured based on its net sale price. The net sale price considers the importance of assets, and its calculation is mainly based on "Real Estate Appraisal Standards" and "the price calculated by the method established and announced by the Commissioner of the National Tax Agency to calculate the price of land, which is the basis for calculating the taxable value of land for the land value tax stipulated in Article 16 of the Land Value Tax Act."

16. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to other comprehensive income for the year ended March 31, 2023 and 2022 are summarized as follows:

	2023		2022		2023	
	(Millions of yen)		(Thousands of U.S. dollars)			
Valuation difference on available -for- sale securities:						
Amount arising during the year	¥ (40,810)	¥ (18,637)	\$ (305,627)			
Reclassification adjustments	5,585	6,055	41,831			
Amount before tax effect	(35,224)	(12,582)	(263,796)			
Tax effect	10,758	3,829	80,573			
Valuation difference on available -for- sale securities:	(24,465)	(8,753)	(183,222)			
Deferred gains or losses on hedges:						
Amount arising during the year	(427)	1,130	(3,199)			
Reclassification adjustments	1,255	(1,611)	9,403			
Amount before tax effect	828	(481)	6,204			
Tax effect	(252)	146	(1,892)			
Deferred gains or losses on hedges	575	(334)	4,311			
Retirement benefits liability adjustments:						
Amount arising during the year	(158)	1,591	(1,190)			
Reclassification adjustments	(220)	(37)	(1,653)			
Amount before tax effect	(379)	1,553	(2,843)			
Tax effect	115	(473)	867			
Retirement benefits liability adjustments	(263)	1,079	(1,976)			
Total other comprehensive income	¥ (24,153)	¥ (8,008)	\$ (180,887)			

17. Stocks Issued

The number of stocks issued and changes during the year ended March 31, 2023 and 2022 are summarized as follows:

	2023		2022	
	Thousands of stocks		Thousands of stocks	
	Treasury stock	Common stock issued	Treasury stock	Common stock issued
Beginning of the year	520	32,500	1,390	34,000
Increase during the year	1 ^{*2}	—	635 ^{*6}	—
Decrease during the year	14 ^{*3}	—	1,506 ^{*7}	1,500 ^{*4}
End of the year	506 ^{*1}	32,500	520 ^{*5}	32,500

*1 As of the end of the current fiscal year, the treasury stock shares include 134 thousand shares of the Bank's stock held by the executive compensation BIP trust.

*2 The increase of 1 thousand shares of common stock in treasury stock is due to the purchase of shares constituting less than one unit.

*3 The decrease of 14 thousand shares of common stock in treasury stock is due to the delivery of the Bank's stock to the executive compensation BIP trust.

*4 The decrease of 1,500 thousand shares in the number of issued shares of common stock is due to the cancellation of 1,500 thousand shares by resolution of the Board of Directors in accordance with Article 178 of the Companies Act.

*5 The number of shares of treasury stock as of the end of the current fiscal year includes 149 thousand shares of the Bank's stock held by the BIP trust for directors' remuneration.

*6 The increase of 635 thousand shares of common stock as treasury stock consists of an increase of 0 thousand shares due to the purchase of odd-lot shares, an increase of 84 thousand shares due to the acquisition of the Bank's shares by the BIP trust for directors' remuneration, and an increase of 550 thousand shares due to the purchase by resolution of the Board of Directors in accordance with the Articles of Incorporation.

*7 The decrease of 1,506 thousand shares of common stock as treasury stock is due to a decrease of 6 thousand shares by delivery of the Bank's shares by the BIP trust for directors' remuneration and a decrease of 1,500 thousand shares by cancellation of shares by resolution of the Board of Directors pursuant to Article 178 of the Companies Act.

18. Dividends

Dividends for the year ended March 31, 2023 and 2022 are summarized as follows:

	2023			
	November 10, 2022		May 13, 2022	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 562 million	\$ 4,210 thousand	¥ 642 million	\$ 4,812 thousand
Dividend per share	¥ 17.50	\$ 0.131	¥ 20.00	\$ 0.150
Record date	September 30, 2022	September 30, 2022	March 31, 2022	March 31, 2022
Effective date	December 5, 2022	December 5, 2022	June 6, 2022	June 6, 2022
1. The total amount of dividends determined by the Board of Directors on May 13, 2022, includes a dividend of ¥2 million (\$22 thousand) for the bank's shares held by the executive compensation BIP trust.				
2. The total amount of dividends determined by the Board of Directors on November 10, 2022, includes a dividend of ¥2 million (\$17 thousand) yen for the bank's shares held by the executive compensation BIP trust.				
	2022			
	November 10, 2021		May 13, 2021	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 490 million		¥ 490 million	
Dividend per share	¥ 15.00		¥ 15.00	
Record date	September 30, 2021		March 31, 2021	
Effective date	December 3, 2021		June 4, 2021	

Dividends for which the Record date belonged to the year ended March 31, 2023 and 2022 but to be effective in the following year are summarized as follows:

	2023		2022	
	May 12, 2023		May 13, 2022	
	Resolution by the board of directors		Resolution by the board of directors	
Total dividends	¥ 562 million	\$ 4,210 thousand	¥ 642 million	
Dividend per share	¥ 17.50	\$ 0.131	¥ 20.00	
Record date	March 31, 2023	March 31, 2023	March 31, 2022	
Effective date	June 5, 2023	June 5, 2023	June 6, 2022	

Total dividends above include ¥2 millions (\$17 thousand) and ¥2 millions for the stocks held by the board incentive BIP trust in 2023 and 2022, respectively.

Dividends are recorded in the fiscal year in which the proposed appropriation of retained earnings is approved by the Board of Directors and by the general meeting of shareholders. There is a limit on dividends under Article 18 of the Banking Act. An amount equal to 20% of the aggregated amount of dividends shall be set aside as a legal reserve or legal capital surplus, regardless of Article 445-4 of the Companies Act of Japan.

19. Cash Flows

Cash and cash equivalents stated in the consolidated statement of cash flows consisted of the following:

	2023		2022		2023	
	(Millions of yen)		(Thousands of U.S. dollars)			
Cash and due from banks	¥ 249,798	¥646,471	\$ 1,870,728			
Current deposits	(592)	(149)	(4,439)			
Ordinary deposits	(104)	(246)	(784)			
Time deposits	(8,000)	(10,000)	(59,914)			
Deposits with Japan Post Bank	(239)	(128)	(1,794)			
Others	(8)	(6)	(64)			
Cash and cash equivalents	¥ 240,852	¥635,940	\$ 1,803,730			

20. Leases

(As lessee)

Finance Lease transaction

Finance lease transactions that do not transfer ownership.

① Description of lease asset

Property, plant and equipment

Primarily, a portion of vehicles and electronic computers.

② Method of depreciation of lease assets

As stated in the "f. Leased assets" of "3. Summary of Significant Accounting Policies".

(As lessor)

Investments in leased assets at March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Gross lease receivables	¥ 12,341	¥ 13,618	\$ 92,428
Estimated residual values	1,116	1,205	8,359
Unearned interest income	(1,655)	(1,735)	(12,400)
Investments in leased assets	<u>¥ 11,802</u>	<u>¥ 13,088</u>	<u>\$ 88,387</u>

Maturities of lease receivables at March 31, 2023 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2024	¥ 4,005	\$ 29,993
2025	3,128	23,432
2026	2,355	17,637
2027	1,517	11,363
2028	749	5,610
2029 and thereafter	586	4,390

Maturities of lease receivables at March 31, 2022 are as follows:

Years ending March 31	(Millions of yen)
2023	4,246
2024	3,398
2025	2,527
2026	1,755
2027	962
2028 and thereafter	728

21. Financial Instruments

1. Matters relating to the state of financial instruments

(1) Policy for financial instruments

The Bank provides financial services mainly connected with the banking business including deposits, loans, buying and selling trading securities and security investments. In the banking business, which is the main business of the Bank, funds are raised by means such as accepting deposits and borrowing money from the call money market, and are invested by providing loans and buying securities. Financial assets and liabilities are susceptible to interest rate fluctuations, so the Bank bears market risk, which is the risk of loss caused by changes in financial market conditions (for example, interest rate risk and price fluctuation risk), and the risk of failing to raise sufficient funds.

The Bank performs comprehensive asset and liability management (ALM) to appropriately control the balance of profit and risk in a way that suits fund raising and investment policy as well as taking into consideration the state of assets and liabilities and the trends of the financial and capital markets. The Bank uses derivatives as part of such management.

(2) Nature and risk of financial instruments

The Bank's financial assets consist mainly of loans to domestic companies and individuals, and the Bank is exposed to the credit risks arising from customers defaulting on their loans. Securities mainly consist of stocks, bonds and investment trusts, some of which are held until the maturity date, others are held for purposes such as investment and business promotion. Those securities are exposed to credit risk of the relevant issuer, the risks of fluctuations in interest rates and market prices.

Deposits, call money, etc., those are financial liabilities are exposed

to interest rate fluctuation risks caused by differences in interest rates and the periods between financial liabilities and financial assets. Financial liabilities are also exposed to the funding risk of loss due to inability to raise funds, because of reasons such as unexpected outflow of funds, and by raising funds at interest rates much higher than the normal rate because of unavoidable reasons; and the market liquidity risk of loss caused by the inability to raise the required funds because of disruption such as a credit crunch in the entire market and by trading at prices greatly disadvantageous compared with the normal price.

(3) Risk management for financial instruments

i. Credit risk management

The Bank measures the risk amount through credit judgments, credit ratings and self-assessments, attaching importance to the public good, safety, growth potential and profitability, and controls the risk on the principle of elimination of concentration on specific customers, in accordance with credit policy (lending standards), which states the basic ideas about lending, the code of conduct and other matters, and with the credit risk management rules, which specify credit risk management methods.

The Bank's credit review division and sales promotion division are separated to ensure independence of each other and stringent credit risk management.

The Bank conducts rigorous self-assessment, which includes audits by the audit division, in order to secure the soundness of the assets. Based on the results, the Bank appropriately writes off bad debts and sets aside reserves.

The Bank has a credit rating system for business loans to understand the true state of companies from both quantitative and qualitative aspects.

To reduce and offset credit risk, the Bank receives collateral and guarantees for lending transactions and offsets loans against deposits. The Bank's basic approach to security is stated in the credit policy, and security assessments, management policies and procedures are set out in the operation manual.

Measurement method and procedures for credit risk amount are stipulated in the operation manual and the risk is measured monthly based on the debtor's credit rating and other factors. The results are reported to the ALM Council (the board of managing directors).

ii. Market risk management

a. Interest rate risk management

The Bank's interest rate fluctuation risk is managed by ALM. Risk management methodology and procedures are stated in detail in the rules and manuals related to ALM. Present conditions are checked, state of execution is checked and future actions are discussed by the ALM Council, based on the outcome of the deliberations of the ALM Committee.

Risks are monitored using methodology such as basis point value (BPV) and value at risk (VaR), and mainly with gap analyses and interest rate sensitivity analyses, and the results are reported monthly to the ALM Council. As part of ALM, derivatives such as interest rate swap transactions are conducted to hedge interest rate risks.

b. Price fluctuation risk management

Trading and management of investment instruments such as securities are performed in accordance with the investment policy and risk management policy as determined by the board of directors on a semi-annual basis. The middle section of the Financial Markets Division and the Risk Management Division measure market risk for securities investments quantitatively and comprehensively using VaR, etc. The results are reported to the relevant directors, the ALM Council, etc., with the frequency set for each financial instrument to check the state of compliance with the rule.

c. Quantitative information concerning market risk

The principal financial instruments that are subject to interest rate risk and price fluctuation risk, which are the main risk variables affecting the Bank, are loans and bills discounted, securities, deposits and derivative transactions.

The variance-covariance method (holding period: 90 days*, confidence interval: 99%, observation period: 250 business days) was used for the calculation of VaR, the market risk volume. The volume of overall market risk (estimated loss) as of March 31, 2023 (consolidated accounts settlement date) and 2022 was ¥51,014 million (\$382,044 thousand) and ¥45,460 million, respectively.

The Bank believes that the measurement model estimates market

risk with sufficient accuracy because the Bank examines the model by means such as performing backtesting to compare the VaR calculated using the model with the actual profit and loss. However, VaR measures market risk volume with a certain probability that is calculated statistically based on historical market movements, and therefore VaR may fail to represent risk in the case of exceptionally drastic change in market conditions.

* Holding period for shares purchased for business relationships, which are included in the securities: 125 days.

iii. Liquidity risk management

Sections managing liquidity risks at the Bank are clearly stated in the liquidity risk management rules that stipulate the liquidity risk management procedures, system and so on. The Bank has a management system to secure sufficient liquidity in case of unexpected events by setting liquidity standards for various cases including times of normality, times of concern, and times of emergency.

(4) Supplementary explanation of fair values of financial instruments

Fair value of financial instruments includes market price as well as reasonably determined value where market price is unavailable. The reasonably determined value could differ depending on different conditions and assumptions because calculation of such value is conducted based on certain conditions and assumptions.

2. Fair value of financial instruments

The amount recorded on the consolidated balance sheet, fair value and the difference are as follows. Equity securities that do not have a market price and investments in partnerships are not included in the following table (see (Note 1)). Cash deposits, call loans and bills bought, call money and bills sold, and cash received as collateral under securities lending transactions are settled within a short period of time and their fair value approximates their book value; therefore, notes to these items are omitted.

<March 31, 2023> (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Securities			
Held-to-maturity bonds	¥ 21,048	¥ 21,151	¥ 103
Available-for-sale securities (*1)	940,530	940,530	—
(2) Loans and bills discounted	1,793,470		
Allowance for loan losses (*2)	(8,038)		
	1,785,432	1,792,083	6,650
Total assets	2,747,011	2,753,765	6,754
(1) Deposits	2,746,286	2,746,292	6
(2) Negotiable certificates of deposit	79,889	79,889	0
(3) Borrowed money	119,858	119,065	(793)
Total liabilities	2,946,034	2,945,247	(787)
Derivative transactions (*3)			
To which hedge accounting is not applied	184	184	—
To which hedge accounting is applied (*4)	(900)	(900)	—
Total derivatives	¥ (715)	¥ (715)	¥ —

<March 31, 2023> (Thousands of U.S. dollars)

	Carrying amount	Fair value	Difference
(1) Securities			
Held-to-maturity bonds	\$ 157,627	\$ 158,401	\$ 773
Available-for-sale securities (*1)	7,043,592	7,043,592	—
(2) Loans and bills discounted	13,431,219		
Allowance for loan losses (*2)	(60,199)		
	13,371,019	13,420,828	49,808
Total assets	20,572,239	20,622,821	50,581
(1) Deposits	20,566,813	20,566,859	45
(2) Negotiable certificates of deposit	598,285	598,285	0
(3) Borrowed money	897,614	891,674	(5,940)
Total liabilities	22,062,713	22,056,818	(5,894)
Derivative transactions (*3)			
To which hedge accounting is not applied	1,380	1,380	—
To which hedge accounting is applied (*4)	(6,740)	(6,740)	—
Total derivatives	\$ (5,359)	\$ (5,359)	\$ —

(*1) Available-for sale securities include investment trusts which were treated such that their net asset value (NAV) is deemed to be their fair value in accordance with the paragraph 24-9 of the "Implementation Guidance on the Accounting Standard for Fair Value".

(*2) General reserve and specific allowance for loan losses corresponding to loans and bills discounted are deducted.

(*3) Derivative transactions recorded in other assets and other liabilities are presented on a net basis.

(*4) Interest rate swaps, etc., designated as hedging instruments to offset market fluctuations of loans and bills discounted, etc., which are hedged, are recorded as deferred hedges. "Treatment of Hedge Accounting for Financial Instruments Referring to LIBOR" (Practical Issues Task Force No. 40, March 17, 2022) is applied to these hedging relationships.

<March 31, 2022> (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Securities			
Held-to-maturity bonds	¥ 19,725	¥ 19,915	¥ 189
Available-for-sale securities	1,045,532	1,045,532	—
(2) Loans and bills discounted	1,709,107		
Allowance for loan losses (*1)	(8,244)		
	1,700,862	1,716,975	16,112
Total assets	2,766,121	2,782,423	16,302
(1) Deposits	2,707,646	2,707,656	9
(2) Negotiable certificates of deposit	96,408	96,408	—
(3) Borrowed money	386,868	386,894	26
Total liabilities	3,190,923	3,190,959	36
Derivative transactions (*2)			
To which hedge accounting is not applied	(358)	(358)	—
To which hedge accounting is applied (*3)	(1,737)	(1,737)	—
Total derivatives	¥ (2,096)	¥ (2,096)	¥ —

Note 1 The amount recorded on the consolidated financial statement for equity securities that do not have a market price or investments in partnerships are as follows, and these were not included among "available-for-sale securities" in the fair value information of financial instruments.

Category	Carrying amount		
	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Unlisted stocks (*1)(*2)	¥ 2,265	¥ 2,273	\$ 16,964
Investment in partnerships (*3)	13,429	19,972	100,572

(*1) Unlisted stock are not subject to fair value disclosure based on paragraph 5 of "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 March 31, 2020).

(*2) Impairment accounting was applied to unlisted stock of ¥ 1 million in the previous fiscal year.

Impairment accounting was applied to unlisted stock of ¥ 5 million (\$ 41 thousand) in the current fiscal year.

(*3) Investment in partnerships are not subject to fair value disclosure based on paragraph 24 - 16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

Note 2 Scheduled redemption amounts of financial assets and securities with maturities
<March 31, 2023>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Securities	¥ 61,749	¥ 118,635	¥ 118,690	¥ 113,902	¥ 211,597	¥ 224,193
Held-to-maturity bonds	2,065	5,616	9,256	4,110	—	—
Corporate bonds	2,065	5,616	9,256	4,110	—	—
Available-for-sale securities with a maturity date	59,683	113,019	109,433	109,792	211,597	224,193
Government bonds	22,083	17,102	—	—	—	52,559
Local government bonds	98	12,103	13,673	61,493	64,936	29,602
Corporate bonds	11,583	17,861	38,057	4,677	13,480	22,074
Other	25,918	65,952	57,702	43,621	133,181	119,957
Loans and bills discounted(*)	427,642	291,067	304,737	165,539	156,356	432,628
Total	¥ 489,392	¥ 409,703	¥ 423,428	¥ 279,441	¥ 367,954	¥ 656,822

*Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" debtors, loans to "Virtually bankrupt" debtors, and loans to "Possibly bankrupt" debtors, amounting to ¥15,497 million (\$116,059 thousand) is not included in the above table.

<March 31, 2023>

(Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Securities	\$ 462,439	\$ 888,457	\$ 888,866	\$ 853,010	\$ 1,584,647	\$ 1,678,976
Held-to-maturity bonds	15,468	42,058	69,320	30,779	—	—
Corporate bonds	15,468	42,058	69,320	30,779	—	—
Available-for-sale securities with a maturity date	446,970	846,398	819,545	822,231	1,584,647	1,678,976
Government bonds	165,381	128,079	—	—	—	393,611
Local government bonds	739	90,641	102,403	460,518	486,303	221,688
Corporate bonds	86,746	133,764	285,009	35,030	100,952	165,317
Other	194,102	493,913	432,132	326,681	997,391	898,359
Loans and bills discounted(*)	3,202,595	2,179,791	2,282,168	1,239,717	1,170,950	3,239,937
Total	\$ 3,665,034	\$ 3,068,248	\$ 3,171,034	\$ 2,092,727	\$ 2,755,597	\$ 4,918,913

<March 31, 2022>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Securities	¥ 46,332	¥ 140,104	¥ 117,337	¥ 92,381	¥ 296,799	¥ 240,230
Held-to-maturity bonds	1,794	4,989	8,382	4,559	—	—
Corporate bonds	1,794	4,989	8,382	4,559	—	—
Available-for-sale securities with a maturity date	44,537	135,115	108,955	87,822	296,799	240,230
Government bonds	19,608	29,338	—	3,390	25,012	71,016
Local government bonds	—	4,896	10,856	42,863	105,338	30,958
Corporate bonds	12,012	19,985	26,158	11,581	17,716	23,881
Other	12,916	80,895	71,940	29,987	148,731	114,374
Loans and bills discounted(*)	371,093	306,825	249,657	162,601	168,557	431,460
Total	¥ 417,425	¥ 446,930	¥ 366,995	¥ 254,982	¥ 465,356	¥ 671,690

*Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" debtors, loans to "Virtually bankrupt" debtors, and loans to "Possibly bankrupt" debtors, amounting to ¥18,912 million is not included in the above table.

Note 3 Scheduled repayment amounts of bonds, borrowed money and other interest bearing liabilities

<March 31, 2023>

(Millions of yen)

(Thousands of U.S. dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits(*)	¥ 2,613,786	¥ 122,125	¥ 10,374	¥ —	¥ —	¥ —	\$ 19,574,525	\$ 914,590	\$ 77,696	\$ —	\$ —	\$ —
Negotiable certificates of deposit	79,789	100	—	—	—	—	597,536	748	—	—	—	—
Borrowed money	17,469	1,596	100,743	48	—	—	130,829	11,956	754,465	363	—	—
Total	¥ 2,711,045	¥ 123,821	¥ 111,118	¥ 48	¥ —	¥ —	\$ 20,302,890	\$ 927,296	\$ 832,162	\$ 363	\$ —	\$ —

*Demand deposits are included in "Due in 1 year or less".

<March 31, 2022>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits(*)	¥ 2,562,692	¥ 136,958	¥ 7,996	¥ —	¥ —	¥ —
Negotiable certificates of deposit	96,408	—	—	—	—	—
Borrowed money	383,704	2,135	889	135	3	—
Total	¥ 3,042,804	¥ 139,094	¥ 8,885	¥ 135	¥ 3	¥ —

*Demand deposits are included in "Due in 1 year or less".

3. Matters concerning the breakdown of the fair value of financial instruments by level

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

Level 1 fair value: Of those inputs to the measurement of fair value that are observable, fair value that is calculated based on quoted market prices of the assets or liabilities that are being assessed for fair value, in which the fair value of concern is formed in an active market.

Level 2 fair value: Of those inputs to the measurement of fair value that are observable, fair value that is calculated using inputs relating to the measurement of fair value other than the level 1 inputs.

Level 3 fair value: Fair value that is measured using inputs for calculating fair value that are not observable.

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

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Current Fiscal Year (March 31, 2023) (Millions of Yen) (Thousands of U.S. dollars)

Classification	Fair Value				Fair Value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities								
Available-for-sale securities(*)								
Government bonds, municipal bonds, etc.	¥ 91,744	¥ 181,907	¥ —	¥ 273,652	\$ 687,072	\$ 1,362,295	\$ —	\$ 2,049,368
Corporate Bonds	—	107,734	—	107,734	—	806,821	—	806,821
Stocks	26,950	—	—	26,950	201,832	—	—	201,832
Investment trusts	57,641	347,203	—	404,845	431,674	2,600,193	—	3,031,867
Other	26,949	80,012	11,754	118,716	201,822	599,211	88,025	889,058
Derivative Related								
Currency Related	—	194	—	194	—	1,460	—	1,460
Total Assets	203,286	717,053	11,754	932,094	1,522,401	5,369,982	88,025	6,980,409
Derivative Related								
Interest Related	—	861	—	861	—	6,449	—	6,449
Credit Derivative	—	—	49	49	—	—	370	370
Total Liabilities	¥ —	¥ 861	¥ 49	¥ 910	\$ —	\$ 6,449	\$ 370	\$ 6,820

Preceding Fiscal Year (March 31, 2022) (Millions of Yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Government bonds, municipal bonds, etc.	¥ 148,366	¥ 194,913	¥ —	¥ 343,279
Corporate Bonds	—	111,336	—	111,336
Stocks	34,180	—	—	34,180
Other	76,169	75,702	9,036	160,908
Total Assets	258,716	381,951	9,036	649,704
Derivative Related				
Interest Related	—	1,676	—	1,676
Currency Related	—	389	—	389
Credit Derivative	—	—	29	29
Total Liabilities	¥ —	¥ 2,066	¥ 29	¥ 2,096

*Available-for-sale securities do not include investment trusts which were treated such that their net asset value is deemed to be the fair value of paragraph 24-9 of the "Implementation Guidance on the Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021). The consolidated balance sheet amount for investment trusts applying the treatment of paragraph 24-9 is ¥8,631 million (\$6,642 thousand).

Reconciliation between the opening balance and closing balance of investment trusts applying the treatment of paragraph 24-9.

(Millions of Yen) (Thousands of U.S. dollars)

Opening balance	7,369	55,191
Income (loss) or other comprehensive income for the current period		
Reported income (loss) (a)	114	859
Reported in other comprehensive income (b)	849	6,364
Net amount of purchases, sales and redemptions	297	2,227
Amount determined by applying the net asset value (NAV) of investment trusts as their fair value.	—	—
Amount determined by not applying the net asset value (NAV) of investment trusts as their fair value.	—	—
Closing balance	8,631	64,642
The unrealized gains/losses on investment trusts held as of the date of the consolidated balance sheet, which were recognized as income (loss) in the current period.	—	—

(a) It is included in "other ordinary expenses" in the consolidated statements of income

(b) It is included under "valuation difference on available-for-sale securities" in the "other comprehensive income" in the consolidated statements of comprehensive income.

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

Current Fiscal Year (March 31, 2023) (Millions of Yen) (Thousands of U.S. dollars)

Classification	Fair Value				Fair Value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities								
Held-to-maturity bonds								
Corporate Bonds	¥ —	¥ —	¥ 21,151	¥ 21,151	\$ —	\$ —	\$ 158,401	\$ 158,401
Loans and bills discounted	—	24,661	1,767,422	1,792,083	—	184,686	13,236,141	13,420,828
Total Assets	—	24,661	1,788,573	1,813,234	—	184,686	13,394,542	13,579,229
Deposits	—	2,746,292	—	2,746,292	—	20,566,859	—	20,566,859
Negotiable certificates of deposit	—	79,889	—	79,889	—	598,285	—	598,285
Borrowed Money	—	115,156	3,908	119,065	—	862,400	29,273	891,674
Total Liabilities	¥ —	¥ 2,941,338	¥ 3,908	¥ 2,945,247	\$ —	\$ 22,027,545	\$ 29,273	\$ 22,056,818

Preceding Fiscal Year (March 31, 2022)

(Millions of Yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity bonds				
Corporate Bonds	¥ —	¥ —	¥ 19,915	¥ 19,915
Loans and bills discounted	—	24,525	1,692,449	1,716,975
Total Assets	—	24,525	1,712,364	1,736,890
Deposits	—	2,707,656	—	2,707,656
Negotiable certificates of deposit	—	96,408	—	96,408
Borrowed Money	—	382,056	4,837	386,894
Total Liabilities	¥ —	¥ 3,186,121	¥ 4,837	¥ 3,190,959

(Note 1) Explanation of valuation methods used in the measurement of fair value and of inputs related to the measurement of fair value

Assets

(1) Securities

Securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 fair value. This includes mainly listed stocks and government bonds. If the market is not active, in such case even if published quoted market prices are used, the market value is classified as Level 2 fair value. This includes mainly municipal bonds and corporate bonds. In addition, investment trusts with no quoted market price are fair-valued using the net asset value (NAV) and classified as Level 2 fair value, if there are no significant restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests.

Self-guaranteed private placement bonds are classified mainly into Level 3 based on internal ratings, etc. The total face value of the bonds and interest are discounted by the interest rate assumed when similar new private placement bonds are underwritten, for each classification based on internal ratings and term. For certain bonds included among the Other, the fair value is based on prices quoted by correspondent financial institutions, etc. However, if significant unobservable inputs are used, they are classified as Level 3 fair value.

Notes concerning securities regarding the purpose in holding it are described in "(Regarding Securities)."

(2) Loans and bills discounted

The fair value of loans and bills discounted is calculated mainly by discounting the total principal and interest by the interest rate assumed to be applied to similar new loans, by category based on the type of loan, internal rating, and term (remaining term or interest rate renewal term), and the fair value is classified as Level 3. For those with short remaining terms (one year or less), the book value is used as fair value because fair value approximates the book value.

For claims against bankrupt debtors, substantially bankrupt debtors, and potentially bankrupt debtors, the estimated doubtful accounts are calculated based on the present value of estimated future cash flows or the amount expected to be collected through collateral and guarantees, etc. Since the fair value approximates the amount recorded on the consolidated balance sheets as of the balance sheet date less the amount of allowance for doubtful accounts, it is therefore classified as Level 3.

For loans and bills discounted that does not have a repayment date due to characteristics such as loan drawdown amount capped to the scope of pledged assets, the book value is used as the fair value because the fair value is assumed to approximate the book value based on the expected repayment period and interest rate terms, etc., and are classified as Level 3.

Liabilities

(1) Deposits, and Negotiable Certificates of Deposit

For deposits payable on demand, the amount that would be payable if payment were demanded on the consolidated balance sheet closing date (book value) is considered to be the fair value. The fair value of time deposits is calculated based on the present value of future cash flows discounted, as classified according to specified periods of time. The discount rate used is the rate used when accepting new deposits. For those with a short residual period (one year or less), the book value is used as fair value because fair value approximates the book value. These are classified as Level 2 fair value.

(2) Borrowed Money

The fair value of borrowing money is calculated by discounting the total principal and interest by the interest rate assumed for a similar new borrowing, by category based on the type of borrowing, internal rating, and term (remaining term or interest rate renewal term). For those with a short residual period (one year or less), the book value is used as fair value because fair value approximates the book value. These are mainly classified as Level 2 fair value.

(3) Derivative Transactions

Derivative transactions include interest rate related transactions (interest rate swaps, etc.) and currency related transactions (forward exchange contracts, currency options, currency swaps, etc.), etc. Exchange-traded transactions are valued at the closing price on the exchange, and over-the-counter transactions are valued based on discounted present value or based on option pricing models, etc. since no published quoted market price exists. The inputs used with the valuation techniques used to determine the value of OTC transactions are mainly interest rates, exchange rates, and volatility. Adjustment (CVA) for credit risk of counterparties in OTC transactions is not taken into account because the impact on fair value, etc. is minimal. Exchange-traded transactions are primarily classified as Level 1. OTC transactions are classified as Level 2 fair value if they do not use unobservable inputs or if their effects are not material, and these include interest rate swap transactions, foreign exchange forward contracts, etc. If significant unobservable inputs are used, they are classified as Level 3 fair value and these include credit derivative transactions.

(Note 2) Information about the fair value of Level 3 financial instruments recorded on the consolidated balance sheet at fair value.

(1) Quantitative information about significant unobservable inputs.

Current fiscal year (March 31, 2023)

Preceding Fiscal Year (March 31, 2022)

Classification	Valuation methods	Important unobservable inputs	Range of inputs	Weighted average of inputs	Valuation methods	Important unobservable inputs	Range of inputs	Weighted average of inputs
Derivative transactions								
Credit derivative	Discounted present value method	Credit event occurrence rate	0.61% - 2.25%	1.09%	Discounted present value method	Credit event occurrence rate	0.00% - 3.08%	1.17%

(2) Reconciliation between opening balances and closing balances, valuation gains (losses) recognized as profit/loss for the period.

Current fiscal year (March 31, 2023)

(Millions of Yen)

	Opening balance	Profit (loss) or other comprehensive income for the current period		Net amount of purchases, sales, issuances and settlements	Change to level 3 fair value	Change from level 3 fair value (*3)	Balance at end of term	Within the recognized profit/loss for the current period, the amount of unrealized gains (losses) on financial assets and financial liabilities held as of date of the consolidated balance sheet. (*1)
		Recorded as profit/loss (*1)	Recorded as other comprehensive income (*2)					
Securities								
Available-for-sale securities								
Other	¥ 9,036	¥ —	¥ (30)	¥ 2,747	¥ —	¥ —	¥ 11,754	¥ —
Derivative transactions								
Credit/derivative	¥ (29)	¥ (19)	¥ —	¥ —	¥ —	¥ —	¥ (49)	¥ (49)

Current fiscal year (March 31, 2023)

(Thousands of U.S. dollars)

	Opening balance	Profit (loss) or other comprehensive income for the current period		Net amount of purchases, sales, issuances and settlements	Transfer to level 3 fair value	Transfer from level 3 fair value (*3)	Balance at end of term	Within the recognized profit/loss for the current period, the amount of unrealized gains (losses) on financial assets and financial liabilities held as of date of the consolidated balance sheet. (*1)
		Recorded as profit/loss (*1)	Recorded as other comprehensive income (*2)					
Securities								
Available-for-sale securities								
Other	\$ 67,672	\$ —	\$ (224)	\$ 20,577	\$ —	\$ —	\$ 88,025	\$ —
Derivative transactions								
Credit/derivative	\$ (224)	\$ (146)	\$ —	\$ —	\$ —	\$ —	\$ (370)	\$ (370)

Preceding fiscal year (March 31, 2022)

(Millions of Yen)

	Opening balance	Profit (loss) or other comprehensive income for the current period		Net amount of purchases, sales, issuances and settlements	Change to level 3 fair value	Change from level 3 fair value (*3)	Balance at end of term	Within the recognized profit/loss for the current period, the amount of unrealized gains (losses) on financial assets and financial liabilities held as of date of the consolidated balance sheet. (*1)
		Recorded as profit/loss (*1)	Recorded as other comprehensive income (*2)					
Securities								
Available-for-sale securities								
Other	¥ 9,132	¥ —	¥ (36)	¥ 2,429	¥ —	¥ (2,488)	¥ 9,036	¥ —
Derivative transactions								
Credit/derivative	¥ (17)	¥ (11)	¥ —	¥ —	¥ —	¥ —	¥ (29)	¥ (29)

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

(*2) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statements of comprehensive income.

(*3) The transfer from Level 3 fair value to Level 2 fair value is due to the availability of observable data for some of the foreign securities. The transfer was made at the end of the current fiscal year.

(3) Explanation of fair value measurement process

The Bank's risk management and market divisions have established policies and procedures regarding the measurement of fair value, and each division calculates fair value in accordance with these policies and procedures. The calculated fair value is verified by the risk management and markets divisions to ensure the validity of the valuation techniques and inputs used to calculate fair value and the suitability of the classification of the level of fair value.

The fair value is calculated using a valuation model that most appropriately reflects the nature, characteristics and risks of each investment. In cases where quoted market prices obtained from third parties are used, the Bank verifies the validity of the prices by confirming the valuation techniques and inputs used, comparing them with the market prices of similar financial instruments, and other appropriate methods.

(4) Explanation of the effect on fair value of any changes in significant unobservable inputs.

A significant unobservable input used in the calculation of the fair value of credit derivatives is the credit event rate. The credit event incidence rate is an estimate of the likelihood that a credit event will occur under a credit default swap contract and that the Bank will receive compensation for the loss. A significant increase (decrease) in the rate of credit event occurrence can result in a significant increase (decrease) in fair value.

22. Securities

Trading account securities, marketable securities classified as held-to-maturity bonds and other securities at March 31, 2023 and 2022 are summarized as follows:

1. Trading account securities

There are no applicable matters.

2. Held-to-maturity bonds (As of March 31, 2023)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Fair value	Difference	Carrying Value	Fair value	Difference
Fair value exceeding carrying value	Government bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Local government bonds	—	—	—	—	—	—
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	16,488	16,620	132	123,483	124,472	989
	Other	—	—	—	—	—	—
	Subtotal	16,488	16,620	132	123,483	124,472	989
Fair value not exceeding carrying value	Government bonds	—	—	—	—	—	—
	Local government bonds	—	—	—	—	—	—
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	4,559	4,530	(28)	34,144	33,928	(216)
	Other	—	—	—	—	—	—
	Subtotal	4,559	4,530	(28)	34,144	33,928	(216)
	Total	¥ 21,048	¥ 21,151	¥ 103	\$ 157,627	\$ 158,401	\$ 773

Held-to-maturity bonds (As of March 31, 2022)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Fair value exceeding carrying value	Government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	18,775	18,970	195
	Other	—	—	—
	Subtotal	18,775	18,970	195
Fair value not exceeding carrying value	Government bonds	—	—	—
	Local government bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	950	944	(5)
	Other	—	—	—
	Subtotal	950	944	(5)
	Total	¥ 19,725	¥ 19,915	¥ 189

3. Available-for-sale securities (As of March 31, 2023)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Carrying value exceeding cost	Stocks	¥ 24,467	¥ 11,874	¥ 12,593	\$ 183,235	\$ 88,926	\$ 94,308
	Bonds	137,527	136,588	938	1,029,934	1,022,905	7,028
	Government bonds	39,185	39,079	106	293,460	292,663	796
	Local government bonds	67,926	67,193	732	508,695	503,209	5,486
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	30,415	30,315	99	227,778	227,032	745
	Other	111,859	106,224	5,634	837,713	795,513	42,199
	Foreign bonds	18,867	18,732	134	141,294	140,288	1,005
	Other	92,992	87,492	5,500	696,418	655,224	41,194
		Subtotal	273,854	254,687	19,166	2,050,883	1,907,345
Carrying value not exceeding cost	Stocks	2,483	2,854	(371)	18,596	21,377	(2,780)
	Bonds	243,859	250,275	(6,416)	1,826,255	1,874,304	(48,049)
	Government bonds	52,559	56,719	(4,160)	393,611	424,768	(31,156)
	Local government bonds	113,981	114,934	(953)	853,599	860,737	(7,137)
	Short-term corporate bonds	—	—	—	—	—	—
	Corporate bonds	77,319	78,622	(1,302)	579,043	588,798	(9,754)
	Other	421,153	459,865	(38,712)	3,153,998	3,443,911	(289,912)
	Foreign bonds	101,252	109,009	(7,756)	758,272	816,363	(58,091)
	Other	319,901	350,856	(30,955)	2,395,726	2,627,547	(231,821)
		Subtotal	667,496	712,995	(45,499)	4,998,851	5,339,593
	Total	¥ 941,351	¥ 967,683	¥(26,332)	\$ 7,049,734	\$7,246,939	\$ (197,204)

Available-for-sale securities (As of March 31, 2022)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Carrying value exceeding cost	Stocks	¥ 28,367	¥ 15,280	¥ 13,087
	Bonds	231,792	229,433	2,358
	Government bonds	64,618	63,714	904
	Local government bonds	130,944	129,639	1,304
	Short-term corporate bonds	—	—	—
	Corporate bonds	36,229	36,079	149
	Other	232,601	221,657	10,944
	Foreign bonds	48,928	48,356	571
	Other	183,673	173,301	10,372
		Subtotal	492,762	466,371
Carrying value not exceeding cost	Stocks	5,812	6,535	(722)
	Bonds	222,822	225,775	(2,953)
	Government bonds	83,747	86,085	(2,338)
	Local government bonds	63,968	64,093	(124)
	Short-term corporate bonds	—	—	—
	Corporate bonds	75,106	75,596	(490)
	Other	329,990	343,715	(13,724)
	Foreign bonds	111,980	116,178	(4,198)
	Other	218,009	227,536	(9,526)
	Subtotal	558,625	576,026	(17,400)
	Total	¥ 1,051,388	¥ 1,042,398	¥ 8,989

4. Held-to-maturity bonds sold during the year
There are no applicable matters.

5. Available-for-sale securities sold during the year ended March 31, 2023

(Millions of yen)

(Thousands of U.S. dollars)

	Proceeds from Sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 11,888	¥ 815	¥ 846	\$ 89,030	\$ 6,104	\$ 6,340
Bonds	137,953	614	1,758	1,033,126	4,598	13,173
Government bonds	137,953	614	1,758	1,033,126	4,598	13,173
Local government bonds	—	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	572,753	10,439	11,396	4,289,321	78,180	85,347
Total	¥ 722,594	¥ 11,868	¥ 14,002	\$ 5,411,478	\$ 88,883	\$ 104,861

Available-for-sale securities sold during the year ended March 31, 2022

(Millions of yen)

	Proceeds from Sales	Gains on sales	Losses on sales
Stocks	¥ 14,368	¥ 798	¥ 1,031
Bonds	107,854	173	753
Government bonds	66,955	89	753
Local government bonds	38,670	80	—
Short-term corporate bonds	—	—	—
Corporate bonds	2,228	4	0
Other	227,475	2,597	3,331
Total	¥ 349,699	¥ 3,569	¥ 5,115

6. Securities which have readily determinable fair value are written down to fair value, and the difference between cost and fair value is recorded as loss for the fiscal year if fair value has significantly deteriorated compared with cost and fair value is unlikely to recover up to the acquisition cost.

For securities other than trading securities (excluding non-marketable equity securities and investments in partnerships) for which the fair value has fallen significantly below the acquisition cost and the fair value is not expected to recover to the acquisition cost, the fair value is recorded on the consolidated balance sheet amount and the valuation difference is recorded as a loss for the fiscal year (hereinafter "impairment loss").

The amount of impairment loss for the previous fiscal year was ¥483 million (including ¥483 million for stocks). The amount of impairment loss for the current fiscal year was ¥5 million (\$39 thousand) (including ¥5 million (\$39 thousand) for stocks).

The criteria for determining that the fair value of an individual security has "significantly declined" is when the market value as of the end of the current fiscal year has declined by 50% or more compared to the acquisition cost, or when the fair value has declined by 30% or more but less than 50% and there is no possibility of recovery in fair value, taking into consideration the business conditions of the issuer and changes in fair value over a certain period in the past.

23. Money Held in Trust

Other moneys held in trust (other than if held for operational purposes or held to maturity) during the year ended March 31, 2023

(Millions of yen)

(Thousands of U.S. dollars)

	Carrying value	Fair value	Difference	Carrying value exceeding cost	Carrying value not exceeding cost	Carryin value	Fair value	Difference	Carrying value exceeding cost	Carrying value not exceeding cost
Other moneys held in trust	¥ 9,534	¥ 9,534	—	—	—	\$ 71,406	\$ 71,406	—	—	—

Note Among these "Carrying value exceeding cost" and "carrying value not exceeding cost" are each a breakdown of "the difference."

For the preceding consolidated accounting year (as of March 31, 2022)

(Millions of yen)

	Carrying value	Fair value	Difference	Carrying value exceeding cost	Carrying value not exceeding cost
Other moneys held in trust	¥ 2,763	¥ 2,763	—	—	—

24. Valuation difference on available-for-sale securities

The components of valuation difference on available-for-sale securities recorded on the consolidated financial statements at March 31, 2023 and 2022 are as follows:

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Valuation Gains (losses)	¥ (26,157)	¥ 9,067	\$ (195,892)
Available-for-sale securities	(26,157)	9,067	(195,892)
Other money held in trust	—	—	—
(△)Deferred tax liabilities	—	2,751	—
Deferred tax assets	8,007	—	59,964
Valuation difference on available-for-sale securities (before adjustment based on equivalent amount of shareholdings)	(18,150)	6,315	(135,928)
(△)Amount equivalent to non-controlling interests equity	—	—	—
Valuation difference on available-for-sale securities owned by companies accounted for using the equity method, the amount equivalent to owners of parent	—	—	—
Valuation difference on available-for-sale securities	¥ (18,150)	¥ 6,315	\$ (135,928)

25. Fair Value Information on Derivatives

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

Derivative transactions to which hedge accounting is not applied are set forth in the table below. Contract amounts themselves do not reflect the market risks of the derivative transactions.

Currency-related transactions

<March 31, 2023>

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-Counter transactions	Forward exchange contracts								
	Sold	¥ 46,739	¥ —	¥ 232	¥ 232	\$ 350,028	\$ —	\$ 1,741	\$ 1,741
	Bought	4,014	—	1	1	30,062	—	9	9
	Currency options								
	Sold	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
	Bought	—	—	—	—	—	—	—	—
Total		—	—	¥ 233	¥ 233	—	—	\$ 1,751	\$ 1,751

<March 31, 2022>

(Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-Counter transactions	Forward exchange contracts				
	Sold	¥ 17,372	¥ —	¥ (329)	¥ (329)
	Bought	3,703	—	0	0
	Currency options				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	—	—	—	—
Total		—	—	¥ (328)	¥ (328)

(Note) The above transactions were evaluated for fair value, and the valuation gains (losses) were recorded in the consolidated statements of income.

Credit derivatives transactions

<March 31, 2023>

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Credit default swaps								
	Sold	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
	Bought	3,880	3,880	(49)	(49)	29,057	29,057	(370)	(370)
Total		—	—	¥ (49)	¥ (49)	—	—	\$ (370)	\$ (370)

<March 31, 2022>

(Millions of yen)

	Type	Contract amounts	Contract amount maturing beyond one year	Fair value	Unrealized gain or (loss)
Over-the-counter transactions	Credit default swaps				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	3,390	3,390	(29)	(29)
Total		—	—	¥ (29)	¥ (29)

(Note)
1. The above transactions were evaluated for fair value, and the valuation gains (losses) were recorded in the consolidated statements of income.
2. "Sold" represents a credit risk assumption transaction and "bought" represents a credit risk delivery transaction.

(2) Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting is applied are set forth in the table below. Contract amounts themselves below do not represent the market risks of the derivative transactions.

Interest rate-related transactions

<March 31, 2023>

(Millions of yen)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 21,909	¥ 21,909	¥ (861)	\$ 164,076	\$ 164,076	\$ (6,449)
Exceptional method	Interest rate swaps receive-floating/pay-fixed		—	—	—	—	—	—
Total			—	—	¥ (861)	—	—	\$ (6,449)

(Note) Deferred hedging is mainly used in accordance with the Industry Audit Committee Practice Guideline No. 24.

<March 31, 2022>

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 37,654	¥ 37,654	¥ (1,676)
Exceptional method	Interest rate swaps receive-floating/pay-fixed		—	—	
Total		—	—	—	¥ (1,676)

(Note) Deferred hedging is mainly used in accordance with the Industry Audit Committee Practice Guideline No. 24.

Currency-relate transactions

<March 31, 2023>

(Millions of yen)

(Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Foreign securities in foreign currency	¥ 9,367	¥ —	¥ (38)	\$ 70,149	\$ —	\$ (290)
Total		—	—	—	¥ (38)	—	—	\$ (290)

Deferred hedging is used, primarily based on Operational Guidelines No. 25 of the Industry-Specific Committee.

<March 31, 2022>

(Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amount maturing beyond one year	Fair value
Normal method	Currency swaps	Foreign securities in foreign currency	¥ 23,206	¥ 9,367	¥ (60)
Total		—	—	—	¥ (60)

(Note) Deferred hedging is used, primarily based on Operational Guidelines No. 25 of the Industry-Specific Committee.

26. Retirement Benefit Plans

The Bank and the consolidated subsidiaries have defined-benefit corporation pension funds and lump-sum retirement benefits. Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities. The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet for the Bank's and the consolidated subsidiaries' defined retirement benefit plans:

(1) The changes in the retirement benefit obligation during the year ended March 31, 2023 and 2022 are as follows:

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	¥ 13,848	¥ 16,057	\$ 103,710
Service cost	421	487	3,157
Interest cost	41	64	309
Actuarial gain/loss	(248)	(1,633)	(1,857)
Retirement benefits paid	(1,003)	(1,126)	(7,514)
Prior service cost	—	—	—
Other	—	—	—
Retirement benefit obligation at the end of the year	¥ 13,059	¥ 13,848	\$ 97,805

(2) The changes in plan assets during the year ended March 31, 2023 and 2022 are as follows:

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Plan assets at the beginning of the year	¥ 16,988	¥ 17,341	\$ 127,229
Expected return on plan assets	509	485	3,816
Actuarial gain/loss	(407)	(42)	(3,048)
Contributions by employers	271	277	2,033
Contributions by employees	51	52	382
Retirement benefits paid	(993)	(1,126)	(7,441)
Other	—	—	—
Plan assets at the end of the year	¥ 16,420	¥ 16,988	\$ 122,972

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2023 and 2022 for the bank's and the consolidated subsidiaries' defined benefit plans:

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 13,008	¥ 13,791	\$ 97,416
Plan assets at fair value	(16,420)	(16,988)	(122,972)
	(3,412)	(3,197)	(25,556)
Unfunded retirement benefit obligation	51	57	388
Net liabilities for retirement benefits in the consolidated balance sheet	(3,360)	(3,140)	(25,167)
Liabilities for retirement benefits	51	57	388
Assets for retirement benefits	(3,412)	(3,197)	(25,556)
Net liabilities for retirement benefits in consolidated balance sheet	¥ (3,360)	¥ (3,140)	\$ (25,167)

(4) The components of retirement benefit expense for the year ended March 31, 2023 and 2022 are as follows:

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Service cost	¥ 370	¥ 434	\$ 2,774
Interest cost	41	64	309
Expected return on plan assets	(509)	(485)	(3,816)
Amortization of actuarial gain/loss cost	(220)	(37)	(1,653)
Amortization of prior service cost	—	—	—
Other	—	—	—
Retirement benefit expense	¥ (318)	¥ (24)	\$ (2,385)

Notes

- Concerning the consolidated subsidiaries that use a simplified method, all of the retirement benefit cost is included in the service cost.
- Service cost does not include the amounts contributed by employees with respect to corporate pension fund plans.

- (5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain and loss	(379)	1,553	(2,843)
Other	—	—	—
Total	<u>¥ (379)</u>	<u>¥ 1,553</u>	<u>\$ (2,843)</u>

- (6) Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost ...	¥ —	¥ —	\$ —
Unrecognized actuarial gain/loss ...	1,498	1,878	11,223
Other	—	—	—
Total	<u>¥ 1,498</u>	<u>¥ 1,878</u>	<u>\$ 11,223</u>

- (7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 is as follows:

	2023	2022
Bonds	13%	20%
Stocks	35%	32%
General account	31%	30%
Other	21%	18%
Total	<u>100%</u>	<u>100%</u>

Note

The expected long-term return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term return on assets held in each category.

- (8) The assumptions used in accounting for the above plans are as follows:

	2023	2022
1) Discount rate:	0.5%	0.3%
2) Expected rate of long-term return on assets: ...	3.0%	2.8%

27. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Allowance for loan losses	¥ 2,384	¥ 2,509	\$ 17,854
Devaluation on securities	359	297	2,694
Depreciation	541	577	4,058
Valuation difference on available-for-sale securities	8,007	—	59,964
Deferred gains or losses on hedges	262	515	1,967
Other	2,024	2,306	15,158
Subtotal: deferred tax assets	<u>13,579</u>	<u>6,206</u>	<u>101,697</u>
Valuation allowance (Note1)	(1,845)	(1,881)	(13,817)
Total: deferred tax assets	<u>11,734</u>	<u>4,325</u>	<u>87,880</u>
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	—	(2,751)	—
Net defined benefits assets	(1,040)	(975)	(7,794)
Other	(129)	(160)	(972)
Total: deferred tax liabilities	<u>¥ (1,170)</u>	<u>¥ (3,887)</u>	<u>\$ (8,767)</u>
Net deferred tax assets (liabilities)	<u>10,563</u>	<u>437</u>	<u>79,112</u>

Note 1

Net deferred tax assets (liabilities) as of March 31, 2023 and 2022 were included in the following accounts in the consolidated balance sheets.

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets	¥ 10,613	¥ 477	\$ 79,486
Deferred tax liabilities	(49)	(39)	(373)

For the fiscal year ended March 31, 2023 and 2022, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate was as follows:

	2023	2022
Statutory tax rate	—	30.50%
Valuation allowance	—	5.28%
Non-deductible expenses	—	0.36%
Non-taxable income	—	(1.25%)
Per capita inhabitants' tax rate	—	0.65%
Reversal of revaluation reserve for land	—	(0.47%)
Difference in tax rates with consolidated subsidiaries	—	0.80%
Others	—	0.73%
Effective tax rate	—	36.60%

For the current fiscal year, since the difference between the statutory effective tax rate and the effective corporate income tax rate after applying tax effect accounting is less than 5/100 of the statutory effective tax rate, its disclosure was omitted.

28. Asset Retirement Obligations

Among asset retirement obligations, recorded amounts on the consolidated financial statements

A. Summary description of the asset retirement obligations

Obligation to restore to original condition, under leasing agreements for land for operating facilities and for ATMs outside of the bank facilities, obligation to remove toxic substances used at a portion of the operating facilities and the administrative center, due to legal requirements, etc.

B. Calculation Method of Amount of Asset Retirement Obligations

The asset retirement obligation amounts are calculated by estimating the period of use to be from 6 years to 30 years from time of acquisition, using a discount rate of 0.0% to 2.0% based on the government bond yields as a reference.

C. Gains/Losses in total asset retirement obligation

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	¥ 354	¥ 180	\$ 2,654
Increase in amount due to acquisition of property, plant and equipment	32	1	242
Adjustment due to the passage of time	0	0	4
Increase due to change in estimate	—	183	—
Reduction due to performance of asset retirement obligations	124	11	935
Balance at the end of the year	<u>¥ 262</u>	<u>¥ 354</u>	<u>\$ 1,966</u>

29. Revenue Recognition

1. Disaggregation of revenues arising from contracts with customers.
As described in "30. Segment Information".

2. Information that provides a basis for understanding the revenue arising from contracts with customers

The principal performance obligations of the Bank and its consolidated subsidiaries in their principal businesses relating to revenues from contracts with customers are the provision of services related to financial services, including deposit and loan services, foreign exchange services, securities-related services, agency services, mutual fund services, and safe-deposit box/custodian services.

Revenue is recognized primarily when promised services have been rendered and the performance obligation has been fulfilled. For performance obligations rendered during the service period of annual fees for credit card members of consolidated subsidiaries, the revenue is recognized over the period the services are provided.

The amount of revenue recorded is calculated based on the amount expected to be received in exchange for services. For loyalty-point programs operated by other companies in which consolidated subsidiaries participate, the amount expected to be used in the future is recognized as the amount to be collected for third parties and deducted from credit merchant fees.

3. Information to understand the revenue amounts for the current fiscal year and subsequent fiscal years.

Information is omitted due to low materiality.

30. Segment Information

1. Outline of reportable segments

Reportable segments are components for which separate financial information is available and that are subject to periodic examination by the board of directors to determine the allocation of management resources and assess performances.

The Bank and its consolidated subsidiaries consist of the Bank and 8 consolidated subsidiaries that are engaged in the financial services business that includes mainly banking services as well as leasing services.

Therefore, the reportable segments of the Bank and its consolidated subsidiaries comprise 'Banking', 'Leasing', and 'Credit guarantee' which are distinguished by the type of the business.

'Banking' includes deposit taking, lending, investment in securities and exchange services.

'Leasing' represents the lease business of Yamagin Lease Co., Ltd., one of the consolidated subsidiaries.

'Credit guarantee' is a credit guarantee business operated by Yamagin Guarantee Service Co., Ltd., one of the consolidated subsidiaries.

2. Calculation method of ordinary income, profit (loss), assets, liabilities and other items by reportable segment

The accounting policies in Note 3, "Summary of Significant Accounting Policies", are adopted for the reportable segments.

Reportable segment profit corresponds to ordinary profit.

Ordinary income arising from intersegment transactions is based on arm's length prices.

3. Information by reportable segment regarding amount of ordinary income, profit or loss, assets, liabilities and other items as well as revenue breakdown information.

Year ended March 31, 2023

(Millions of yen)

	Reportable segment				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Credit guarantee	Total				
Revenues from service transactions								
Deposit/Loan Services	¥ 1,010	¥ —	¥ —	¥ 1,010	¥ —	¥ 1,010	¥ —	¥ 1,010
Exchanging Services	1,318	—	—	1,318	—	1,318	—	1,318
Securities Related Services	17	—	—	17	—	17	—	17
Agency Services	1,041	—	—	1,041	—	1,041	—	1,041
Investment Trust Businesses	607	—	—	607	—	607	—	607
Safe-deposit box/custodian services	46	—	—	46	—	46	—	46
Other	2,000	—	2	2,002	1,019	3,022	—	3,022
Other service revenues	—	—	—	—	252	252	—	252
Ordinary income from contracts with customers	6,041	—	2	6,044	1,271	7,316	—	7,316
Ordinary income other than the above	37,802	5,879	273	43,954	89	44,043	(175)	43,868
Ordinary revenues from external customers	43,844	5,879	276	49,999	1,360	51,359	(175)	51,184
Inter-segment ordinary income	734	99	677	1,511	263	1,775	(1,775)	—
Total	44,578	5,978	953	51,511	1,624	53,135	(1,951)	51,184
Segment profit	4,984	245	785	6,015	262	6,278	(741)	5,537
Segment assets	3,131,438	15,395	5,699	3,152,533	6,642	3,159,176	(14,716)	3,144,460
Segment liabilities	3,006,485	11,706	2,383	3,020,575	4,331	3,024,906	(14,175)	3,010,730
Other items								
Depreciation	1,868	6	0	1,874	7	1,881	—	1,881
Interest income	32,083	0	8	32,092	44	32,136	(644)	31,492
Interest expenses	3,697	49	—	3,746	18	3,765	(46)	3,718
Increase in property, plant and equipment and intangible assets	1,671	72	—	1,743	27	1,771	—	1,771

Year ended March 31, 2023

(Thousands of U.S. dollars)

	Reportable segment				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Credit guarantee	Total				
Revenues from service transactions								
Deposit/Loan Services	\$ 7,567	\$ —	\$ —	\$ 7,567	\$ —	\$ 7,567	\$ —	\$ 7,567
Exchanging Services	9,877	—	—	9,877	—	9,877	—	9,877
Securities Related Services	127	—	—	127	—	127	—	127
Agency Services	7,797	—	—	7,797	—	7,797	—	7,797
Investment Trust Businesses	4,547	—	—	4,547	—	4,547	—	4,547
Safe-deposit box/custodian services	349	—	—	349	—	349	—	349
Other	14,978	—	21	14,999	7,631	22,631	—	22,631
Other service revenues	—	—	—	—	1,889	1,889	—	1,889
Ordinary income from contracts with customers	45,246	—	21	45,268	9,521	54,789	—	54,789
Ordinary income other than the above	283,100	44,028	2,046	329,175	668	329,843	(1,316)	328,526
Ordinary revenues from external customers	328,346	44,028	2,068	374,443	10,189	384,632	(1,316)	383,316
Inter-segment ordinary income	5,501	745	5,074	11,322	1,973	13,295	(13,295)	—
Total	333,848	44,773	7,143	385,765	12,162	397,928	(14,612)	383,316
Segment profit	37,330	1,838	5,883	45,052	1,967	47,019	(5,549)	41,470
Segment assets	23,451,199	115,294	42,684	23,609,179	49,747	23,658,926	(110,208)	23,548,718
Segment liabilities	22,515,430	87,666	17,850	22,620,946	32,435	22,653,382	(106,161)	22,547,220
Other items								
Depreciation	13,990	45	1	14,037	54	14,092	—	14,092
Interest income	240,270	3	63	240,336	334	240,671	(4,826)	235,845
Interest expenses	27,689	369	—	28,059	136	28,196	(349)	27,846
Increase in property, plant and equipment and intangible assets	12,515	543	—	13,058	204	13,263	—	13,263

Notes

- Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.
- "Other" represents business segments that are not the reportable segments and comprises business support service, data processing, credit card business, regional trading company, venture capital business, etc.
- "Adjustments" are as follows:
 - Adjusted amount of ordinary income from external customers of negative 175 million yen is the adjusted amount of the allowance for doubtful accounts provision for "banking business" and "other".
 - The 741 million yen reduction adjustment for segment profit, the 14,716 million yen reduction adjustment for segment assets, the 14,175 million yen reduction adjustment for segment liabilities, the 644 million yen reduction adjustment for interest income, and the 46 million yen reduction adjustment for interest expenses are eliminations of intersegment transactions.
- "Segment profit (loss)" corresponds to ordinary income (net) of Consolidated Statements of Income.

Year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Credit guarantee	Total				
Revenues from service transactions								
Deposit/Loan Services	¥ 926	¥ —	¥ —	¥ 926	¥ —	¥ 926	¥ —	¥ 926
Exchanging Services	1,464	—	—	1,464	—	1,464	—	1,464
Securities Related Services	88	—	—	88	—	88	—	88
Agency Services	992	—	—	992	—	992	—	992
Investment Trust Businesses	729	—	—	729	—	729	—	729
Safe-deposit box/custodian services	48	—	—	48	—	48	—	48
Other	1,979	—	2	1,982	897	2,880	—	2,880
Other service revenues	—	—	—	—	251	251	—	251
Ordinary income from contracts with customers	6,230	—	2	6,232	1,149	7,381	—	7,381
Ordinary income other than the above	30,401	5,955	224	36,581	111	36,692	(48)	36,644
Ordinary revenues from external customers	36,631	5,955	227	42,814	1,260	44,074	(48)	44,026
Inter-segment ordinary income	699	91	691	1,482	263	1,745	(1,745)	—
Total	37,331	6,047	918	44,296	1,523	45,820	(1,794)	44,026
Segment profit	4,749	261	666	5,676	294	5,971	(481)	5,489
Segment assets	3,523,980	16,385	5,772	3,546,138	6,372	3,552,511	(14,159)	3,538,352
Segment liabilities	3,377,242	12,719	2,620	3,392,582	4,123	3,396,706	(13,982)	3,382,723
Other items								
Depreciation	1,853	7	0	1,862	2	1,864	—	1,864
Interest income	28,124	0	5	28,130	49	28,179	(615)	27,564
Interest expenses	1,172	52	—	1,225	18	1,243	(49)	1,194
Increase in property, plant and equipment and intangible assets	4,316	28	—	4,344	—	4,344	—	4,344

Notes

1. Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.
2. "Other" represents business segments that are not the reportable segments and comprises business support service, data processing, credit card business, regional trading company, venture capital business, etc.
3. "Adjustments" are as follows:
 - (1) Adjusted amount of ordinary income from external customers of negative 48 million yen is the adjusted amount of the allowance for doubtful accounts provision for "leasing business".
 - (2) The 481 million yen reduction adjustment for segment profit, the 14,159 million yen reduction adjustment for segment assets, the 13,982 million yen reduction adjustment for segment liabilities, the 615 million yen reduction adjustment for interest income, and the 49 million yen reduction adjustment for interest expenses are eliminations of intersegment transactions.
4. "Segment profit (loss)" corresponds to ordinary income (net) of Consolidated Statements of Income.

4. Related information
Information by service

Year ended March 31, 2023

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 17,479	¥ 19,316	¥ 5,849	¥ 8,538	¥ 51,184

Year ended March 31, 2023

(Thousands of U.S. dollars)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	\$ 130,901	\$ 144,660	\$ 43,807	\$ 63,945	\$ 383,316

Information about geographical areas is omitted because the Bank and its consolidated subsidiaries conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

Year ended March 31, 2022

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 16,468	¥ 13,057	¥ 5,904	¥ 8,596	¥ 44,026

5. Information concerning the impairment loss of fixed assets by reportable segment

Year ended March 31, 2023

(Millions of yen)

	Reportable segment				Other	Total
	Banking	Leasing	Credit guarantee	Total		
Impairment loss	¥ 98	¥ —	¥ —	¥ 98	¥ —	¥ 98

Year ended March 31, 2023

(Thousands of U.S. dollars)

	Reportable segment				Other	Total
	Banking	Leasing	Credit guarantee	Total		
Impairment loss	\$ 736	\$ —	\$ —	\$ 736	\$ —	\$ 736

Year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other	Total
	Banking	Leasing	Credit guarantee	Total		
Impairment loss	¥ 162	¥ —	¥ —	¥ 162	¥ —	¥ 162

31. Related Parties Information

Transactions with Related Parties

Transactions of the Corporation Submitting Consolidated Financial Statements with Related Parties

Directors and Major Stockholders (only in the case of individuals) etc. of the Corporation Submitting Consolidated Financial Statements

Year ended March 31, 2023

(Millions of yen)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	HappyProduct Inc. (note 2)	Yamagata City, Yamagata Prefecture	70	Pig iron and cast iron manufacturing	—	Credit customer	Loan of funds	1,870	Loans and bills discounted	1,870
	HappyJapan Inc. (note 3)	Yamagata City, Yamagata Prefecture	73	Manufacture of general machinery and equipment	Owned directly 0.88	Credit customer	Loan of funds	1,038	Loans and bills discounted	1,038
	Otokoyama Shuzou Co., Ltd. (Note 4)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned directly, 0.02	Credit customer	Loan of funds	93	Loans and bills discounted	105
Directors and close relatives	Junichi Matsuda	—	—	Director of the Bank; Attorney	—	Credit customer	Loan of funds	49	Loans and bills discounted	47

Year ended March 31, 2023

(Thousands of U.S. dollars)

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	HappyProduct Inc. (note 2)	Yamagata City, Yamagata Prefecture	524	Pig iron and cast iron manufacturing	—	Credit customer	Loan of funds	14,004	Loans and bills discounted	14,004
	HappyJapan Inc. (note 3)	Yamagata City, Yamagata Prefecture	546	Manufacture of general machinery and equipment	Owned directly 0.88	Credit customer	Loan of funds	7,778	Loans and bills discounted	7,778
	Otokoyama Shuzou Co., Ltd. (Note 4)	Yamagata City, Yamagata Prefecture	262	Sake Manufacturer	Owned directly, 0.02	Credit customer	Loan of funds	703	Loans and bills discounted	793
Directors and close relatives	Junichi Matsuda	—	—	Director of the Bank; Attorney	—	Credit customer	Loan of funds	371	Loans and bills discounted	352

Notes

1. The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. Transaction amounts are average balances.

2. At HappyProduct Inc., Mr. Keitaro Harada, a director, and his close relatives hold the majority of voting rights.

3. At HappyJapan Inc., Mr. Keitaro Harada, a director, and his close relatives hold the majority of voting rights.

4. A majority of the voting rights of Otokoyama Shuzou Co., Ltd. are owned by Director Gisuke Ohara and his close relatives.

Category	Name of company, etc. or individual's full name	Location	Capital or investment contribution	Description of business or job	Percentage of ownership of voting rights, etc. owned (or owned by) (%)	Relation to affiliated parties	Description of transaction	Amount of transaction	Account name	Balance at end of financial period
Companies, etc. in which Directors and their close relatives own a majority of the voting rights	HappyProduct Inc. (note 2)	Yamagata City, Yamagata Prefecture	70	Pig iron and cast iron manufacturing	—	Credit customer	Loan of funds	1,870	Loans and bills discounted	1,870
	HappyJapan Inc. (note 3)	Yamagata City, Yamagata Prefecture	73	Manufacture of general machinery and equipment	Owned directly 0.88	Credit customer	Loan of funds	1,038	Loans and bills discounted	1,038
	Otokoyama Shuzou Co., Ltd. (Note 4)	Yamagata City, Yamagata Prefecture	35	Sake Manufacturer	Owned directly, 0.02	Credit customer	Loan of funds	88	Loans and bills discounted	98
Directors and close relatives	Junichi Matsuda	—	—	Director of the Bank; Attorney	—	Credit customer	Loan of funds	50	Loans and bills discounted	67

Notes

- The terms and conditions of the transactions and the policies governing decision making for the terms and conditions of such transactions are the same as for other customers. Transaction amounts are average balances.
- At HappyProduct Inc., Mr. Keitaro Harada, a director, and his close relatives hold the majority of voting rights.
- At HappyJapan Inc., Mr. Keitaro Harada, a director, and his close relatives hold the majority of voting rights.
- A majority of the voting rights of Otokoyama Shuzou Co., Ltd. are owned by Director Gisuke Ohara and his close relatives.

32. Amounts Per Share

Amounts per share of net assets, net income and diluted net income, as presented below, are based on the number of stocks outstanding at each balance sheet date and the weighted average number of stocks of common stock outstanding during each year.

	2023	2022	2023
	(Yen)		(U.S. dollars)
Net assets	¥ 4,174.44	¥ 4,861.13	\$ 31.26
Net income	¥ 107.40	¥ 104.86	\$ 0.80

Notes

- The shares of the Bank held by the BIP Trust Officer Compensation are recorded as treasury stock in the consolidated financial statements. The Bank's shares held by the trust are included in the number of treasury shares deducted from the total number of issued shares as of the end of the period for purposes of the calculation of net assets per share, and the number of treasury shares deducted in connection with the calculation of net assets per share at the end of the period was 134 thousand shares (149 thousand shares at the end of the previous fiscal year). In addition, the shares are included in the number of treasury shares deducted for the calculation of the average number of shares during the period, for purposes of the calculation of net income per share, and the average of the treasury shares deducted in calculating the net income per share during the period was 139 thousand (128 thousand shares in the previous fiscal year).
- The basics of the calculation of the current net income per share is as follows.

The basis for the calculation of net income per share for the year ended March 31, 2023 and 2022 is summarized as follows:

	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars)
Profit attributable to owners of parent	¥ 3,435	¥ 3,398	\$ 25,728
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	3,435	3,398	25,728
Weighted average number of common stocks outstanding	31,989 thousand	32,404 thousand	31,989 thousand

Net income per share after adjustment for potentially dilutive shares for the previous fiscal year and the current fiscal year is not stated because there are no potentially dilutive shares.

33. Significant Subsequent Events

There are no applicable matters.

Non-Consolidated Balance Sheet

As of March 31, 2023 and 2022

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Assets			
Cash and due from banks	¥ 249,789	¥ 646,463	\$ 1,870,660
Call loans	20,793	5,080	155,718
Monetary claims bought	5,179	8,185	38,791
Money held in trust	9,534	2,763	71,406
Securities	978,271	1,088,499	7,326,226
Loans and bills discounted	1,801,193	1,716,804	13,489,056
Foreign exchanges	899	865	6,736
Other assets	26,338	25,908	197,247
Property, plant and equipment	16,448	16,415	123,179
Buildings, net	6,688	6,957	50,090
Land	7,871	8,003	58,947
Leased assets, net	22	7	168
Construction in progress	488	25	3,659
Other, net	1,377	1,420	10,312
Intangible assets	3,820	4,275	28,614
Software	3,621	4,073	27,118
Other	199	202	1,496
Prepaid pension costs	1,913	1,319	14,332
Deferred tax assets	10,805	794	80,923
Customers' liabilities for acceptances and guarantees	13,574	14,056	101,659
Allowance for loan losses	(7,841)	(8,166)	(58,721)
Assets	¥ 3,130,721	¥ 3,523,263	\$ 23,445,830
Liabilities and Net Assets			
Liabilities			
Deposits	¥ 2,748,306	¥ 2,709,491	\$ 20,581,939
Negotiable certificates of deposit	83,939	100,458	628,615
Call money	13,353	119,074	100,000
Payables under securities lending transactions	20,431	39,547	153,013
Borrowed money	115,965	382,057	868,463
Foreign exchanges	46	31	344
Other liabilities	9,321	10,917	69,809
Provision for bonuses for directors	22	22	168
Provision for share payments of board incentive plan	97	84	732
Provision for reimbursement of deposits	82	109	617
Provision for contingent loss	236	259	1,769
Deferred tax liabilities for land revaluation	1,107	1,131	8,296
Acceptance and guarantees	13,574	14,056	101,659
Liabilities	¥ 3,006,485	¥ 3,377,242	\$ 22,515,430
Net Assets			
Share capital	¥ 12,008	¥ 12,008	\$ 89,931
Capital surplus	4,932	4,932	36,939
Retained earnings	125,974	123,853	943,413
Treasury shares	(881)	(901)	(6,601)
Shareholders' equity	142,033	139,893	1,063,682
Valuation difference on available-for-sale securities	(18,171)	6,292	(136,084)
Deferred gains or losses on hedges	(598)	(1,174)	(4,482)
Revaluation reserve for land	972	1,009	7,284
Total valuation and translation adjustments	(17,797)	6,127	(133,282)
Net assets	124,236	146,021	930,400
Liabilities and net assets	¥ 3,130,721	¥ 3,523,263	\$ 23,445,830

Non-Consolidated Statements of Income

For the years ended March 31, 2023 and 2022

	2023 (Millions of yen)	2022 (Millions of yen)	2023 (Thousands of U.S. dollars)
Ordinary Income	¥ 44,578	¥ 37,331	\$ 333,848
Interest Income	32,083	28,124	240,270
Interest on loans and discounts	17,007	16,138	127,369
Interest and dividends on securities	14,682	11,279	109,956
Interest on call loans	171	4	1,286
Interest on deposits with banks	162	630	1,216
Other interest income	59	70	441
Fees and commissions	6,542	6,661	48,992
Fees and commissions on domestic and foreign exchanges	1,318	1,464	9,877
Other fees and commissions	5,223	5,197	39,115
Other ordinary income	3,817	1,097	28,591
Gains on foreign exchange transactions	—	28	0
Gain on trading account securities transactions	0	0	3
Gain on sales of bonds	3,817	1,068	28,588
Other Income	2,135	1,447	15,993
Reversal of allowance for loan losses	230	—	1,729
Recoveries of written off receivables	3	3	22
Gain on sales of equity securities	1,337	1,123	10,015
Gain on money held in trust	197	75	1,478
Other	366	244	2,747
Ordinary Expenses	39,594	32,582	296,517
Interest Expenses	3,697	1,172	27,689
Interest on deposits	2,116	436	15,849
Interest on negotiable certificates of deposit	6	8	46
Interest on call money	232	17	1,744
Interest on payables under securities lending transactions	512	48	3,836
Interest on borrowings and rediscounts	442	31	3,314
Interest expenses on interest rate swaps	386	629	2,897
Fees and commissions payments	3,186	3,229	23,865
Fees and commissions on domestic and foreign exchanges	158	237	1,185
Other fees and commissions	3,028	2,992	22,680
Other ordinary expenses	11,266	4,278	84,372
Loss on foreign exchange transactions	1,094	0	8,196
Loss on sales of bonds	9,619	3,682	72,041
Expenses on derivatives other than for trading or hedging	552	596	4,135
General and administrative expenses	19,465	20,736	145,776
Other expenses	1,978	3,164	14,813
Provision of allowance for loan losses	—	1,007	0
Loss on sales of equity securities	1,450	1,270	10,862
Loss on devaluation of equity securities	10	484	80
Loss on money held in trust	56	17	423
Other	460	383	3,446
Ordinary profit	4,984	4,749	37,330
Extraordinary income	1	106	7
Gain on disposal of non-current assets	1	106	7
Extraordinary losses	542	228	4,059
Loss on disposal of non-current assets	443	66	3,323
Impairment loss	98	162	736
Profit before income taxes	4,443	4,627	33,279
Income taxes -current	684	1,363	5,125
Income taxes -deferred	470	153	3,524
Income taxes	1,154	1,516	8,649
Profit	¥ 3,288	¥ 3,110	\$ 24,630
Amounts per share:	2023	2022	2023
	(yen)	(yen)	(U.S. dollars)
Profit	102.81	95.99	0.76
Net assets	3,883.20	4,566.05	29.08

Corporate Data

Management

(As of June 23, 2023)

Chairman

Kichishige Hasegawa

President

Eiji Sato

Senior Managing Director

Shinichiro Miura

Managing Directors

Hiroshi Koya

Yutaka Touyama

Izumi Hasegawa

Tsutomu Komagome

Tomokazu Kan

Directors

Toshiyuki Komatsu

Mitsuru Imokawa

Yumiko Inoue

Keitaro Harada

Takuro Taruishi (Full-time Audit and Supervisory Committee Member)

Hiroyuki Sasa (Full-time Audit and Supervisory Committee Member)

Yasumasa Gomi (Audit and Supervisory Committee Member)

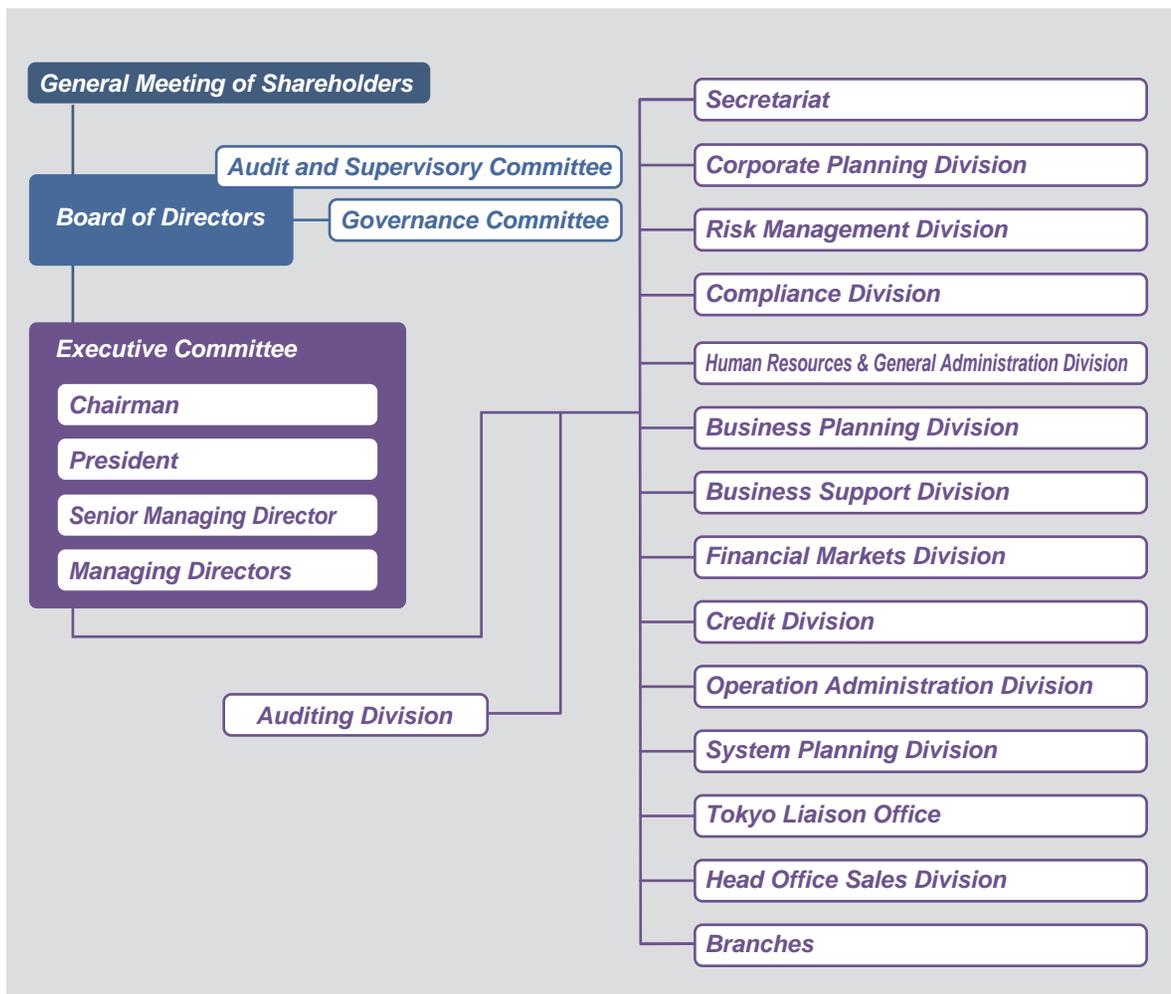
Gisuke Ohara (Audit and Supervisory Committee Member)

Junichi Matsuda (Audit and Supervisory Committee Member)

Masanori Oshino (Audit and Supervisory Committee Member)

Organization

(As of June 23, 2023)



Directory

Headquarters:

(Registered Address)

1-2, Nanukamachi 3-chome, Yamagata 990-8642, Japan

(Operating Address / October 2021~)

2-31, Hatagomachi 2-chome, Yamagata 990-8642, Japan

Phone: +81 23 623 1221

Financial Markets Division:

1-2, Nanukamachi 3-chome, Yamagata 990-8642, Japan

Phone: +81 23 634 7547

Fax: +81 23 625 7185

S.W.I.F.T.: YAMBJPJT

Foreign Exchange Offices:

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Phone: +81 23 623 1221

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Phone: +81 238 22 2010

Nagai Branch

11-14, Sakae-machi, Nagai 993-0084, Japan

Phone: +81 238 88 2105

Sagaechuo Branch

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Phone: +81 237 86 1141

Tendo Branch

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Shinjo Branch

2-16, Hon-cho, Shinjo 996-0027, Japan

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Tsuruoka Branch

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Phone: +81 235 22 5530

Sakata Branch

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Tokyo Branch

4th Floor Kyobashi RK Bldg. 5-15, Kyobashi 2-chome, Chuo-Ku, Tokyo 104-0031, Japan

Phone: +81 3 3567 1861



(Total: Head Office and 83 branches)

(As of March 31, 2023)

Bank Data: (As of March 31, 2023)

Date of Incorporation: 1896

Authorized Stocks: 59,670,000

Issued Stocks: 32,500,000

Number of Shareholders: 8,460

Number of Employees: 1,165



Cherries

Cherries are a special product of Yamagata Prefecture.
Stylized cherries are used as the symbol of The Yamagata Bank, Ltd.



THE YAMAGATA BANK, LTD.
Yamagata, Japan