

ANNUAL REPORT **2023**

Fiscal Year Ended March 31, 2023



JOHOKU SHINKIN BANK

Profile

The defining characteristics of a *shinkin* bank are that it is a regional financial institution with a limited geographic area of operations, and that it has a mandate to serve the small and medium-sized enterprises and the individual residents of its region. Where large urban banks and regional banks are corporate in structure and issue stock for capitalization, a *shinkin* bank exists to serve its members as a cooperative financial organization. Given this public-service character, it is a matter of course that a *shinkin* bank puts the interests of its members and the businesses of the region ahead of the untrammelled pursuit of profits. For this reason, Johoku Shinkin Bank's management philosophy is based on the following statement: "Our mission is to contribute to the happiness of local residents, the prosperity of local companies, and the prosperity of local society." The bank wants to be like a "family doctor" who knows the local characteristics and needs, and is available at any time for consultation.

Johoku Shinkin Bank was established in 1921 as the Oji Shinkumi Bank. In 1951, with the enactment of the Shinkin Bank Law, the Oji Shinkumi Bank was re-established as Oji Shinkin Bank. On January 13, 2004, four *shinkin* banks operating in the northern parts of Tokyo and the adjacent southern part of Saitama, including Oji Shinkin Bank, Nikko Shinkin Bank, Taiyo Shinkin Bank, and Arakawa Shinkin Bank, joined together in a merger to form Johoku Shinkin Bank. Total assets at the Johoku Shinkin Bank as of the end of March 2023 were ¥2,902.1 billion (US\$21,733 million), making it one of the largest *shinkin* banks in Japan. The number of employees and officers at the end of the fiscal year was 1,874. The bank had 90 branches (including 7 sub-branches) as of March 31, 2023.

Non-Consolidated Financial Highlights

The Johoku Shinkin Bank
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
For the Fiscal Year:			
Total Income	¥ 37,992	¥ 37,753	\$ 284,520
Total Expenses	29,220	29,538	218,828
Income Before Income Taxes	8,771	8,215	65,691
Net Income	6,285	6,140	47,068
At Year-End:			
Deposits	¥2,667,715	¥2,668,092	\$19,978,397
Loans and Bills Discounted	1,310,039	1,301,955	9,810,821
Securities	881,616	940,834	6,602,385
Total Assets	2,902,132	3,117,342	21,733,935
Total Net Assets	112,349	122,162	841,376

Note: Figures stated in U.S. dollars are translated solely for convenience at ¥133.53 to U.S.\$1, the rate prevailing on March 31, 2023.

Letter from the President



Business Environment and Business Performance

In fiscal 2022, many business operators struggled to address cost issues as the prices of raw materials and energy soared. There was also a rapid depreciation in the value of the yen amid the persistent slump in personal consumption due to the COVID-19 pandemic. The government implemented economic stimulus measures to support the tourism industry, but there were still concerns over the international outlook, including the international economic sanctions against Russia, which is continuing its invasion of Ukraine, and supply chain disruptions due to China's Zero-COVID Policy. The impact of these factors kept the trend of economic recovery weak.

As economic activity progressively normalizes, the Johoku Shinkin Bank has continued to offer attentive support and provide high quality and highly convenient products and services to the community, while strengthening its management base in order to contribute to a positive outlook for the future.

In fiscal 2022, the Johoku Shinkin Bank recorded a balance of deposits of ¥2,667.7 billion and a balance of loans and bills discounted of ¥1,310.0 billion. On the profit and loss front, as a result of working to reduce general and administrative expenses through efficient banking operations in addition to a year-on-year increase in interest on loans and bills, and fees and commissions including various handling charges, the Bank posted a net profit from banking operations of ¥8.1 billion and ordinary income of ¥8.4 billion. In addition, the dividend ratio on common shares was 2%.

The Johoku Shinkin Bank wishes to express its deep gratitude to all of you who provided so much assistance throughout the fiscal year.

Initiatives in the Fiscal Year Ended March 31, 2023

For the first fiscal year of the Seventh Medium-Term Management Plan, the Bank launched new initiatives.

As an initiative in the area of providing solutions, JS Partners Co., Ltd., the Bank's consulting subsidiary, which commenced full-scale operations in fiscal 2022, established a framework enabling head office specialists and branches to work together to respond to customer inquiries. One of the services developed in this collaboration, COSO ON Online,

an online community for business customers, was being used as a source of business information and a forum for networking among businesses by approximately 1,700 of the Bank's business partners as of the end of the fiscal year.

Also, in the first initiative of its kind among national financial institutions, in November, we established "JoynTV!," a YouTube channel which promotes the attractive products of our business partners around the world. Thanks to viewers' enthusiasm, the service has proved successful as a sales promotion support solution using social media that is unique to the Bank.

In efforts to strengthen communication, the Bank worked on new initiatives in the areas of branch layouts and the flow of procedures to enrich communication with customers.

In fiscal 2022, the Bank opened the relocated and refurbished Kanda Branch in July and the new Shibuya Branch in December. The Kanda Branch layout has no counters and allows customers to have relaxed consultations at tables in the lobby. The Shibuya Branch, which is located in an area with many business offices, has no counters or ATMs, and there are meeting spaces arranged throughout the office floor, optimally for a branch that specializes in business financing and consulting. The Bank also introduced digital tablets at counters at all branches to reduce the burden of filling in forms and enhanced functions related to the centralized processing of branch operations at the head office.

Meanwhile, in public relations, the Bank carried out local promotions referencing the revered entrepreneur Eiichi Shibusawa, who had a residence in Kita-ku, the area that is home to the Bank. These included the *Shibasawa-kun no uta* ("Song of Mr. Shibusawa") project sung by Kaori Mizumori. The Bank also entered into a new regional cooperation agreement with Nippon TV Tokyo Verdy Beleza, a women's soccer team based in Kita-ku.

Outlook and Issues

While the Bank sees many positive results from its initiatives to date, it also foresees challenges in the future.

In fiscal 2023, the environment surrounding businesses includes the rapidly approaching introduction of the compulsory invoice system and electronic data storage under the Law on Book and Record Keeping through Electronic Method, in addition to challenges that continue since last year, such as soaring prices, labor shortages and concerns about slowdown in economies overseas. In light of this environment, the Bank intends to expand services, especially developing support for business issues, such as introducing digital transformation (DX), streamlining operations, and expanding sales channels.

In terms of ongoing efforts to strengthen our management base, we will strive to improve profitability and capital adequacy, and maintain and reinforce our comprehensive risk management system, our anti money laundering (AML) and countering financing of terrorism (CFT) system, and our compliance system, all for the benefit of members. In addition, we will strengthen customer protection and security supervision systems, and make use of complaints and consultations to improve our operations, with the aim of building systems that incorporate the feedback of even more members and users into management. We will do our utmost to further improve services and enhance functions.

Thus, we ask each of our members, customers, and business partners for even more support in this time of rebuilding.

Kotaro Omae
President

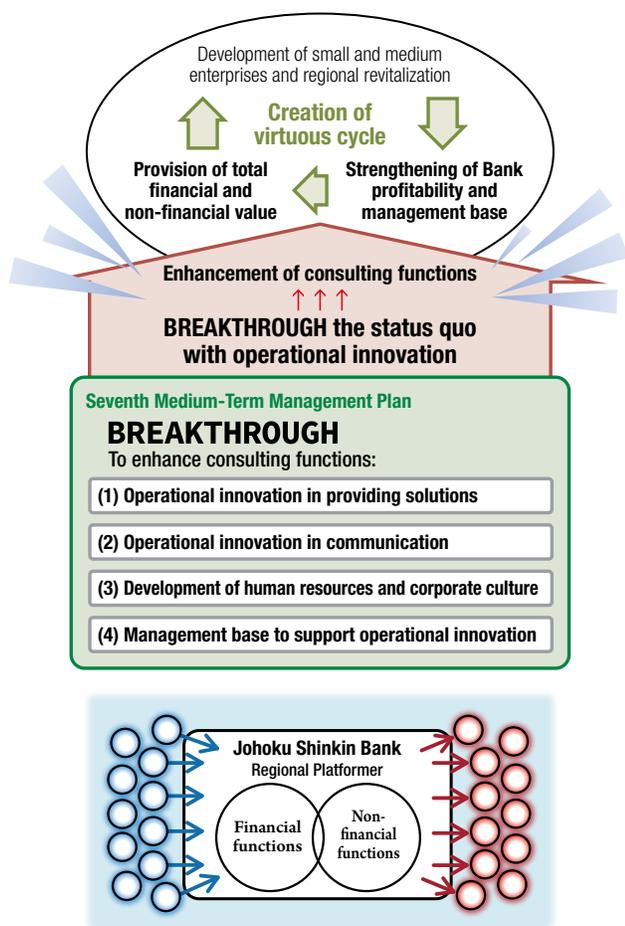
Seventh Medium-Term Management Plan

BREAKTHROUGH

Deregulation is underway in the financial industry, and the revision of the Shinkin Bank Act has significantly expanded the expected roles and business scope of a *shinkin* bank. As a regional platformer, the Bank believes it is important to strengthen functions to ensure its ability to provide wide-ranging support for the issues faced by its business partners.

Based on this, under the Seventh Medium-Term Management Plan, currently underway, with the slogan BREAKTHROUGH, the Bank will build many close relationships with members of the community to encourage them to consult with us about any matter. We will connect the stories we hear in the course of these friendly conversations to gain a deeper understanding of our customers' issues and needs. Based on these, we will develop an array of high quality, unique services and provide them in optimal combinations. In addition, we will bring the various perspectives we gain through our connections with the community to our work toward regional business revitalization.

To facilitate the execution of these activities at an even higher level, we hope to innovate on various fronts, including operational processes, workflow, and skill enhancement measures.



Financial Review

Sources and Applications of Funds

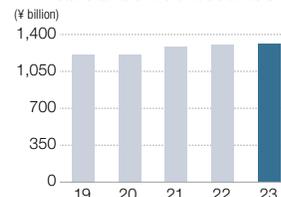
Johoku Shinkin Bank's extensive network is primarily in northern Tokyo and southern Saitama Prefecture. The Bank possesses assets of more than ¥2.9 trillion, which it employs to the maximum extent possible to provide dependable financing and services to the region's small- and medium-sized businesses and citizens, who are its most important customers.

Cash and due from banks decreased 21.1% year on year to ¥631,192 million, while call loans were not posted in the fiscal year under review as was the case in the previous fiscal year. Monetary claims turned downward again, decreasing by 11.7% to ¥3,274 million. Securities decreased by 6.3% to ¥881,616 million. Loans and bills discounted increased by 0.6% to ¥1,310,039 million, and foreign exchange assets maintained the downward trend of the previous fiscal year, decreasing by 16.4% to ¥1,933 million. Deferred tax assets increased from ¥1,992 million in the previous fiscal year to ¥7,648 million in the fiscal year under review, a significant four-fold increase. Customers' liabilities for acceptances and guarantees continued on a downward trend this fiscal year following the previous fiscal year, decreasing by 10.0% to ¥8,767 million. The reserve for possible loan losses decreased 13.9% to ¥3,784 million. As a result of the foregoing, total assets fell 6.9% to ¥2,902,132 million.

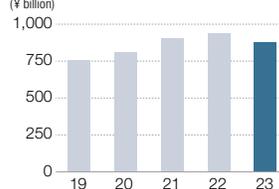
Deposits



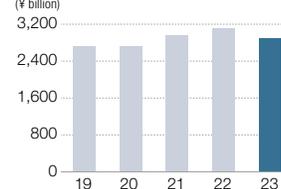
Loans and Bills Discounted



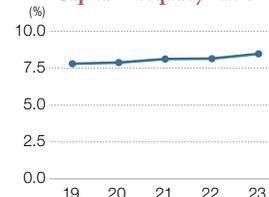
Securities



Total Assets



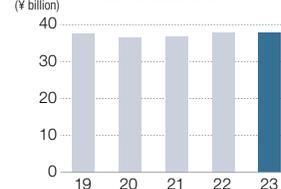
Capital Adequacy Ratio



Total Expenses

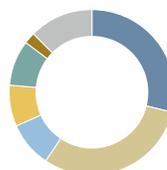


Total Income



Loans by Category of Borrower (%)

As of March 31, 2023
¥1,310,039 million (100.00%)



Individuals	29.05%
Real Estate	30.40%
Manufacturing	9.01%
Wholesale and Retailing	8.15%
Construction	8.89%
Transport and Postal Activities	2.00%
Others	12.50%

Deposits were virtually flat at ¥2,667,715 million. In the fiscal year under review, the Bank did not record borrowed money, which had increased sharply to ¥198,800 million in the previous fiscal year. Payables under securities lending transactions decreased by 1.6% to ¥99,034 million. Other liabilities decreased by 26.4% to ¥7,704 million. The reserve for employee bonuses decreased by 5.4% to ¥649 million, while the reserve for employee retirement benefits decreased from the previous fiscal year by 21.1% to ¥1,711 million. The reserve for executive retirement allowances decreased by 67.4% to ¥116 million. The reserve for reimbursement of deposits decreased by 53.6% to ¥19 million. Deferred tax liabilities were again not posted in the fiscal year under review. Acceptances and guarantees continued on a downward trend, decreasing, by 10.0%, to ¥8,767 million. After these and other changes, total liabilities fell 6.9% to ¥2,789,783 million.

Share capital decreased by 0.2% to ¥35,795 million. The capital surplus was unchanged at ¥5,000 million, and retained earnings increased 7.8% to ¥75,836 million. Total members' equity rose 4.9% to ¥116,631 million. Unrealized losses on other securities was ¥11,906 million, a further decrease following the significant decrease posted in the previous fiscal year. Land revaluation excess increased 1.7% to ¥7,624 million, and total valuation, translation adjustments and others posted a negative balance of ¥4,282 million. Total net assets, therefore, decreased 8.0% to ¥112,349 million, and total liabilities and net assets fell 6.9% to ¥2,902,132 million.

Financial institutions are expected to comply with international regulatory standards for maintaining capital adequacy ratios above levels specified under the Basel II Accord, effective from March 2007, and the Basel III Accord, effective from March 2014. Accordingly, Japan has adopted these standards for credit unions (*shinkin* banks) since the time these respective accords went into effect.

As of March 31, 2023, the Bank's amount of capital totaled ¥117,396 million and the capital adequacy ratio was 8.47%, calculated on the basis of the Basel III Accord. These levels fully meet the standards set in Japan. Looking ahead, Johoku Shinkin Bank plans to increase the amount of capital by transferring some of its profit into internal reserves. The Bank will work to secure sufficient amounts of profit over the fiscal year through transactions by a greater number of customers and operational management based on one-year and medium- to long-term income and expenditure plans.

Operating Results

Interest income was ¥32,717 million, largely unchanged from the previous fiscal year. Fees and commissions reversed the trend of decline, increasing by 0.8% to ¥3,526 million. Other operating income continued its downward trend, down 21.0% to ¥88 million. Other income continued its upward trend, increasing by 17.5% to ¥1,659 million, which was partly

attributable to the posting of a reversal of allowance for loan losses. These and other factors brought a 0.6% increase in total income, to ¥37,992 million.

Due principally to a decrease in interest on deposits, interest expenses decreased 26.2% to ¥246 million, and fees and commissions fell 1.8% to ¥2,127 million. Other operating expenses reversed the downward trend that had continued up until the previous fiscal year, and increased significantly to ¥2,847 million from ¥330 million in the previous fiscal year. The principal reason for this increase was that foreign exchange transactions increased significantly, by approximately 14-fold. General and administrative expenses edged down 3.3% to ¥22,685 million, and other expenses were down 59.6% to ¥1,312 million, continuing the downward trend of the previous fiscal year. This decrease was principally attributable to the absence of transfer to reserve for possible loan losses and a significant decrease of approximately 60% in write off of loans. As a result, at ¥29,220 million, total expenses were down 1.1% from a year earlier.

Income before income taxes rose from ¥8,215 million in the previous fiscal year, to ¥8,771 million. The amount of income taxes imposed on the financial results increased from ¥1,891 million in the previous fiscal year to ¥2,166 million, while deferred income taxes increased to ¥320 million from ¥182 million in the previous fiscal year. As result, net income increased by 2.4%, from ¥6,140 million in the previous fiscal year to ¥6,285 million.

Retained earnings at the beginning of the fiscal year were 11.8% higher than a year earlier, totaling ¥46,733 million. Total appropriations increased 18.5% year-on-year to ¥1,267 million. They comprised transfers to legal reserves of ¥615 million, cash dividends on common shares of ¥617 million, and dividends on preferred shares of ¥35 million. As a result, the balance of retained earnings at the end of the fiscal year was ¥51,626 million after appropriations, up 10.5% from a year earlier.

Non-Performing Assets

Johoku Shinkin Bank is keenly aware of the public mission of a *shinkin* bank, and it takes great pride in fulfilling this role. The Bank is guided in its lending operations by the fundamental philosophy of "using the funds deposited by the region to provide the financing the region needs," as well as by the principle of providing many small-denomination loans. The Bank does not concentrate on any specific industry or industries but works to manage and reduce lending risks by maintaining a balance between the number of borrowers and the balance of loans.

The Bank maintains a precise knowledge of the total amount of its non-performing loans through strict self-assessments, and it conducts write-offs and maintains reserves in accordance with regulations. In addition, the Bank enhances transparency by disclosing the results of asset assessments conducted under the Financial Reconstruction Law and the status of their coverage, as well as the status of risk-monitored loans under the Shinkin Bank Law standard and the status of their coverage.

Turning to problem assets under the Financial Reconstruction Law standard, the Bank's non-performing loans at March 31, 2023 totaled ¥54.3 billion, and the non-performing loan ratio was 4.12%. Of this, bankrupt and quasi-bankrupt assets accounted for ¥7.6 billion, all of which is covered by collateral, guarantee, or the reserve for possible loan losses. Collateral, guarantees and the reserve for possible loan losses cover 80.2% of the Bank's doubtful assets of ¥36.7 billion and 52.8% of its ¥9.9 billion in substandard loans.

Johoku Shinkin Bank has taken all possible measures, through its efforts to revitalize businesses, to establish a system to reduce the occurrence of non-performing loans. Furthermore, not all non-performing assets that emerged will immediately become losses, as they are adequately covered by collateral or guarantee, or, in accordance with the level of credit risk, by the reserve for possible loan losses.

Capital Adequacy Ratio (Calculated by domestic standards)

Years ended March 31, 2023, 2022, 2021, 2020 and 2019

	Millions of yen				
	2023	2022	2021	2020	2019
Total Capital	¥ 117,396	¥ 112,884	¥ 108,211	¥ 105,217	¥ 100,101
Total Risk Weighted Assets	1,384,845	1,384,337	1,332,098	1,334,721	1,282,556
Capital Adequacy Ratio	8.47%	8.15%	8.12%	7.88%	7.80%

Note: The standard for judging the suitability of the capital adequacy ratio of shinkin banks and the Federation of Shinkin Banks in light of their asset holdings (Financial Services Agency Notification No. 21 of 2006), based on Article 89-1 of the Shinkin Bank Law applied *mutatis mutandis* to the provisions of Article 14-2 of the Banking Law, was revised on March 8, 2013, and the Notification was applied following its revision from March 31, 2014.

Compliance with the New BIS Regulations

Calculation of the capital adequacy ratio complies with the new BIS regulations based on Basel II beginning with the fiscal year ended March 31, 2007 and Basel III beginning with the fiscal year ended March 31, 2014.

Under the BIS regulations, when calculating the capital adequacy ratio, the denominator includes total credit risk assets as before, but now the amount obtained by dividing operational risk equivalent assets by 8% is also added.

Operational risk is the risk of loss resulting from system fault, administrative error, or similar cause. There are three methods for calculating operational risk equivalent assets: (1) the basic indicator approach; (2) the standardized approach; and (3) the advanced measurement approach, but the Bank will use the basic indicator approach, where operational risk equivalent assets are equal to the average of 15% of annual gross profit for the most recent three years.

There are also three methods for calculating credit risk under the BIS regulations: (1) the standardized approach (2) the foundation internal rating-based approach (3) advanced internal ratings-based approach. From these the Bank selected the standardized approach.

Under Basel III, the numerator is now calculated as core capital composed of capital that is available to absorb losses on a going-concern basis with low liquidity assets such as intangible fixed assets deductible.

Problem Assets under the Financial Reconstruction Law Standard

Year ended March 31, 2023

	Millions of yen		
	Total amount (A)	Total Coverage amounts (B)	Coverage ratio (B)/A
Bankrupt and Quasi-Bankrupt Assets	¥ 7,677	¥ 7,667	100.00%
Doubtful Assets	36,716	29,464	80.24%
Substandard Loans	9,974	5,268	52.82%
Problem Assets under the Financial Reconstruction Law Standard	¥ 54,358	¥ 42,401	78.00%
Normal Assets	1,264,899		
Total	¥ 1,319,258		

Non-Consolidated Balance Sheets

The Johoku Shinkin Bank
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
ASSETS			
Cash and Due from Banks (Notes 2, 12 and 26)	¥ 631,192	¥ 799,894	\$ 4,726,967
Monetary Claims Purchased (Note 26)	3,274	3,710	24,526
Securities (Notes 3, 12, 26 and 27)	881,616	940,834	6,602,385
Loans and Bills Discounted (Notes 4, 26 and 28)	1,310,039	1,301,955	9,810,821
Foreign Exchange (Note 5)	1,933	2,314	14,482
Tangible Fixed Assets (Note 6)	41,654	41,253	311,949
Intangible Fixed Assets (Note 6)	1,129	1,184	8,458
Other Assets (Note 7)	18,659	18,851	139,742
Deferred Tax Assets (Note 29)	7,648	1,992	57,279
Customers' Liabilities for Acceptances and Guarantees (Note 13)	8,767	9,747	65,660
Reserve for Possible Loan Losses (Note 8)	(3,784)	(4,395)	(28,338)
Total Assets	¥2,902,132	¥3,117,342	\$21,733,935
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 9, 12 and 26)	¥2,667,715	¥2,668,092	\$19,978,397
Borrowed Money (Notes 10, 12 and 26)	—	198,800	—
Payables Under Securities Lending Transactions	99,034	100,659	741,664
Foreign Exchange (Note 5)	50	142	375
Other Liabilities (Note 11)	7,704	10,465	57,694
Reserve for Employee Bonuses	649	686	4,864
Reserve for Employee Retirement Benefits	1,711	2,169	12,813
Reserve for Executive Retirement Allowances	116	358	876
Reserve for Reimbursement of Deposits	19	42	147
Reserve for Contingencies	3	4	28
Deferred Tax Liabilities for Land Revaluation	4,010	4,010	30,036
Acceptances and Guarantees (Note 13)	8,767	9,747	65,660
Total Liabilities	2,789,783	2,995,179	20,892,558
Net Assets:			
Members' Equity:			
Share Capital (Note 14)	35,795	35,866	268,071
Capital Surplus (Note 14)	5,000	5,000	37,444
Retained Earnings (Note 15)	75,836	70,329	567,938
Disposal of Outstanding Equities	(1)	(1)	(8)
Total Members' Equity	116,631	111,194	873,445
Valuation, Translation Adjustments and Others:			
Unrealized Gains (Losses) on Other Securities (Notes 26 and 27)	(11,906)	3,469	(89,166)
Land Revaluation Excess	7,624	7,499	57,097
Total Valuation, Translation Adjustments and Others	(4,282)	10,968	(32,068)
Total Net Assets (Note 24)	112,349	122,162	841,376
Total Liabilities and Net Assets	¥2,902,132	¥3,117,342	\$21,733,935

The accompanying notes are an integral part of these financial statements.

Non-Consolidated Statements of Income and Retained Earnings

The Johoku Shinkin Bank
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income:			
Interest on:			
Interest on Loans and Bills Discounted (Note 16)	¥19,229	¥19,078	\$144,012
Interest on Due from Banks	801	947	6,003
Interest on Call Loans	34	1	259
Interest and Dividends on Securities	11,578	11,681	86,713
Other Interest Income	1,072	1,022	8,029
Fees and Commissions (Note 17)	3,526	3,499	26,412
Other Operating Income (Note 18)	88	112	663
Other Income (Note 19)	1,659	1,412	12,425
Total Income	37,992	37,753	284,520
Expenses:			
Interest on:			
Interest on Deposits	220	301	1,648
Provision for Reserve for Replenishing Benefits	0	4	7
Interest on Borrowings and Rediscounts	0	0	0
Interest on Payables under Securities Lending Transactions	9	10	74
Other Interest Expenses	15	18	116
Fees and Commissions (Note 17)	2,127	2,165	15,934
Other Operating Expenses (Note 20)	2,847	330	21,324
General and Administrative Expenses (Note 21)	22,685	23,458	169,893
Other Expenses (Note 22)	1,312	3,249	9,829
Total Expenses	29,220	29,538	218,828
Income Before Income Taxes (Note 23)	8,771	8,215	65,691
Income Taxes (Note 29):			
Current	2,166	1,891	16,222
Deferred	320	182	2,400
Total Income Taxes	2,486	2,074	18,623
Net Income (Note 24)	6,285	6,140	47,068
Unappropriated Earnings in Retained Earnings:			
Balance at Beginning of the Year	46,733	41,794	349,984
Transfer from Land Revaluation Excess	(125)	(132)	(936)
	52,893	47,802	396,116
Appropriations:			
Transfer to Legal Reserve	615	409	4,605
Dividends			
Common Shares (2.0% per year)	617	625	4,623
Preferred Shares (0.7% per year)	35	35	262
Total Appropriations	1,267	1,069	9,490
Balance at End of the Year (Note 31)	¥51,626	¥46,733	\$386,625

The accompanying notes are an integral part of these financial statements.

Notes to Non-Consolidated Financial Statements

The Johoku Shinkin Bank

1. Significant Accounting Policies

a. Basis of presentation

The accompanying financial statements of The Johoku Shinkin Bank (the Bank) are prepared in accordance with requirements of Shinkin Bank Law, Ordinance for Enforcement of Shinkin Bank Law and accounting principles generally accepted in Japan. The information for 2022 is for reference only and is not subject to audit.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued in Japan. All yen figures have been rounded down to millions of yen by dropping the final six digits. For convenience only, U.S. dollar amounts presented in the accompanying financial statements have been translated from yen at the rate of ¥133.53 to US\$1, the exchange rate prevailing in Tokyo on March 31, 2023.

b. Valuation of trading account securities

Trading account securities which are held for the short term in anticipation of market gains are recorded at fair value. Realized gains and losses on sales of such securities are computed using the moving-average method.

c. Valuation of securities

As for securities other than those in trading portfolio, debt securities that the Bank has the intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost using the moving-average method.

Investments in subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.

Securities excluding those classified as trading securities, held-to-maturity or investments in non-consolidated subsidiaries and affiliates are defined as other securities. Other securities that are valued at fair value as at the last day of the fiscal year. Non-marketable debt securities in other securities are carried at amortized cost using the moving-average method. Non-marketable equity securities in other securities are carried at cost using the moving-average method.

Unrealized gains and losses on other securities are reported on a net-of-tax basis within changes in equity from non-owner sources, which is a component of net assets.

d. Valuation of derivatives for nontrading purposes

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value.

e. Depreciation and amortization method

Tangible fixed assets are stated at cost less accumulated depreciation. Tangible fixed assets excluding Leased Assets of the Bank are depreciated using the declining-balance method. However, buildings acquired on or after April 1, 1998 excluding facilities installed in buildings, and facilities installed in buildings and structures that are acquired on or after April 1, 2016 are depreciated using the straight-line method.

The estimated useful lives of major items are as follows:

Buildings	10 to 50 years
Others	2 to 20 years

The amortization of the Bank's intangible fixed assets is computed by the straight-line method. Capitalized software for internal use is amortized by the straight-line method based on the Bank's estimate of useful life (five years).

Leased assets for finance lease transactions that transfer ownership in tangible fixed assets and intangible fixed assets are depreciated using the same method of depreciation applied to owned fixed assets. Moreover, leased assets for finance leases without transfer of ownership in tangible fixed assets and intangible fixed assets are mainly depreciated using the straight-line method over the lease term, assuming that there will be no residual value unless the residual value is guaranteed.

f. Foreign currency transactions

The financial statements of the Bank are maintained in or translated into Japanese yen. Foreign currency assets and liabilities are translated into yen at the prevailing rates on the Tokyo Foreign Exchange Market on the last business day of each fiscal year, and incorporated into the Bank's financial statements.

g. Reserve for possible loan losses

The reserve for possible loan losses of the Bank has been provided in accordance with the Bank's internal rules for establishing a reserve for possible loan losses.

Based on the results of the self-assessment, customers are classified into five categories: such as "Normal Borrowers," "Borrowers Requiring Caution," "Potentially Bankrupt Borrowers," "Effectively Bankrupt Borrowers" and "Bankrupt Borrowers," as defined by the report of the Japan Institute of Certified Public Accountants.

The reserve for possible loan losses was calculated based on the specific actual past loss ratio for Normal Borrowers and Borrowers Requiring Caution categories as a general reserve. Reserves for losses on loans of Potentially Bankrupt Borrowers are based on an overall evaluation of the estimated amount of recoveries from collateral or guarantees, and the borrowers' ability to meet their loan obligations. Reserves for losses on loans to Effectively Bankrupt Borrowers and Bankrupt Borrowers are calculated by deducting the estimated value of collateral or guarantees from those claims which remain after the write-offs. For collateral or guaranteed claims of Effectively Bankrupt

Borrowers and Bankrupt Borrowers, the amount exceeding the estimated value of collateral or guarantees was deducted, as deemed uncollectible, directly from those claims. The write-off amount was ¥12,077 million (US\$90,444 thousand) for the fiscal year ended March 31, 2023.

All claims are being assessed by the branches and the Management Department based on the Bank's internal rules for the self-assessment of asset quality. These assessments are verified by the Asset Auditing Group of the Inspection Department, a division independent from branches and the Management Department.

h. Reserve for employee bonuses

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to this fiscal year.

i. Reserve for employee retirement benefit

Under the terms of the Bank's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of reserve for employee retirement benefit is generally calculated based on length of service, basic salary at the time of retirement and reason for retirement.

In addition, the Bank has defined benefit pension plans which substantially cover all employees. Annual contributions, which consist of normal costs and amortization of prior service costs, are included in general and administrative expenses.

The reserve for employee retirement benefit is recorded based on actuarial computations of present values of the projected benefit obligation and pension assets, and employees' credited years of service at the balance sheet date. Prior service costs are amortized using the straight-line method over certain years (10 years) within the average remaining service period of active employees. Unrecognized net actuarial differences are amortized from the next fiscal year using the straight-line method over certain years (10 years) within the average remaining service period of active employees.

The Bank participates in a corporate pension plan (a general-type Employees' Pension Fund) set up by multiple businesses including *shinkin* banks, and as it is not possible to reasonably compute the amount of pension assets that corresponds to the Bank's contributions, the amount of contributions to the pension plan is treated as retirement benefit expenses.

The most recent data on the reserves of the corporate pension plan and the Bank's share in total contributions to the plan and supplementary explanations about them were as follows.

	Millions of yen		Thousands of US dollars
	2023	2022	2023
Latest calculation period-end	March 31, 2022	March 31, 2021	March 31, 2022
Pension plan assets	¥1,740,569	¥1,732,930	\$13,035,041
Related benefit obligation under the program	1,807,426	1,817,887	13,535,733
Difference, primarily resulting from unamortized past service cost (a)	(66,857)	(84,957)	(500,691)
Ratio of the Bank's contributions to the total contributions to the entire plan (b)	2.1676%	2.1207%	

(Supplementary explanations)

The principle factors in the balance in (a) above are ¥162,618 million (US\$1,217,838 thousand) in past service liabilities based on pension plan finance calculations and ¥95,760 million (US\$717,147 thousand) in reserve fund. The pension plan uses the equal payment fixed rate method for amortizing past service costs over a period of 19 years and 0 months, and the Bank charged ¥411 million (US\$3,082 thousand) in special premiums allocated to amortization in the financial statements for the fiscal year ended March 31, 2023.

As the amount of special premiums is computed by multiplying the amount of standard pay at the time of contributions by the predetermined premium rate, the percentage shown in (b) does not correspond to the actual ratio of contributions by the Bank.

j. Reserve for executive retirement allowances

The reserve for executive retirement allowances is calculated in accordance with the Bank's rules, and is equal to the amount that would be needed if all executives voluntarily retired at the end of the year.

k. Reserve for reimbursement of deposits

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

l. Reserve for contingencies

The reserve for contingencies is provided for future payments to credit guarantee companies based on the amount reasonably calculated.

m. Income on fees and commissions businesses

Income on fees and commissions businesses is revenue received as compensation for services rendered and is broken down into commissions on exchange transactions, other fees received, and

other fees and commissions. Of these, commissions on exchange transactions are those received from exchange operations and includes commissions based on domestic exchange operations, including remittances and collections, and commissions based on foreign exchange operations, such as export and import fees and foreign exchange remittance fees. As performance obligations related to exchange operations and other fees and commissions is generally satisfied at the same time the compensation is received, income is recognized in principle at a single point in time. With respect to fees related to commitment lines, though contract liabilities are recorded as unearned income and allocated on a pro rata basis over the period of use, there are no transactions where the performance of obligations exceeds one year.

n. Income taxes

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities and deficit carried forward.

o. Consumption taxes

National and local consumption taxes (hereafter, consumption taxes, etc.) are accounted for using the tax exclusive method. However, non-deductible consumption taxes, etc. related to tangible fixed assets are included in "other assets" and amortized on a straight-line basis over five years.

p. Significant Accounting Estimates

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Reserve for possible loan losses	¥3,784	¥4,395	\$28,338

The method for calculating the reserve for possible loan losses is described in g., above. The main assumption is the "outlook for the future performance of borrowers in determining the classification of borrowers." The outlook is established by individually evaluating each borrower's financial position, profitability, and the impact of the outbreak of COVID-19 on each borrower's business. If the assumptions used in the initial estimates change due to changes in the business performance of individual borrowers or outbreaks of COVID-19, there may be a material impact on the reserve for possible loan losses in the financial statements for the following fiscal year.

q. Land revaluation excess

Pursuant to the Enforcement Ordinance for the Act concerning Land Revaluation (the "Act"), effective March 31, 1998, the Bank recorded its own land at fair value on March 31, 1998. In accordance with the Act, net unrealized gains are reported in net assets separately as land revaluation excess, and the related deferred tax liabilities are reported in liabilities as deferred tax liabilities for land revaluation.

The excess of book value over current value was ¥4,411 million (US\$33,035 thousand) as of March 31, 2023 and ¥5,517 million as of March 31, 2022.

r. Monetary claims and other notes as of March 31, 2023

There are no monetary claims against directors or auditors as a result of transactions with directors and auditors.

Total capitalization of subsidiaries: ¥190 million (US\$1,422 thousand)

Total monetary claims against subsidiaries: ¥738 million (US\$5,531 thousand)

Total monetary liabilities to subsidiaries: ¥397 million (US\$2,977 thousand)

s. Changes in Accounting Policies

Application of ASB's Implementation Guidance on Accounting Standard for Fair Value Measurement revised 2021

The Bank applied the ASB Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (June 17, 2021; hereinafter referred to as the "Fair Value Measurement Standard") as of the beginning of the fiscal year ended March 31, 2023. In accordance with the transitional treatments specified in paragraph 27-2 of the Fair Value Measurement Standard, the Bank has applied the new accounting policy specified in the Fair Value Measurement Standard prospectively. As a result, Other Securities includes investment trusts to which paragraphs 24-3 and 24-9 of the Fair Value Measurement Standard applies, under which the net asset value is deemed to be the fair value.

2. Cash and Due from Banks

Cash and due from banks as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash	¥ 22,722	¥ 29,243	\$ 170,164
Due from Banks	608,469	770,650	4,556,803
Total	¥631,192	¥799,894	\$4,726,967

3. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
National Government Bonds	¥175,497	¥172,225	\$1,314,294
Local Government Bonds	122,407	147,167	916,700
Corporate Bonds	193,798	230,071	1,451,345
Stocks	26,780	24,804	200,559
Other Securities	363,132	366,564	2,719,485
Total	¥881,616	¥940,834	\$6,602,385

4. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bills Discounted	¥ 13,774	¥ 13,585	\$ 103,158
Loans on Bills	63,458	60,151	475,237
Loans on Deeds	1,225,210	1,220,994	9,175,542
Overdrafts	7,595	7,222	56,883
Total	¥1,310,039	¥1,301,955	\$9,810,821

Loans as defined by the Shinkin Bank Law and the Act on Emergency Measures for Revitalization of Financial Functions are presented below. Loans include corporate bonds in "securities" (limited to those issued in private placement of securities prescribed in Paragraph 3 of Article 2 in the Financial Instruments and Exchange Act, for which the redemption of the principal and payment of the interest are either partially or wholly guaranteed); loans and bills discounted; foreign exchange; as well as interest receivables, suspense payments, and customers' liabilities for acceptances and guarantees in "other assets" presented in the non-consolidated balance sheet; and securities loaned under a loan for use or lease contract recorded in the notes.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bankrupt and Quasi-Bankrupt Assets	¥ 7,667	¥ 7,677	\$ 57,425
Doubtful Assets	36,716	36,514	274,970
Loans Past Due Three Months or More	79	76	598
Restructured Loans	9,894	8,605	74,097
Total	¥54,358	¥52,874	\$407,091

Bankrupt and quasi-bankrupt assets are loans to debtors who have fallen into bankruptcy for certain specified reasons, including initiation of bankruptcy or reorganization proceedings, or submission of an application to initiate rehabilitation proceedings and equivalent assets.

Doubtful assets are those loans for which the loan principal is highly unlikely to be recovered and interest cannot be received according to the contract because of the financial difficulties and struggling business performance of debtors who are not yet bankrupt, excluding those loans classified as bankrupt and quasi-bankrupt assets.

Loans past due three months or more are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding those loans classified as bankrupt and quasi-bankrupt assets and doubtful assets.

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing arrangements favorable to the borrower in connection with the borrower's business restructuring or to otherwise provide support, excluding those loans classified as bankrupt and quasi-bankrupt assets, doubtful assets or loans past due three months or more.

The above loans are presented at the amounts prior to deduction of allowances for loan losses.

Bills discounted are treated as financial transactions in accordance with Treatment as per Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24). The Bank has rights to sell or (re) pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange positions bought without restrictions. Their total face value at March 31, 2023 and 2022 was ¥13,774 million (US\$103,158 thousand) and ¥13,585 million, respectively.

5. Foreign Exchange

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

a. Assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due from Foreign Banks	¥1,933	¥2,314	\$14,482
Total	¥1,933	¥2,314	\$14,482

b. Liabilities

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Foreign Bills of Exchange Sold	¥44	¥113	\$334
Foreign Bills of Exchange Payable	5	28	40
Total	¥50	¥142	\$375

6. Fixed Assets

Fixed assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Tangible Fixed Assets:			
Building	¥ 6,382	¥ 6,343	\$ 47,797
Land	32,597	32,411	244,118
Lease Assets	278	300	2,089
Construction in Progress	862	879	6,462
Other Tangible Fixed Assets	1,533	1,318	11,481
Total	¥41,654	¥41,253	\$311,949
Accumulated Depreciation	¥27,704	¥28,087	\$207,474
Intangible Fixed Assets:			
Software	¥ 403	¥ 482	\$ 3,022
Lease Assets	0	12	0
Other Intangible Fixed Assets	725	689	5,435
Total	¥ 1,129	¥ 1,184	\$ 8,458

7. Other Assets

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Domestic Exchange Settlement Account, Debit	¥ 855	¥ 738	\$ 6,407
Investment in the Shinkin Central Bank	12,465	12,465	93,353
Prepaid Expenses	77	73	578
Accrued Income	3,485	3,835	26,102
Derivative Financial Instruments	124	2	933
Others	1,651	1,736	12,367
Total	¥18,659	¥18,851	\$139,742

8. Reserve for Possible Loan Losses

Reserve for possible loan losses includes specific reserve for possible loan losses of ¥2,077 million (US\$15,561 thousand) and ¥2,236 million at March 31, 2023 and 2022, respectively.

9. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current Deposits	¥ 97,054	¥ 100,803	\$ 726,835
Ordinary Deposits	1,460,296	1,391,258	10,936,094
Savings Deposits	33,424	32,062	250,311
Deposits at Notice	1,497	1,103	11,211
Time Deposits	992,771	1,049,682	7,434,818
Installment Savings	64,136	71,894	480,314
Other Deposits	18,535	21,288	138,810
Total	¥2,667,715	¥2,668,092	\$19,978,397

10. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Borrowings from Other Banks	¥ —	¥198,800	\$ —
Total	¥ —	¥198,800	\$ —

11. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Domestic Exchange Settlement Account, Credit	¥1,032	¥ 927	\$ 7,730
Accrued Expenses	793	847	5,945
Reserve for Replenishing Benefits	13	17	99
Income Taxes Payable	1,286	1,070	9,636
Unearned Income	415	370	3,108
Unsettled Refunds	368	452	2,759
Deposits from Employees	1,206	1,202	9,037
Derivative Financial Instruments	1,059	4,187	7,933
Lease Obligations	302	329	2,263
Asset Retirement Obligations	61	230	462
Others	1,164	829	8,717
Total	¥7,704	¥10,465	\$57,694

12. Assets Pledged as Collateral

Assets pledged as collateral at March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets Pledged as Collateral			
Securities	¥163,768	¥212,531	\$1,226,458
Liabilities Corresponding to Assets Pledged as Collateral			
Deposits	6,438	6,245	48,218
Borrowed Money	—	198,800	—

Due from banks of ¥36,700 million (US\$274,844 thousand) as of March 31, 2023 and ¥37,200 million as of March 31, 2022, respectively, are secured as collateral for exchange settlement transactions or futures, etc. or as a substitute for margin money in futures transactions, etc.

13. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and Guarantees." As a contra account, "Customers' Liabilities for Acceptances and Guarantees" is shown under assets, representing the Bank's right of indemnity from the applicants.

14. Share Capital and Capital Surplus

The Bank issued ¥500 par value common shares with a minimum investment of ¥10,000 per member. The amount of common shares was ¥30,795 million (US\$230,626 thousand) as of March 31, 2023 and ¥30,866 million as of March 31, 2022.

Preferred shares which the Bank issued are included in share capital, and the value of preferred shares was ¥2,500 million (US\$18,722 thousand) as of March 31, 2023 and ¥2,500 million as of March 31, 2022.

Capital surplus is the portion which was not issued as share capital of the issued value of preferred shares. Capital surplus includes legal capital surplus of ¥5,000 million (US\$37,444 thousand) and ¥5,000 million at March 31, 2023 and 2022, respectively.

(Additional information)

Other shares includes ¥2,500 million (US\$18,722 thousand) transferred from preferred shares in response to the cancellation of preferred shares in accordance with the provisions of Article 15, paragraph 1, item 1 of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Law No. 44 of May 12, 1993).

15. Retained Earnings

The Shinkin Bank Law requires that an amount equal to at least 10 percent of each year's unappropriated profit shall be appropriated as a legal reserve until such reserve equals 100 percent of the Bank's stated capital.

This reserve is not available for dividends or capitalization. It may be used to only reduce a deficit, by resolution of the members.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Legal Reserve	¥13,207	¥12,592	\$ 98,906
Voluntary Reserve	11,003	11,003	82,406
Unappropriated Profits	51,626	46,733	386,625
Total	¥75,836	¥70,329	\$567,938

Voluntary reserves include a reserve for strengthening management foundation, a reserve for facility improvements, and a reserve for cancellation of preferred shares. The amount of reserve for strengthening management foundation was ¥1,000 million (US\$7,488 thousand) and ¥1,000 million at March 31, 2023 and 2022, respectively. The amount of reserve for facility improvements was ¥1,500 million (US\$11,233 thousand) and ¥1,500 million at March 31, 2023 and 2022, respectively. The amount of reserve for cancellation of preferred shares was ¥5,003 million (US\$37,472 thousand) and ¥5,003 million at March 31, 2023 and 2022, respectively.

16. Interest on Loans and Bills Discounted

Interest on Loans and Bills Discounted includes the amount of interest subsidies arising from the governmental Emergency Economic Measures to Cope with COVID-19 and Emergency Loans to Cope with the Ukraine Situation and Yen Depreciation.

17. Fees and Commissions

Fees and commissions for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Commission on Exchange Transactions	¥1,283	¥1,420	\$ 9,609
Other Fees and Commissions	2,243	2,079	16,802
Income on Fees and Commissions Businesses	¥3,526	¥3,499	\$26,412
Commission on Exchange Transactions	¥ 358	¥ 438	\$ 2,685
Other Fees and Commissions	1,769	1,727	13,249
Expenses on Fees and Commissions Businesses	¥2,127	¥2,165	\$15,934

Basic information for understanding income is presented in the notes to the non-consolidated financial statements, together with significant accounting policies.

18. Other Operating Income

Other operating income for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on Trading Account Securities Transactions	¥ 0	¥ 0	\$ 0
Gains on Sales of Bonds	16	—	122
Other	72	111	541
Total	¥88	¥112	\$663

19. Other Income

Other income for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on Reversal of Reserve for Possible Loan Losses	¥ 116	¥ —	\$ 869
Recoveries of Written-off Claims	903	928	6,767
Gains on Sales of Stocks and Other Securities	28	18	213
Gain on Disposal of Fixed Assets (Note 23)	551	371	4,130
Other	59	93	444
Total	¥1,659	¥1,412	\$12,425

20. Other Operating Expenses

Other operating expenses for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Losses on Foreign Exchange Transactions	¥2,793	¥201	\$20,922
Losses on Sales of Bonds	—	30	—
Losses on Redemption of Bonds	49	88	371
Other	4	9	30
Total	¥2,847	¥330	\$21,324

21. General and Administrative Expenses

General and administrative expenses for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Personnel Expenses	¥15,105	¥15,505	\$113,126
Nonpersonnel Expenses	6,769	7,171	50,696
Taxes	810	782	6,071
Total	¥22,685	¥23,458	\$169,893

22. Other Expenses

Other expenses for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Transfer to Reserve for Possible Loan Losses	¥ —	¥ 315	\$ —
Written-off of Loans	921	2,555	6,900
Losses on Sales of Stocks and Other Securities	80	92	605
Amortization of Other Assets	0	1	4
Losses on Disposal of Fixed Assets (Note 23)	185	176	1,389
Other	124	107	928
Total	¥1,312	¥3,249	\$9,829

23. Income Before Income Taxes

The multiple-step income statements for the fiscal years ended March 31, 2023 and 2022 in disclosure in Japan based on the Shinkin Bank Act standards were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Ordinary Income	¥37,440	¥37,382	\$280,389
Ordinary Expenses	29,034	29,361	217,439
Ordinary Profit	8,405	8,020	62,950
Extraordinary Income	551	371	4,130
Extraordinary Losses	185	176	1,389
Income Before Income Taxes	¥ 8,771	¥ 8,215	\$ 65,691

Extraordinary income includes gain on disposal of fixed assets of ¥551 million (US\$4,130 thousand) and ¥371 million for the fiscal years ended March 31, 2023 and 2022, respectively. Extraordinary losses includes losses on disposal of fixed assets of ¥185 million (US\$1,389 thousand) and ¥176 million for the fiscal years ended March 31, 2023 and 2022, respectively.

24. Per Share Data

Net assets per share and net income per share for the year ended March 31, 2023 and 2022 were as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net Assets per Share	¥1,742.43	¥1,897.43	\$13.048
Net Income per Share	101.71	98.33	0.761

25. Matters Concerning Financial Instruments

1) Policy for dealing with financial instruments

The Bank is involved in finance business including deposits, loans and also marketplace investments.

Therefore, the Bank performs comprehensive risk management of financial assets and liabilities to ensure that fluctuation in interest rates does not have a disadvantageous impact.

2) Nature and risk of financial instruments

The main financial assets of the Bank are loans to customers within its business district.

The Bank also holds securities, mainly bonds, investment trusts as well as stocks for held-to-maturity purposes or investment purposes.

These financial instruments involve issuers' credit risk, interest rate fluctuation risk, and market risk.

Foreign currency-denominated securities are also exposed to the risk of exchange rate fluctuations, but the Bank avoids this risk using such methods as currency swap transactions at the time of acquisition of the securities.

Meanwhile, financial liabilities are mainly deposits received from customers, which are exposed to liquidity risk.

3) Risk management systems for financial instruments

a) Credit risk management

In accordance with the management rules for credit risk, the Bank has established and operates structures for credit management that include credit screening for individual loans, the establishment of credit ceilings, management of credit information, assignment of guarantees and collateral, and measures against nonperforming loans.

Credit management is carried out by each of the Bank's branches as well as the Bank's Inspection Department. Senior management also regularly holds meetings of the Risk Management Committee and the Board of Directors for deliberation and reporting.

Credit risk related to securities issuers is managed by the International & Treasury Division, which regularly monitors credit information and market prices.

b) Market risk management

i. Interest rate risk management

The Bank uses the asset liability management (ALM) method to manage interest rate fluctuation risk.

The details of the risk management methods and procedures are clearly stipulated in the regulations and guidelines concerning ALM, and, based on the risk management policies determined by the ALM Committee, the Board of Directors monitors and confirms the implementation status and discusses future responses.

The interest rates and terms of financial assets and liabilities are identified in the Risk Management Division on a routine basis, and are monitored through interest rate sensitivity analysis and reported to the Risk Management Committee monthly.

ii. Exchange rate risk management

The Bank manages exchange rate fluctuation risk for individual financial assets and liabilities and applies deferral hedge accounting using currency swaps and other methods.

iii. Market price fluctuation risk management

Holdings of market investment instruments including securities are managed in accordance with the fundraising and investment rules under the supervision of the Board of Directors.

The International & Treasury Division purchases market investment instruments and attempts to mitigate market price fluctuation risk through continuous monitoring and the setting of investment limits.

iv. Derivative transactions

The basic principles of the fundraising and investment rules stipulate that the Bank primarily performs derivative transactions for the hedging of its own ALM positions, and such transactions are performed prudently.

v. Quantitative information regarding market risk

The Bank measures the market risk amount of securities, deposits and other financial assets and liabilities monthly using the value at risk (VaR) analysis and ensures that the acquired risk amount is within the range of its risk limits.

The Bank's VaR is calculated according to the variance-covariance method (holding period conditions: 1 year; confidence interval: 99%; observation period: 1 year). As of March 31 2023, the Bank's interest rate risk was ¥22,652 million (US\$169,644 thousand), the equity risk was ¥7,231 million (US\$54,159 thousand), the credit risk was ¥4,136 million (US\$30,975 thousand), and the exchange rate risk was ¥188 million (US\$1,415 thousand), for a total risk amounting to ¥34,209 million (US\$256,195 thousand).

The Bank executes backtesting to verify the validity of the VaR measurement model. However, the VaR measures the market risk amount with a certain probability that is calculated statistically based on historical market movements, and therefore, VaR may be unable to determine risk in the case of unexpectedly drastic change in the market environment.

c) Management of liquidity risk related to fundraising

The Bank manages liquidity risk through ALM based on such activities as managing its cash position in a timely manner, diversifying fundraising methods, and adjusting the balance between short- and long-term fundraising in line with the market environment.

4) Supplementary explanations of matters relating to the fair values of financial instruments

In addition to values based on market price, the fair values of financial instruments shown in these statements include values based on reasonable estimates when no market prices are available. Since value estimates are based on certain assumptions, the values may vary if the assumptions change.

26. Fair Value of Financial Instruments

With respect to amounts recorded on the Bank's non-consolidated balance sheet at March 31, 2023, the fair values and net unrealized gains (losses) of financial instruments were as follows. Stocks, etc. and investments in partnerships without market prices are not included in the following table. Notes are omitted for cash, foreign exchange (assets/liabilities) and payables under securities lending transactions as the fair value approximates the book value since they are settled within a short period of time.

In addition, immaterial items have also been omitted.

	Millions of yen		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31, 2023			
Due from Banks	¥ 608,469	¥ 604,553	¥(3,916)
Monetary Claims Purchased	3,274	3,277	—
Less: Reserve for Possible Loan Losses (*1)	(0)	—	—
Net Monetary Claims Purchased	3,274	3,277	2
Securities:			
Bonds Classified as Held-to-Maturity	1,382	1,392	9
Other Securities (*2)	879,832	879,832	—
Total Securities	881,215	881,224	9
Loans and Bills Discounted	1,310,039	1,314,874	—
Less: Reserve for Possible Loan Losses (*3)	(3,510)	—	—
Net Loans and Bills Discounted	1,306,528	1,314,874	8,346
Total Assets	¥2,799,488	¥2,803,929	¥ 4,440
Deposits	¥2,667,715	¥2,667,919	¥ 204
Borrowed Money	—	—	—
Total Liabilities	¥2,667,715	¥2,667,919	¥ 204
Derivative Transactions (*4)			
Hedge Accounting Not Applied	¥ (934)	¥ (934)	¥ —
Hedge Accounting Applied	—	—	—
Total Derivatives	¥ (934)	¥ (934)	¥ —

March 31, 2023	Thousands of U.S. dollars		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Due from Banks	\$ 4,556,803	\$ 4,527,471	\$(29,332)
Monetary Claims Purchased	24,526	24,542	
Less: Reserve for Possible Loan Losses (*1)	(0)		
Net Monetary Claims Purchased	24,525	24,542	16
Securities:			
Bonds Classified as Held-to-Maturity	10,355	10,424	69
Other Securities (*2)	6,589,025	6,589,025	—
Total Securities	6,599,380	6,599,450	69
Loans and Bills Discounted	9,810,821	9,847,035	
Less: Reserve for Possible Loan Losses (*3)	(26,290)		
Net Loans and Bills Discounted	9,784,531	9,847,035	62,503
Total Assets	\$20,965,240	\$20,998,499	\$ 33,258
Deposits	\$19,978,397	\$19,979,927	\$ 1,530
Borrowed Money	—	—	—
Total Liabilities	\$19,978,397	\$19,979,927	\$ 1,530
Derivative Transactions (*4)			
Hedge Accounting Not Applied	\$ (7,000)	\$ (7,000)	\$ —
Hedge Accounting Applied	—	—	—
Total Derivatives	\$ (7,000)	\$ (7,000)	\$ —

(*1) Reserve for possible loan losses corresponding to monetary claims purchased is deducted here.

(*2) Other Securities includes investment trusts to which paragraphs 24-3 and 24-9 of ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (June 17, 2021) applies, under which the net asset value is deemed to be the fair value.

(*3) Reserve for possible loan losses corresponding to loans and bills discounted is deducted here.

(*4) Derivative transactions stated in other assets and liabilities are shown here collectively. Net receivables or payables derived from derivatives are presented on a net basis.

1) Calculation method for fair values of financial instruments

Financial Assets

a) Due from banks

For due from banks without maturity, the carrying amount is presented as fair value because it approximates fair value. The fair value of due from banks with maturity classified by its remaining maturity is estimated by discounting at the applicable discount rate for new similar transactions. For due from banks with maturity that includes derivative transactions, the fair value is the price provided by the financial institution.

b) Monetary claims purchased

The fair value of monetary claims purchased for investment purposes is based on the price provided by the financial institution. The fair value of other monetary claims purchased is the amount obtained by deducting an amount corresponding to credit risk from the carrying amount.

c) Securities

The fair values of equities are based on their market prices quoted on the stock exchange, while the fair values of bonds are based on either market prices or prices obtained from financial institutions. The fair values of investment trust funds are based on their published reference prices.

Notes on securities classified by the purpose for which they are held are listed in 1) through 6) of note 27.

d) Loans and bills discounted

Among loans to Normal Borrowers and Borrowers Requiring Caution, the carrying amount of bills discounted, notes receivable, and overdrafts is presented as fair value because it approximates fair value, reflecting market interest rates in the short term. For loans on deed, fair values are estimated by discounting the total amount of principal and interest at the profitable interest rate calculated based on the procurement cost and credit cost for each category of the type of loan, internal rating, and term of loan.

For loans to Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Potentially Bankrupt Borrowers, the reserve amount for possible loan losses is estimated based on the forecasted recoverable amounts of collateral and guarantees. So their fair values approximate their balance sheet amount minus the reserve amount, and that amount is the figure used in this statement as the fair value.

Financial Liabilities

a) Deposits

For on-demand deposits, the amount payable on demand as of the closing date (book value) is considered to be the fair value. Time deposits are classified by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for newly accepted deposits.

b) Borrowed money

Because borrowed money for a short term reflects market interest rates, the fair value approximates the book value, so the Bank uses the book value as the fair value.

Derivative transactions

Derivative transactions are currency-related transactions (forward exchange contracts), and the fair values are based on a value calculated using the discounted present value.

2) The non-consolidated balance sheet amounts of stocks and investments in partnerships with no market price are as follows. These are not included in information on the fair value of financial instruments.

March 31, 2023	Millions of yen		Thousands of U.S. dollars	
	Non-consolidated balance sheet amount		Non-consolidated balance sheet amount	
Stocks of Subsidiaries (*1)	¥ 190		\$ 1,422	
Unlisted Stocks (*1)	168		1,261	
Investment in the Shinkin Central Bank (*1)	12,465		93,353	
Investments in Partnerships (*2)	42		320	
Total	¥12,866		\$96,358	

(*1) Stocks of subsidiaries, unlisted stocks, and investment in the Shinkin Central Bank are not subject to fair value disclosure in accordance with Paragraph 5 of ASBJ Guidance No. 19 Implementation Guidance on Disclosures about Fair Value of Financial Instruments (March 31, 2020).

(*2) Investments in partnerships are not subject to fair value disclosure in accordance with Paragraph 24-16 of ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (June 17, 2021).

3) Redemption schedule for money claims and other securities with maturity dates after the non-consolidated balance sheet date

March 31, 2023	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Due from Banks (*1)	¥488,969	¥ 66,000	¥ 500	¥ 53,000
Monetary Claims Purchased (*2)	1,613	1,539	—	—
Securities	122,217	271,933	329,132	67,644
Bonds Classified as Held-to-Maturity	—	130	—	1,252
Other Securities with Maturity Dates	122,217	271,803	329,132	66,391
Loans and Bills Discounted (*3)	267,513	433,500	248,742	346,920
Total	¥880,314	¥772,522	¥578,374	¥467,564

March 31, 2023	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Due from Banks (*1)	\$3,661,873	\$ 494,270	\$ 3,744	\$ 396,914
Monetary Claims Purchased (*2)	12,079	11,525	—	—
Securities	915,281	2,036,496	2,464,859	506,586
Bonds Classified as Held-to-Maturity	—	973	—	9,381
Other Securities with Maturity Dates	915,281	2,035,522	2,464,859	497,205
Loans and Bills Discounted (*3)	2,003,396	3,243,092	1,862,819	2,598,070
Total	\$6,592,631	\$5,785,385	\$4,331,422	\$3,501,571

(*1) On-demand deposits are included in due from banks within 1 year.

(*2) Monetary claims purchased that have no definite term are not included.

(*3) Loans and bills discounted does not include indefinite-term delinquent loans or loans and bills for which no term has been set.

4) Repayment schedule for borrowed money and other interest-bearing debts after the non-consolidated balance sheet date

March 31, 2023	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Deposits (*)	¥2,507,335	¥160,000	¥8	¥371
Borrowed Money	—	—	—	—
Total	¥2,507,335	¥160,000	¥8	¥371

March 31, 2023	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Deposits (*)	\$18,777,317	\$1,198,234	\$65	\$2,780
Borrowed Money	—	—	—	—
Total	\$18,777,317	\$1,198,234	\$65	\$2,780

(*) On-demand deposits are included in deposits due within 1 year.

27. Fair Value of Marketable Securities

The fair value and unrealized holding gains (losses) of marketable securities as of March 31, 2023, were as follows.

In addition to securities in the non-consolidated balance sheets and trading account securities are included in the following amounts:

1) Securities classified as trading

March 31, 2023	Millions of yen
Securities Classified as Trading	Gains included in profit/loss ¥—

March 31, 2023	Thousands of U.S. dollars
Securities Classified as Trading	Gains included in profit/loss \$—

2) Bonds classified as held-to-maturity

March 31, 2023	Millions of yen		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with Unrealized Gains:			
National Government Bonds	¥ —	¥ —	¥—
Local Government Bonds	—	—	—
Corporate Bonds	1,252	1,262	9
Other Securities	—	—	—
Subtotal	1,252	1,262	9
Bonds with Unrealized Losses:			
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	130	130	—
Other Securities	—	—	—
Subtotal	130	130	—
Total	¥1,382	¥1,392	¥ 9

March 31, 2023	Thousands of U.S. dollars		
	Non-consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with Unrealized Gains:			
National Government Bonds	\$ —	\$ —	\$ —
Local Government Bonds	—	—	—
Corporate Bonds	9,381	9,451	69
Other Securities	—	—	—
Subtotal	9,381	9,451	69
Bonds with Unrealized Losses:			
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	973	973	—
Other Securities	—	—	—
Subtotal	973	973	—
Total	\$10,355	\$10,424	\$69

3) Other securities

March 31, 2023	Millions of yen		
	Non-consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other Securities with Unrealized Gains:			
Stocks	¥ 20,510	¥ 12,933	¥ 7,577
Bonds	207,852	206,475	1,376
National Government Bonds	56,846	56,462	384
Local Government Bonds	68,049	67,579	470
Corporate Bonds	82,955	82,433	521
Other Securities	90,047	76,967	13,080
Subtotal	318,410	296,375	22,035
Other Securities with Unrealized Losses:			
Stocks	5,911	6,605	(693)
Bonds	282,468	292,606	(10,137)
National Government Bonds	118,651	121,291	(2,640)
Local Government Bonds	54,357	56,048	(1,691)
Corporate Bonds	109,459	115,265	(5,806)
Other Securities	273,042	300,779	(27,737)
Subtotal	561,421	599,991	(38,569)
Total	¥879,832	¥896,366	¥(16,534)

(*) Net unrealized losses on other securities of ¥11,906 million (after deducting ¥4,627 million in deferred tax assets from the above ¥16,534 million in net unrealized losses) are included in "Unrealized Gains on Other Securities."

March 31, 2023	Thousands of U.S. dollars		
	Non-consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other Securities with Unrealized Gains:			
Stocks	\$ 153,605	\$ 96,855	\$ 56,750
Bonds	1,556,594	1,546,286	10,308
National Government Bonds	425,721	422,842	2,879
Local Government Bonds	509,622	506,101	3,520
Corporate Bonds	621,250	617,342	3,907
Other Securities	674,364	576,403	97,960
Subtotal	2,384,564	2,219,545	165,019
Other Securities with Unrealized Losses:			
Stocks	44,269	49,464	(5,195)
Bonds	2,115,390	2,191,313	(75,922)
National Government Bonds	888,572	908,348	(19,775)
Local Government Bonds	407,078	419,744	(12,665)
Corporate Bonds	819,740	863,221	(43,481)
Other Securities	2,044,800	2,252,526	(207,726)
Subtotal	4,204,460	4,493,305	(288,844)
Total	\$6,589,025	\$6,712,850	\$ (123,825)

(*) Net unrealized losses on other securities of US\$89,166 thousand (after deducting US\$34,658 thousand in deferred tax assets from the above US\$123,825 thousand in net unrealized losses) are included in "Unrealized Gains on Other Securities."

4) Bonds sold during fiscal year ended March 31, 2023 that are classified as held-to-maturity

There are no applicable items.

5) Other securities sold during the fiscal year ended March 31, 2023

March 31, 2023	Millions of yen		
	Sales amount	Gains on sale	Losses on sale
Stocks	¥421	¥28	¥80
Bonds	—	—	—
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	—	—	—
Other Securities	80	16	—
Total	¥502	¥44	¥80

March 31, 2023	Thousands of U.S. dollars		
	Sales amount	Gains on sale	Losses on sale
Stocks	\$3,157	\$213	\$605
Bonds	—	—	—
National Government Bonds	—	—	—
Local Government Bonds	—	—	—
Corporate Bonds	—	—	—
Other Securities	602	122	—
Total	\$3,760	\$335	\$605

6) Impairment of Securities

There are no applicable items.

7) Money held in trust classified as trading

There are no applicable items.

8) Money held in trust classified as held-to-maturity

There are no applicable items.

9) Other money held in trust

There are no applicable items.

10) ¥99,931 million (US\$748,382 thousand) in securities lent under repurchase transactions are included in National Government Bonds.

28. Loan Commitments

Commitment line contracts on overdrafts and loans are legally binding agreements to lend to customers up to a prescribed amount when they apply to borrow, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥104,335 million (US\$781,365 thousand), and the amount of unused commitments whose remaining contract terms are within one year was ¥20,047 million (US\$150,134 thousand) as of March 31, 2023.

As many of these contracts terminate with no money lent, the amount of unused commitments itself does not necessarily affect the Bank's future cash flow. Many of the contracts contain clauses that allow the Bank to reject a loan application or to reduce the amount lent in the event of changes to financial circumstances, the need for protection of receivables, or other adequate reason. In addition, at the time a contract is signed, the Bank secures collateral such as real estate and marketable securities as necessary, and during the contract period, regularly monitors the business conditions of the customer in accordance with its internal standard procedures, reviews the contract as necessary, and takes credit protection measures.

29. Deferred Tax Assets and Liabilities

Significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred Tax Assets:			
Reserve for Possible Loan Losses	¥ 3,143	¥ 3,263	\$ 23,545
Losses on Impairment of Fixed Assets	532	533	3,986
Accrued Interest	32	34	246
Reserve for Employee Bonuses	181	192	1,361
Reserve for Employee Retirement Benefits	478	607	3,586
Reserve for Executive Retirement Allowances	32	100	245
Accrued Business Tax	134	116	1,004
Unrealized Gains on Other Securities	4,627	—	34,658
Others	378	248	2,836
Subtotal	9,543	5,096	71,470
Valuation Allowances	(1,892)	(1,752)	(14,172)
Total Deferred Tax Assets	¥ 7,650	¥ 3,344	\$ 57,297
Deferred Tax Liabilities:			
Unrealized Gains on Other Securities	¥ —	¥ 1,348	\$ —
Others	2	2	18
Total Deferred Tax Liabilities	¥ 2	¥ 1,351	\$ 18
Net Deferred Tax Assets	¥ 7,648	¥ 1,992	\$ 57,279

30. Related Party Transactions

During the years ended March 31, 2023 and 2022, the Bank had operational transactions with its subsidiaries. A summary of the material transactions with its subsidiaries for the years ended March 31, 2023 and 2022 were as follows.

For the Fiscal Year:	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating Revenue	¥114	¥102	\$ 856
Operating Expenses	562	541	4,210

31. Subsequent Events

The following appropriation of retained earnings applicable to the year ended March 31, 2023, was approved at the members' meeting held on June 27, 2023.

	Millions of yen	Thousands of U.S. dollars
	Unappropriated Retained Earnings at End of the Year	¥51,626
Appropriations:		
Legal Reserve	629	4,710
Dividends		
Common Shares (2.0% per year)	617	4,612
Preferred Shares (0.7% per year)	35	262
Voluntary Reserve	14	108
Unappropriated Retained Earnings Carried Forward	¥50,331	\$376,931

Independent Auditor's Report

To the Board of Directors of The Johoku Shinkin Bank

Opinion

We have audited the accompanying non-consolidated financial statements of The Johoku Shinkin Bank, which comprise the non-consolidated balance sheet as at March 31, 2023, and the non-consolidated statements of income and retained earnings for the year then ended, and notes to non-consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, in accordance with the requirements of Shinkin Bank Law, Ordinance for Enforcement on Shinkin Bank Law and accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying 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 1 to non-consolidated financial statements.

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 Financial Statements section of our report. We are independent of The Johoku Shinkin Bank in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

The other information comprises the information included in business report and the annexed detailed statements accompanying them. Management is responsible for the other information. Supervisory Board Member are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's other information reporting process.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Supervisory Board Member for the Financial Statements

Management is responsible for the preparation of these non-consolidated financial statements in accordance with the Shinkin Bank Act and its enforcement regulations and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Supervisory Board Member are responsible for overseeing the the Shinkin Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, of which selection and application depend on the auditor's judgment, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Johoku Shinkin Bank'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 Johoku Shinkin Bank'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 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 Johoku Shinkin Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, as well as whether the presentation and disclosures of the financial statements conform to accounting principles generally accepted in Japan.

We communicate with Supervisory Board Member 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, 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.

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 Johoku Shinkin Bank which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroshi Tsurumi
Designated Engagement Partner
Certified Public Accountant

Hiroshi Tsurumi 

Keita Kawashima
Designated Engagement Partner
Certified Public Accountant

Keita Kawashima 

Grant Thornton Taiyo LLC
Tokyo, Japan
October 31, 2023

Grant Thornton Taiyo LLC

Five-Year Summary (Non-Consolidated Basis)

The Johoku Shinkin Bank

Years ended March 31, 2023, 2022, 2021, 2020 and 2019

	Millions of yen					Thousands of U.S. dollars
	2023	2022	2021	2020	2019	2023
For the Years Ended March 31						
Total Income	¥ 37,992	¥ 37,753	¥ 36,741	¥ 36,519	¥ 37,500	\$ 284,520
Interest on Loans and Bills Discounted	19,229	19,078	18,939	18,529	18,928	144,012
Interest and Dividends on Securities	11,578	11,681	11,133	10,717	10,857	86,713
Total Expenses	29,220	29,538	31,074	31,159	31,726	218,828
Income Before Income Taxes	8,771	8,215	5,666	5,359	5,774	65,691
Net Income	6,285	6,140	4,084	3,912	4,079	47,068
As of March 31						
Total Assets	¥2,902,132	¥3,117,342	¥2,953,933	¥2,735,609	¥2,728,824	\$21,733,935
Securities	881,616	940,834	905,726	812,888	759,129	6,602,385
Loans and Bills Discounted	1,310,039	1,301,955	1,282,126	1,209,066	1,210,996	9,810,821
Total Liabilities	2,789,783	2,995,179	2,823,617	2,623,612	2,609,839	20,892,558
Deposits	2,667,715	2,668,092	2,643,369	2,483,910	2,464,535	19,978,397
Total Net Assets	112,349	122,162	130,316	111,997	118,985	841,376
Number of Branches	90	90	94	95	95	
Number of Employees	1,864	1,892	1,930	1,939	1,962	
Deposits						
Per Branch	¥ 29,641	¥ 29,645	¥ 28,120	¥ 26,146	¥ 25,942	\$ 221,982
Per Employee	1,431	1,410	1,369	1,281	1,256	10,718
Loans and Bills Discounted						
Per Branch	14,555	14,466	13,639	12,727	12,747	109,009
Per Employee	702	688	664	623	617	5,263

Notes: Figures stated in U.S. dollars are translated solely for convenience at ¥133.53 to U.S.\$1, the rate prevailing on March 31, 2023.

Supplemental Consolidated Financial Information (Unaudited)

The Johoku Shinkin Bank and Consolidated Subsidiaries

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
For the Fiscal Year:			
Total Income	¥ 38,027	¥ 37,792	\$ 284,784
Total Expenses	29,209	29,567	218,749
Income Before Income Taxes and Others	8,817	8,225	66,035
Profits Attributable to Owners of Parent	6,306	6,135	47,226
At Year-End:			
Deposits	¥2,667,345	¥2,667,772	\$19,975,626
Loans and Bills Discounted	1,309,704	1,301,578	9,808,315
Securities	881,426	940,644	6,600,962
Total Assets	2,901,865	3,117,085	21,731,936
Total Net Assets	112,387	122,180	841,667
Per Share Data:			
	Yen		U.S. dollars
Earnings Per Share (EPS)	¥ 102.05	¥ 98.24	\$ 0.764
Book-value Per Share (BPS)	1,743.06	1,897.72	13.053

Notes: 1. The supplemental consolidated financial information includes the accounts of the Bank and its three consolidated subsidiaries as of March 31, 2023.

2. Figures stated in U.S. dollars are translated solely for convenience at ¥133.53 to U.S.\$1, the rate prevailing on March 31, 2023.

Board of Directors and Auditors

As of June 27, 2023

President

Kotaro Omae

Senior Managing Director

Yuji Ishikawa

Managing Directors

Naoki Terada

Chiharu Yaginuma

Directors

Harunobu Edamura

Yoshinao Hamada

Akihiro Oyamada

Toshiaki Hosoya

Akihiko Taguchi

Tomokazu Maruyama

Takeshi Suzuki

Masakazu Sasaki (external)

Statutory Auditor

Masashi Sakamaki

Auditor

Takahiko Tai (external)

Bank Data

As of March 31, 2023

Date of Establishment:

May 31, 1921

Common Shares (Paid-in Capital):

¥35,795 million

(Preferred Shares: ¥2,500 million)

Number of Members:

150,742

Number of Branches:

90

Number of Employees and Officers:

1,874

Head Office:

79-7, Arakawa 3-chome, Arakawa-ku,

Tokyo 116-0002, Japan

International & Treasury Division:

11-1, Toshima 1-chome, Kita-ku,

Tokyo 114-8521, Japan

Telephone: (03) 3913-4687

Facsimile: (03) 3913-1263

Swift BIC: OJIS JP JT



JOHOKU SHINKIN BANK

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