

TOHO BANK INTEGRATED REPORT 2023

Integrated Report Disclosure Magazine <Main Volume>



For the Sake of Our Communities

The Toho Bank, Ltd.

Corporate Philosophy

Social Mission

Focusing on the community, together with the community

We will progress while focusing on the region, together with the region, making our best efforts to develop Fukushima and create abundant lives for customers with comprehensive financial services.

Management Approach

For customer satisfaction

Based on an enterprising, progressive spirit and a sound approach, we will work hard for customer satisfaction by being a living organization that understands our customers.

Code of Conduct

With new sensibilities and flexible ideas

We will take joy in loving our home of Fukushima, improving ourselves with new sensibilities and a flexible way of thinking, and answering to customers' trust.

Editorial Policy

Toho Bank has now created the TOHO BANK INTEGRATED REPORT 2023 (Integrated Report; Disclosure Magazine <Main Volume>). The report links non-financial information such as our corporate philosophy, strategies, and SDGs/ESG information with financial information, concerning the International <IR> Framework offered by the International Integrated Reporting Council (IIRC) and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation, as well as compiles the Bank's and regional society's efforts toward sustainable growth in an integrated manner. In addition, the report serves as disclosure material (explanatory documents about the business and financial condition) based on Article 21 of the Banking Act. Please refer to the Disclosure Magazine <Supplementary Volume> (published on the Bank's website [<https://www.tohobank.co.jp/english.html>]) in addition to this report when using this information as a disclosure magazine.



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Cautionary Note Regarding Future Outlook

This report contains descriptions of the Bank's future results and plans. As these descriptions are written hypothetically based on information available at the time of writing the document, predictions of impact on future results, and uncertain factors, they do not guarantee the Bank's future results. Actual results may vary significantly due to a variety of factors.

Message from the President

President *Minoru Sato*

A History of Facing Crises

Toho Bank was formed in November 1941, on the eve of the Pacific War. At that time, the aftermath of the Showa Financial Crisis and wartime controls had led to the failure of approximately 30 banks in Fukushima Prefecture, so we were established through the merger of our three predecessors, Koriyama Commercial Bank, Aizu Bank, and Shirakawa Seya Bank, in order to meet the expectations of the local community who needed a strong bank to protect the region. In April each year, I explain the background behind our establishment at a welcome ceremony for new employees. This is because it is a story that explains the reason for our existence.

This year will be the 82nd since our establishment and over these years, we have experienced many major crises, including the Pacific War, the chaotic period following World War II, the collapse of Japan's economic bubble, and the Great East Japan Earthquake in 2011 and subsequent accident at the Tokyo Electric Power Co.'s Fukushima Daiichi Nuclear Power Plant.

In each case, we were there to support the Fukushima economy. In particular, during the restoration and recovery from the disaster and nuclear accident 12 years ago, our employees put their actual lives at risk and grew even closer to the local community. This is something that we could only achieve because of our feelings toward the community. However, we still have a way to go before we can say that Fukushima has truly recovered.

We believe that our activities to date, as well as the initiatives we will pursue going forward, provide us with expertise that we can use to support the region. In fact, in the year since the earthquake, many of our new recruits joined the bank due to their desire to work for the benefit of Fukushima and to support recovery efforts. I believe that one of our greatest strengths is that so many of our employees have this kind of motivation.

Initiatives Leading to the Creation of a New Platform for Industry

Fukushima Prefecture is an area with great potential. Although the area covered by the prefecture is vast, each of the Hamadori, Nakadori, and Aizu regions contain a share of its attractions, including nature, history, culture, agricultural and aquatic produce, industry, commerce, and tourism. For example, despite the reputational damage suffered because of the nuclear accident, Fukushima is one of the leading producers of many agricultural and aquatic products in Japan. This is because highways and bullet train lines provide great access to not only the Tokyo Metropolitan area, but also the Sea of Japan coast, making it easy to send shipments to major consumer markets.

As a result, Fukushima Prefecture has launched several initiatives with the aim of becoming a hub for leading edge technologies, and the Bank has been deeply involved in each of these initiatives.

Examples include the establishment of the Fukushima institute for Research, Education and Innovation (F-REI) in Namie Town in April 2023 and the Fukushima Innovation Coast Framework which was launched in Minamisoma City in 2014. These are national projects to realize the reconstruction of Fukushima and other Tohoku regions, to contribute to enhancing Japan's scientific and technological capabilities and industrial competitiveness, and to create a world-renowned central institute for "creative reconstruction." We dispatch Bank employees to the governing body of the Fukushima Innovation Coast Framework to take charge of building relationships with local companies. We also believe it is our role to help develop the research being advanced at F-REI by forging links to local companies.

We are also involved in the initiatives for realizing Smart City Aizuwakamatsu which have been advanced by Aizuwakamatsu City since 2013. We are one of the members of an industrial-governmental-academic collaboration, along with the University of Aizu and private sector companies, that is carrying out various experiments using digital technology to realize a digital garden city. In May 2023, Aizuwakamatsu City was selected as a "leading area" for decarbonization due to its efforts to stay ahead of governmental decarbonization targets for the fiscal year ending March 31, 2031, and the Bank was one of the joint signatories on the application alongside other relevant organizations.

In 2016, the Fukushima Medical Device Development Support Centre opened in Koriyama City, attracting the attention of people in the healthcare field both in Japan and overseas. The establishment of the center was one of the driving forces behind Fukushima Prefecture becoming a hub for the manufacture of precision medical devices and Fukushima Prefecture is now one of Japan's leading producers of healthcare equipment in terms of shipment amounts. In April 2023, the Bank, together with other Fukushima-based regional financial institutions and companies, put even more support behind the prefecture's medical device industry by establishing an investment fund that will target companies and entrepreneurs in Fukushima Prefecture who are engaged in the development and manufacture of healthcare and social welfare equipment.

Each of these initiatives is being advanced in Fukushima Prefecture right now with the intent to realize a recovery that will put the prefecture in an even better position than it was in before the disaster. We think that their incorporation of leading edge technologies will create a new platform for local industry. Therefore, we will give them our full support, not only through financing, but also by providing manpower and expertise.

A Medium-Term Management Plan Centered on Three Drivers of Growth

Looking at our financial results after the earthquake, I think you can see that demand created by recovery efforts directly after the earthquake created a kind of bubble effect. However, in the seventh year after the earthquake, there was a rebound, and profits took a downward turn. Now 12 years have passed since the earthquake and nuclear accident, and the situation has calmed down. That means the Bank's true recovery starts here.

Message from the President

When I was appointed as the President in June 2020, we were truly in a position to start heading toward the next post-disaster stage. When we formulated the 17th medium-term management plan, which started in the fiscal year ended March 31, 2022, and the Long-Term Vision focused on 10 years into the future, we started by reaffirming the Bank's reason for existence. That is to transform into a company that contributes to the regional community, as stated in the Long-Term Vision.

Our medium-term management plan, named the Toho "Kagayaki" Plan, aims to realize the three "kagayaki" (Japanese for "shining") goals of enabling the region and customers to shine, enabling employees to shine, and enabling the Bank to shine. To achieve the plan, we have positioned three drivers for growth. The first driver of growth is deepening traditional core business (fund management), the second driver of growth is enhancement of consulting in a wide range of areas, and the third driver of growth is exploring new business areas.

We have made invigorating the region into our core policy and the reason for our existence, and we have committed to taking on the challenge of developing our business beyond the boundaries of the financial services business area.

We provide consulting services that benefit the community. If our customers can lead their lives with peace of mind, it contributes to our own corporate growth, so our current medium-term management plan ensures that we put customers first and thoroughly check if there is anything we can do for them.

The fiscal year ending March 31, 2024 is the final year of the current plan, and I think our most noteworthy achievement over these three years was that we always returned to the Long-Term Vision and checked whether we were truly contributing to the regional community.

Establishing a Dedicated Subsidiary for Consulting Operations

In the fiscal year ended March 31, 2022, we worked to enhance consulting in a wide range of areas, the second driver of growth, by strengthening consulting operations in areas including corporate management plan formulation, personnel system formulation, subsidy applications, SDGs support, and succession measures for individual customers.

Since then, we have further evolved this initiative by expanding consulting operations through a subsidiary.

As part of this, we established Toho Consulting Partners Co., Ltd. in October 2022. Its principle business is to provide support for business succession and M&A with a focus on the important themes of smooth management resource succession and sustainable business growth.

To be honest, business succession has become an urgent issue in Fukushima Prefecture. Each year about 800 local companies go out of business, out of which, 43% are still profitable.

In 2011, the population of Fukushima Prefecture was two million, but following the nuclear accident, this has shrunk by 200,000 to 1.8 million. If this trend continues, then it is estimated that the population will fall to just 1.4 million in 2040. As Fukushima Prefecture, we want to



want to slow this population decline. As a financial institution, we think that if we can increase the number of workplaces, decrease the number of companies going out of business, and encourage a greater number of entrepreneurs, then we can curb the negative social effects of depopulation.

Another of our Group companies is the TOHO AREA RESEARCH INSTITUTE. Previously, this institute primarily advanced research, but we have expanded the scope of its business to include consulting operations that are differentiated from Toho Consulting Partners' operations. Specifically, it focuses on support for companies regarding management plan formulation associated with grant and subsidy applications, digitalization of organizations such as local governments, restructuring for extra-governmental organizations, and regional development using digital technology.

By providing consulting that brings together our holy trinity of Toho Bank, Toho Consulting Partners, and the TOHO AREA RESEARCH INSTITUTE, we will leverage the combined capabilities of the Toho Bank Group to provide greater value for customers and become a corporate group that contributes to the regional community.

Further Developing Consulting Operations in the Next Medium-Term Management Plan

This kind of consulting supports the solution of immediate issues. Going forward, we think we need to further develop our consulting operations in order to realize regional revitalization and resurgence.

Further development of consulting operations is one of the main pillars of the 18th medium-term management plan, which starts with the fiscal year ending March 31, 2025. Example initiatives include supporting regional trading companies and investment companies to encourage creation within the region and building a network of next-generation managers. We will also support customers' efforts to introduce IT and realize digital transformation, and provide added value using the SDGs as a starting point.

In order to accelerate the second and third drivers of growth, we will use the first driver of growth to realize solid profits and then reinvest these in the second and third drivers of growth initiatives, thereby contributing to the regional community. Naturally, this is because finance business is still the Group's core business.

Furthermore, the truth is that we are still not that well known for our expansion into new business areas such as consulting. To make people aware that a bank can provide support in areas such as talent referrals and digitalization, we recognize that it will be essential to strengthen our branding message that the Bank is a company that contributes to the regional community going forward.

Aiming for a Cycle of Increases in Corporate Value and Social Value

I think that contributing to making society and the economy sustainable is central to the Long-Term Vision of transforming into a company that contributes to the regional community.

Since the earthquake, Fukushima has been constantly exploring how to become a sustainable society where people can live long-term. As I mentioned previously, we still have a way to go, but the reason for the Bank's existence is to contribute to Fukushima's transformation into a sustainable society.

Since joining the top management team, I have personally been involved in formulating initiatives such as establishing the Sustainability Promotion Committee, providing consulting on shifting to a decarbonized society, and carrying out climate change risk assessments, as well as providing project finance for renewable energy projects and sustainable finance. We have also

Message from the President

stepped forward our efforts to reduce CO₂ emissions, setting the target of reducing emissions by 50% of the levels recorded in the fiscal year ended March 31, 2014, by the fiscal year ending March 31, 2031.

These were essential initiatives for advancing sustainability management.

The advancement of sustainability management leads to improvements in the Bank's profits, thereby raising corporate value. Furthermore, we support the sustainable growth of the regional community through our activities, which raises Fukushima's social value. Maintaining this cycle of increases in corporate and social value is the Bank's most important challenge. The development of our consulting operations is one initiative toward achieving it.

DX Promotion and Human Capital Management Are Key Issues

Under the medium-term management plan, we are engaged in the expansion of customer-oriented service as well as functional enhancement and business optimization of operational systems in the bank as our digital/IT strategy. In January 2024, we plan to enter a core system collaboration by switching to the TSUBASA Core Banking System. We will also accelerate the development of digital services to further advance initiatives such as improving customer experience (CX) and providing support for regional DX. In April 2023, we were designated as a DX-certified operator under the Ministry of Economy, Trade and Industry's DX certification system.

DX will be one of the most important issues for financial institutions in the future. We must build business models that integrate both physical and digital domains. We are focusing on increasing contact with young "digital native" customers, including through one-on-one meetings, and we are strengthening DX promotion to support the digitalization efforts of our customers. Our goal is to become a regional DX leader.

We are also aiming to use DX promotion to make operations more efficient so that we can allocate the resources freed up to new business development.

Human capital management is also a key issue for realizing our medium-term management plan goal of enabling employees to shine.

When I was appointed as the President, I declared that I would work to make Toho Bank into a strong bank that is trusted by customers, that produces results, and that enables employees to work cheerfully and energetically.

Therefore, we implemented bold personnel system reforms in October 2022. The most important factor in enabling employees to work energetically is ensuring that they can do work that they enjoy. This brings out a willingness to learn and raises an employee's individual value. The new personnel systems include an evaluation system and remuneration system, but our biggest reform was to establish a career self-direction system. This system enables employees to voluntarily and independently manage the direction of their own career. In this way, we are fostering satisfying work environments.

Although it is more of an initiative than a system, another reform we made was to try and improve communication between employees in 2023 under the slogan "Try talking to each other, try doing things together."

We think that a bottom-up approach and dialogue are essential to putting our reason for existence into practice and achieving the medium-term management plan, so our officers visit all of the Bank's branches to actively create opportunities for exchanges of opinions with employees.

Co-creation is one of the principles of behavior among young people today. We believe that creating with each other, sharing opinions, thinking, and building something together is shared value that the Bank can offer.

Making the 2020s the Second Formation of Toho Bank

When we look back at the current time 10 years from now, I would like to be able to position the 2020s as the period in which the Bank overcame the 2011 earthquake, making it like the second formation of Toho Bank. To achieve this, I want to pursue economic reforms and realize the Long-Term Vision.

Over the last two years, we have also made some considerable revisions to our corporate governance. Half of the Board of Directors now comprises Outside Directors. Our Outside Directors have also been frank in sharing their opinions and the management team's sense of urgency has been transformed. Strengthening corporate governance is another essential initiative toward being a company trusted by the community.

I think these kinds of efforts are a platform that will ensure that in 10 years' time, we will be a strong bank that is trusted by customers, that produces results, and that enables employees to work cheerfully and energetically. I want to make us into a company that has overwhelming strength.

Therefore, as we build up the first driver of growth, and the second driver of growth, and the third driver of growth, we will become even more trusted by the regional community until we are thought of as an essential presence.

I think this is how we can meet the expectations of our investors. We will pour all our effort into increasing profitability and raising corporate value so that we can provide even greater returns to shareholders.

We are currently formulating the 18th medium-term management plan that will start with the fiscal year ending March 31, 2025. We plan to set out a clear vision of how we will increase corporate value and provide returns to all our shareholders.



July 2023
The Toho Bank, Ltd.
President
Minoru Sato

Fukushima Prefecture's Features and Attractions

Overview of Fukushima Prefecture

Major Economic Indicators: Before and Immediately After the Disaster and Recent Situation

	Before the disaster (2010)	Immediately after the disaster (2011)	Recent situation	Statistical year	
Population	Population (Source: Fukushima Prefecture)	2.02 million	1.97 million	1.773 million (As of April 1, 2023)	2023
	Total fertility rate (National average) (Source: Ministry of Health, Labour and Welfare)	1.52 (1.39)	1.48 (1.39)	1.27 (1.26)	2022
Economy	Total production in the prefecture (nominal) (Tohoku average) (Source: Cabinet Office "Prefectural Accounts")	¥7.1815 trillion (¥5.0788 trillion)	¥6.5881 trillion (¥4.9666 trillion)	¥7.8286 trillion (¥5.7221 trillion)	2020
	Ratio of job openings to job applicants (National average) (Source: Ministry of Health, Labour and Welfare)	0.42 times (0.52 times)	0.59 times (0.65 times)	1.39 times (1.32 times)	2023
Industry	Amount for contracts for public works (Source: East Japan Construction Surety Association)	¥181.7 billion	¥245.3 billion	¥493.5 billion	2022
	Number of new house construction started (Source: Fukushima Prefecture)	8,912	8,093	8,774	2022
	Amount for manufactured goods shipped, etc. (Source: Ministry of Economy, Trade and Industry "Census of Manufacture")	¥5.09 trillion (1st in Tohoku)	¥4.3209 trillion (1st in Tohoku)	¥4.7669 trillion (1st in Tohoku)	2020
Amount for agricultural production (Source: Ministry of Agriculture, Forestry and Fisheries "Statistics of Agricultural Income Produced")	¥233 billion	¥185.1 billion	¥191.3 billion	2021	

Renewable Energy Initiatives

In the Fukushima Renewable Energy Promotion Vision 2021, Fukushima Prefecture has set a target of introducing renewable energy sources that will generate 100% of its energy needs by around the fiscal year ending March 31, 2041.

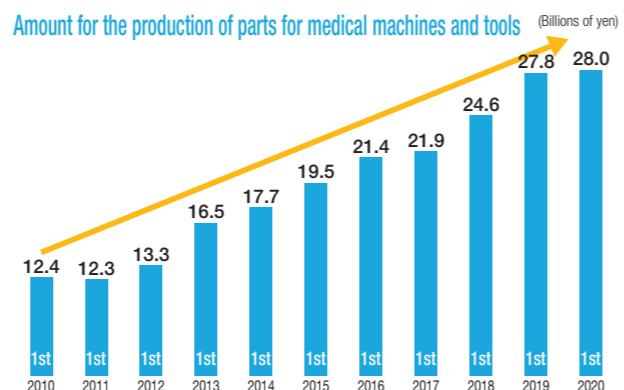
Renewable energy power generation facilities, etc., in Fukushima Prefecture

- Northern Fukushima Area: Azumakogen Wind Farm
- Central Fukushima Area: Koriyama Nunobiki Kogen Wind Farm
- Southern Fukushima Area: Shirakawa Solar Park
- Aizu Area: Tagokura Dam
- Soso Area: Abukuma Wind Farm
- Iwaki Area: Fukushima Iwaki Biomass Power Plant

Medical Industry Agglomeration

Fukushima Prefecture has been working on the Next-Generation Medical Industry Agglomeration Project since the fiscal year ended March 31, 2006, through the collaboration of industry, academia, and the government, and the prefecture's amount for the production of parts for medical instruments and tools is the highest in Japan.

1st in Japan for 11 consecutive years



Industry Agglomeration in Fukushima Prefecture

Fukushima Prefecture is developing a base for research and development and industry creation, including energy-related, ICT, medical industry, agribusiness, and robot development.

Northern Fukushima Area

- Faculty of Food and Agricultural Sciences, Fukushima University
- Fukushima Global Medical Science Center
- School of Health Sciences, Fukushima Medical University

Soso Area

- Fukushima Robot Test Field
- Great East Japan Earthquake and Nuclear Disaster Memorial Museum
- Fukushima Institute for Research, Education and Innovation (F-REI)
- Fukushima Hydrogen Energy Research Field (FH2R)

Iwaki Area

- Fukushima Prefectural Fisheries and Marine Science Research Centre
- Iwaki Battery Valley Initiative

Southern Fukushima Area

- Electronic device related industries
- Shirakawa Industry Support

Central Fukushima Area

- Fukushima Renewable Energy Institute
- Industrial Technology Institute Fukushima Prefectural Government
- Fukushima Medical Device Development Support Centre

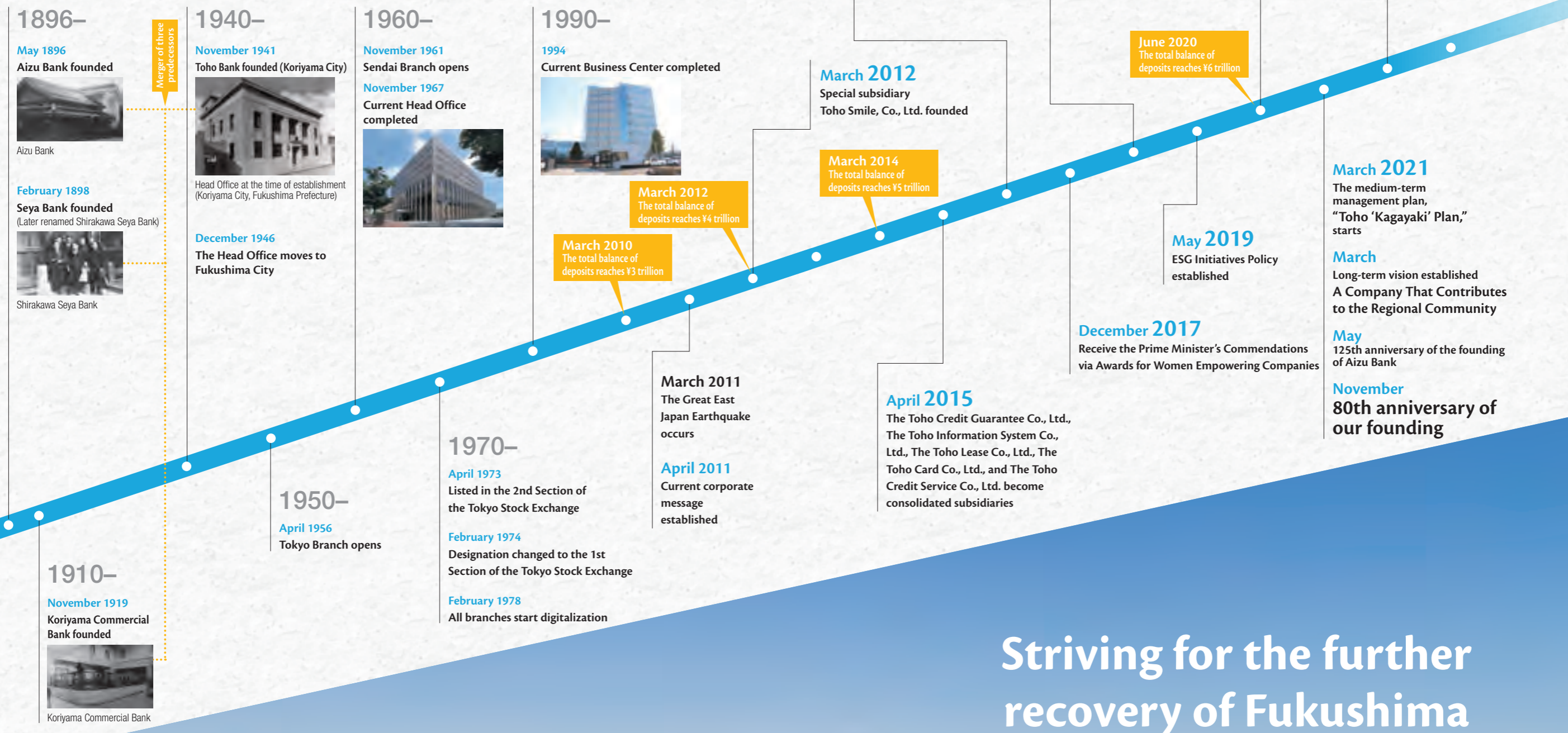
Aizu Area

- ICT Office "Smart City AiCT"
- University of Aizu Laboratory for leading-edge ICT "LICTiA"
- Certified as a decarbonization leading area

The History of Toho Bank

Toho Bank was formed on November 4, 1941, by the merger of its three predecessors, Koriyama Commercial Bank, Aizu Bank, and Shirakawa Seiya Bank.

It was named Toho Bank in the hope that it would be a bank that would progress and develop with the light from the east behind it. ("Toho" means "eastern country" in Japanese.) Since then, the Bank has contributed to regional development and creating abundant lives for its customers, resulting in steady growth. As a company that contributes to the regional community, all officers and employees will continue working with the regional community.



Striving for the further recovery of Fukushima

Toho Bank's Strengths

The Toho Bank Group will contribute to the realization of a sustainable society by making the fullest use of its financial capital, human capital, intellectual capital, and social capital to provide value to regional customers.

(Items with no particular notes are results at the end of March 2023 or for the fiscal year ended March 31, 2023)

Financial capital

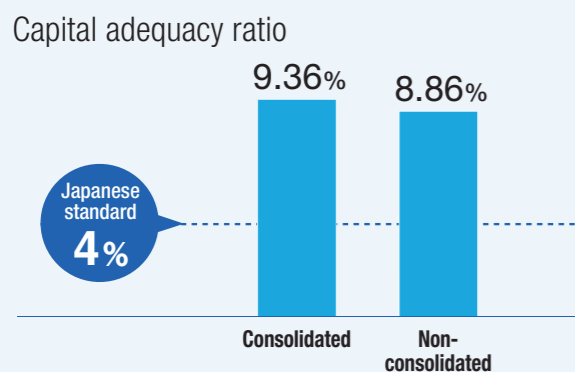
A sound financial/revenue base

Total assets
¥6.6131 trillion (consolidated)

Total balance of deposits
¥6.2042 trillion (non-consolidated)
(Including negotiable certificates of deposit)

Loans and bills discounted
¥3.9750 trillion (non-consolidated)
(Including privately placed bonds)

Securities
¥564.8 billion (non-consolidated)



Long-term issuer rating

The Bank's rating
Japan Credit Rating Agency, Ltd.
A

Human capital

Human resources with diverse, sophisticated financial knowledge

Small and medium enterprise management consultants
18

Real estate transaction specialists
91

Securities analysts
14

CFP/AFP*
56

Holders of an FP1/2 level
963

Percentage of female managers
23.3%

Number of employees with disabilities
67.0

* CFP/AFP (Certified Financial Planner/Affiliated Financial Planner). Financial planning qualifications managed by the JAPAN ASSOCIATION FOR FINANCIAL PLANNERS

Intellectual capital

Extensive financial-related services

Number of Group companies **8**
(Toho Securities Co., Ltd., Toho Consulting Partners Co., Ltd., The Toho Lease Co., Ltd., The Toho Card Co., Ltd., The Toho Credit Service Co., Ltd., The Toho Credit Guarantee Co., Ltd., The Toho Information System Co., Ltd., Toho Smile, Co., Ltd.)

Asset succession consulting using trust function

Trust licensed since 1994, accumulated expertise in the trust business

- The Bank itself handles testamentary trusts, estate liquidation services, testamentary substitute trusts, calendar-year gift type trusts, and the Kazoku no Kizuna Trust.

Number of trust-related consultations in the fiscal year ended March 31, 2023
939

Number of wills in custody as of the end of March 2023
653

Expertise well acquainted with the region

Expertise in business revitalization/support for management improvement through recovery from the Great East Japan Earthquake

- Utilization of the Regional Economy Vitalization Corporation of Japan and Council to Support Revitalization of Small and Medium Enterprises of Fukushima Prefecture
- Support for management improvement through assessing feasibility by creating a business model map

TSUBASA Alliance

(Framework for regional cooperation with 10 regional banks participating; Launched in October 2015)

- Cooperation with participating banks and their group companies in a wide range of fields including fintech, administrative/systems sharing, inheritance-related business, and international business

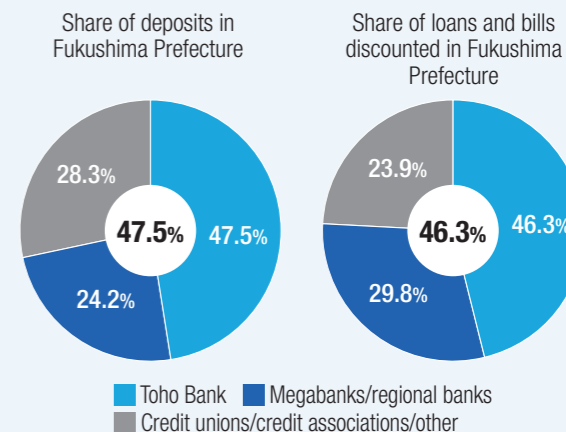
Social capital

A stable business base

A complete network of branches (excluding internet branches)

Fukushima: 105 branches	Miyagi Prefecture: 5 branches
Tokyo: 2 branches	Ibaraki Prefecture: 2 branches
Yamagata Prefecture: 1 branch	Tochigi Prefecture: 1 branch
Niigata Prefecture: 1 branch	Sub-branches: 5 branches

A customer base overwhelmingly in Fukushima



* Excluding JA and the Japan Post Bank (Source: The Japan Financial News Co., Ltd.) (As of September 30, 2022)

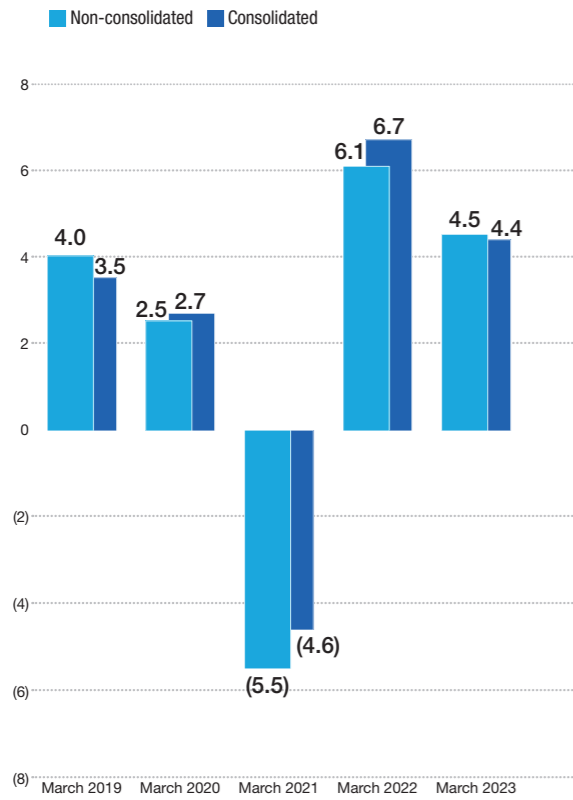
Companies using the Bank as their main bank
9,167
(40.29% share)
Source: TEIKOKU DATABANK (Surveyed in 2022)

Number of municipalities designating us as their financial institution
32/60
(including rotation systems)

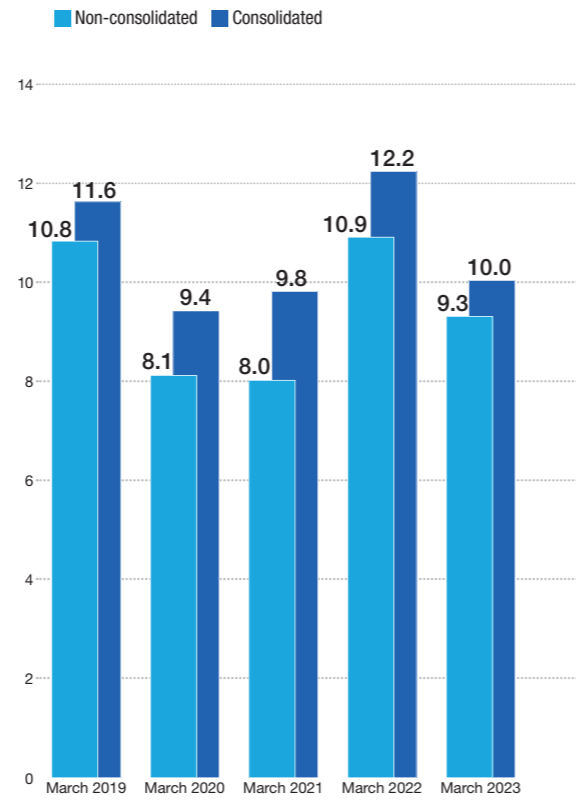
Number of municipalities with which we have concluded a partnership agreement for regional revitalization
29/60

Financial Highlights

Profit (Consolidated and non-consolidated) (Billions of yen)



Net core business profit (Consolidated and non-consolidated) (Billions of yen)

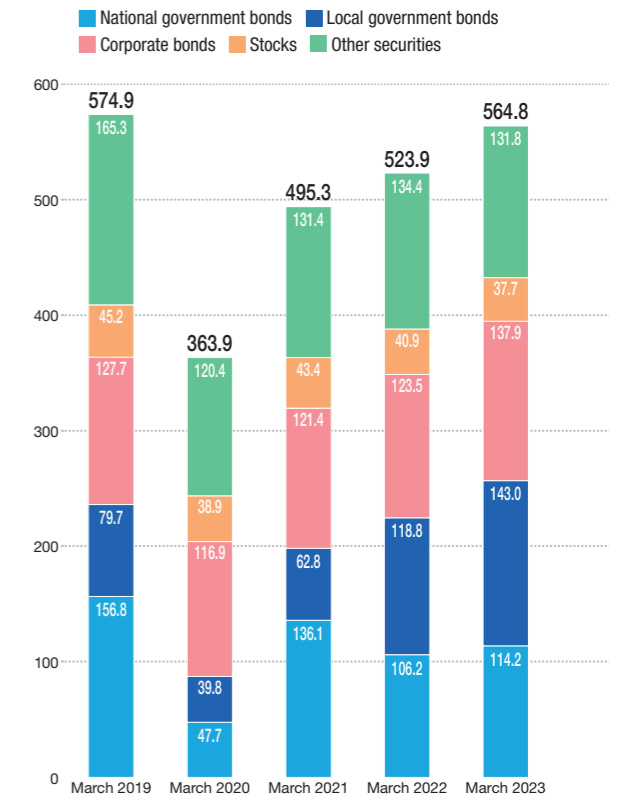


Net core business profit
Profit gained from the business of the Bank itself, deducting bond profit and loss such as national government bonds from gross business profit and subtracting expenses such as labor costs and equipment costs

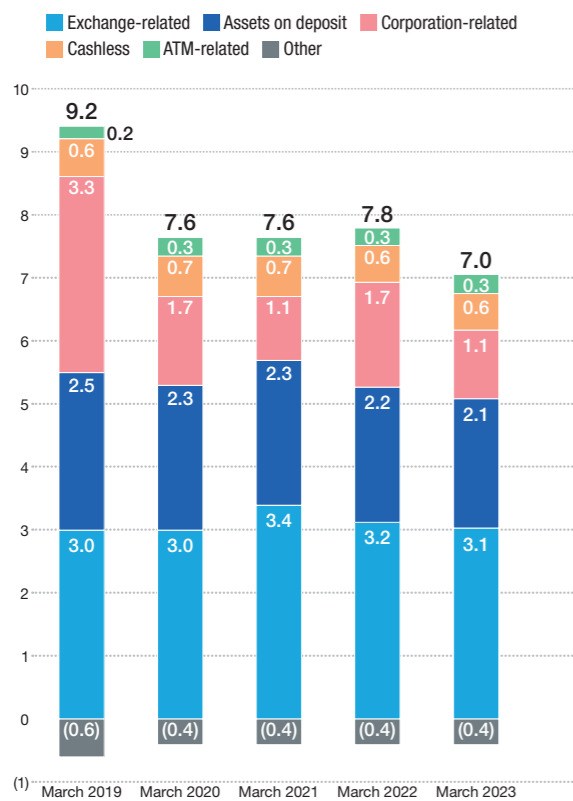
Balance of loans and bills discounted (Non-consolidated) (Billions of yen)



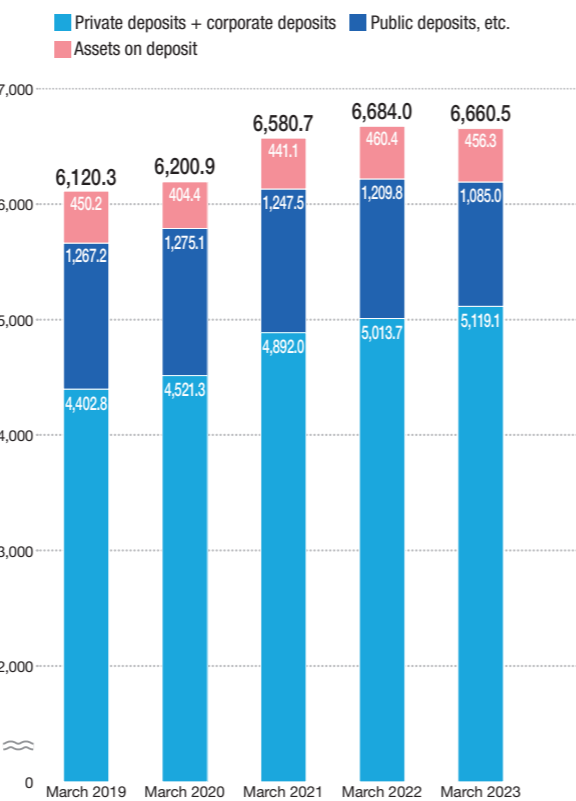
Balance of securities (Non-consolidated) (Billions of yen)



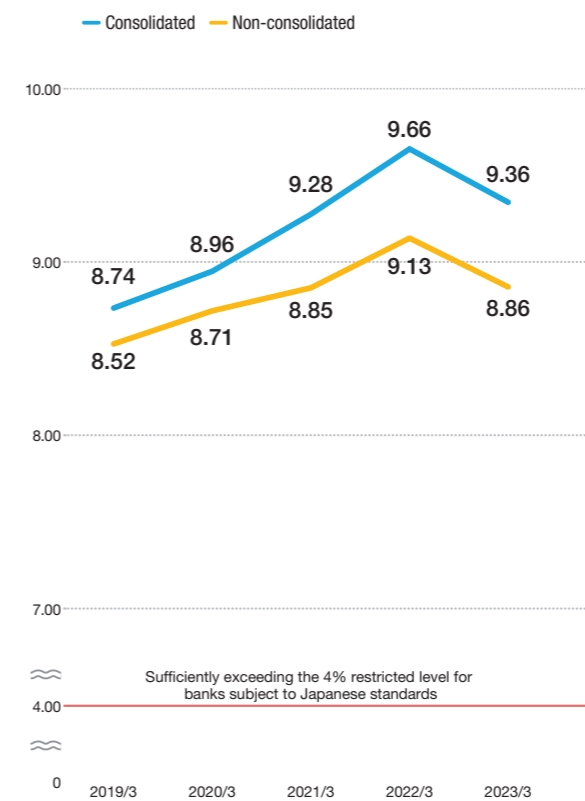
Fees and commissions profit (Non-consolidated) (Billions of yen)



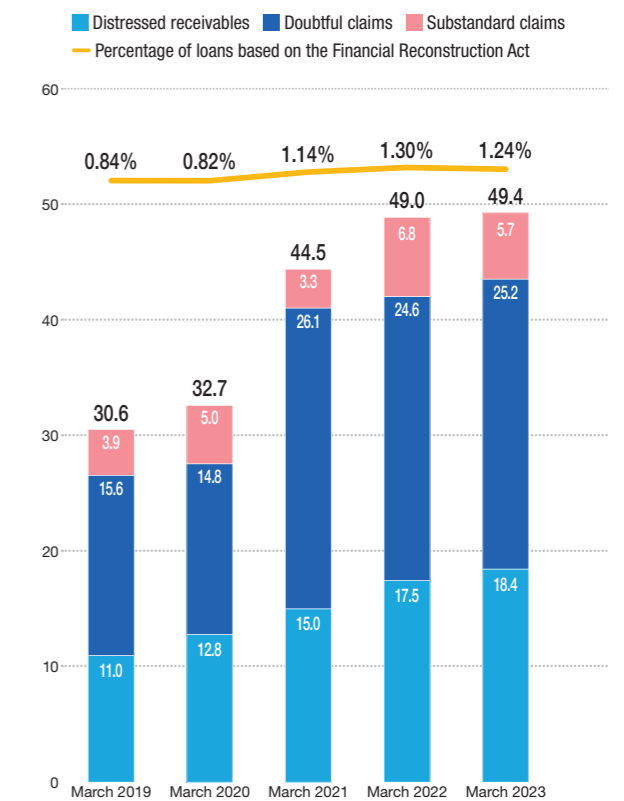
Balance of total assets on deposit (Non-consolidated) (Billions of yen)



Capital adequacy ratio (Consolidated and non-consolidated) (%)

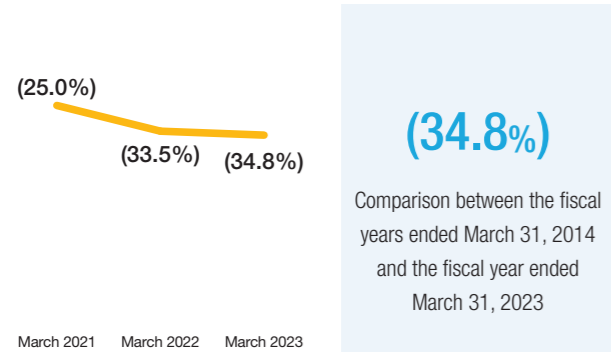


Loans based on the Financial Reconstruction Act (Non-consolidated) (Billions of yen)

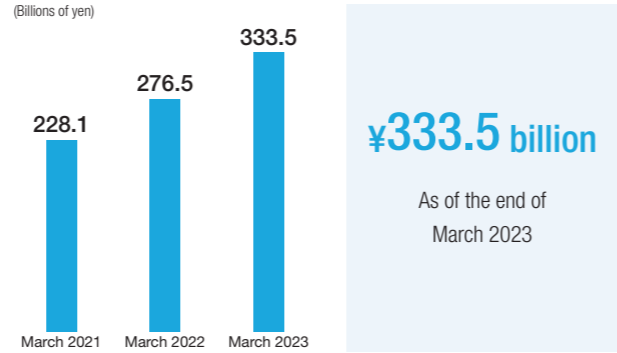


Non-Financial Highlights

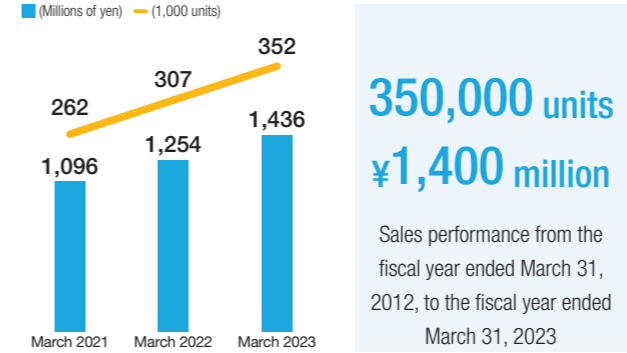
Changes in CO₂ emissions reduction ratio



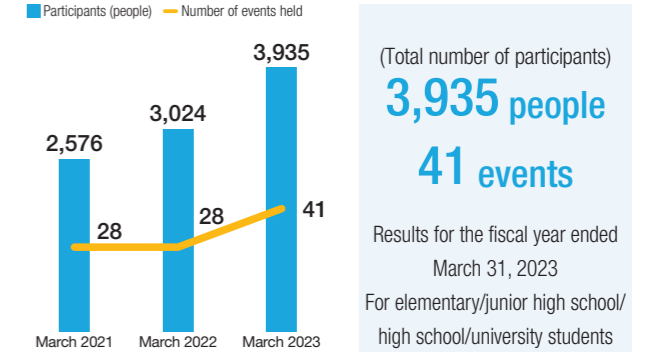
Cumulative amount of financing for renewable energy



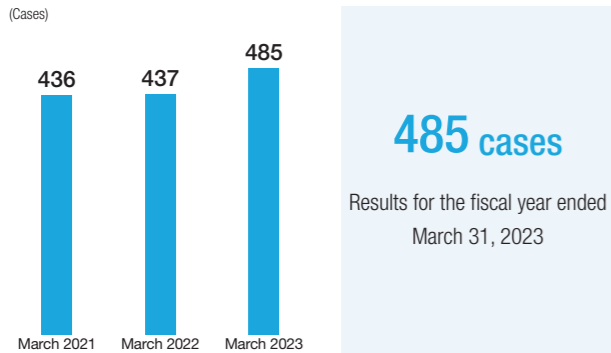
Sales results for e-commerce goods produced in Fukushima (co-sponsorship/collaboration)



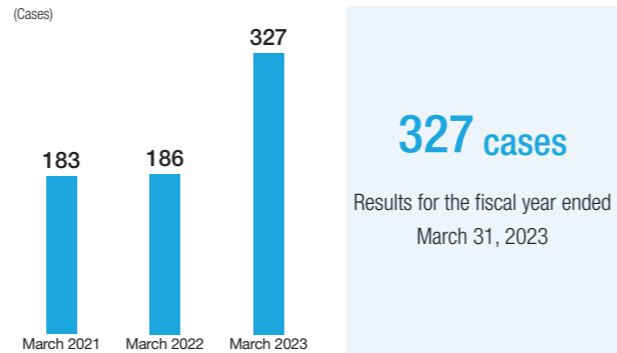
Financial education initiatives



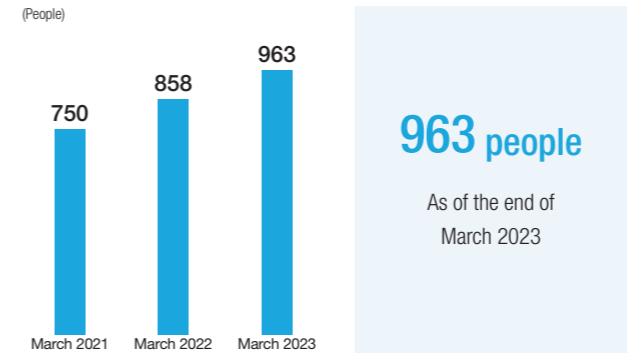
Number of business succession consultations



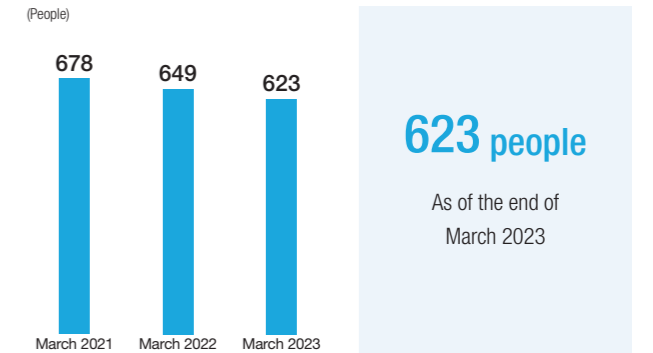
Number of M&A consultations



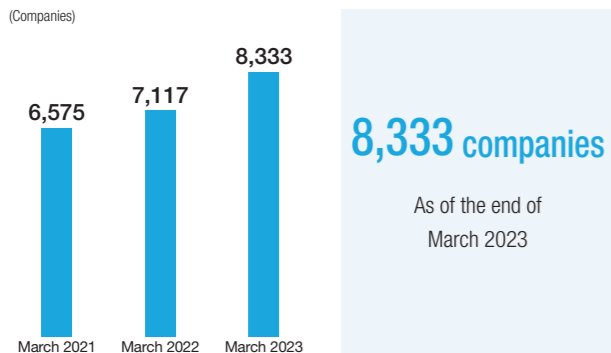
Number of holders of an FP1/2-level license



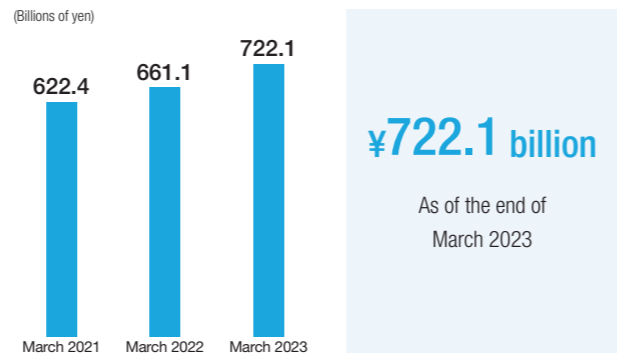
Business succession/M&A experts



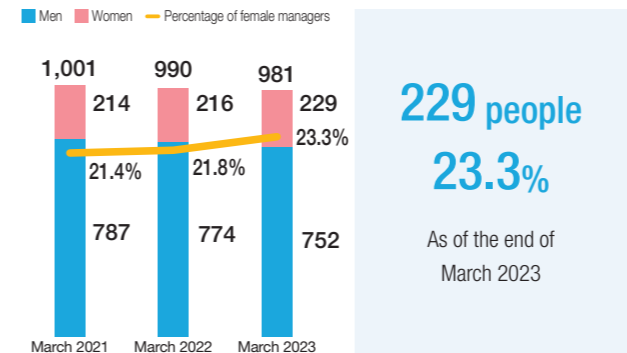
Number of companies recognized for feasibility*



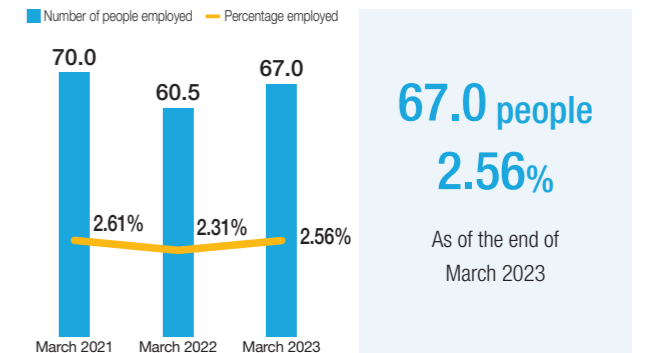
Balance of loans to companies recognized for feasibility



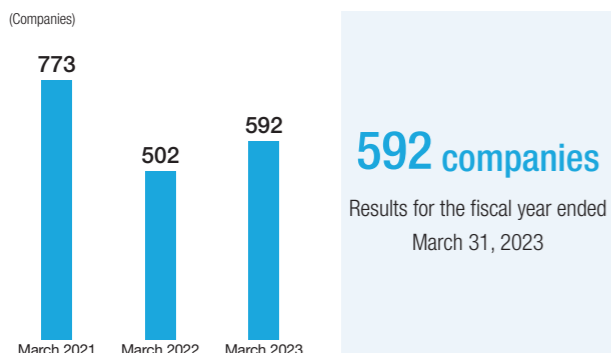
Female managers



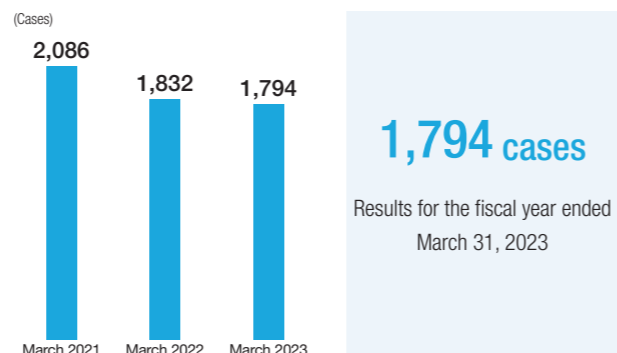
Employment of people with disabilities



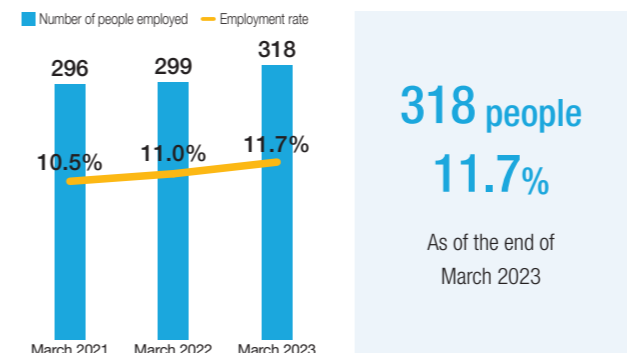
Number of companies that received start-up support



Number of business matching contracts concluded



Percentage of employees aged 60–70



External evaluation

Recognized as a 2023 Certified Health & Productivity Management Outstanding Organization for being a particularly excellent business working strategically on employee health management (recognized for six consecutive years since the fiscal year ended March 31, 2019)

Won New Diversity Management Selection 100, recognized for drastic work style reforms and continued human resources training efforts

Introduction

About the Toho Bank Group

Strategies for Sustainable Growth

Social Issue Initiatives Toward Sustainable Growth

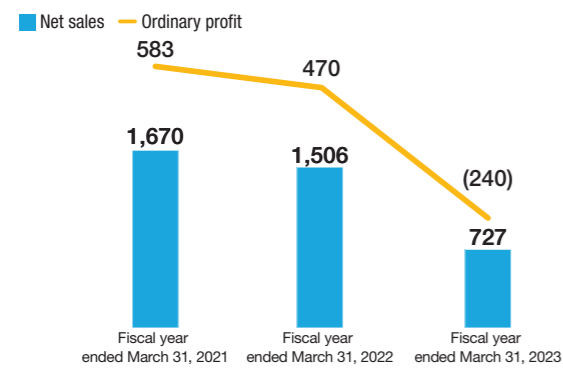
The Basis Supporting Sustainable Growth

Corporate Data

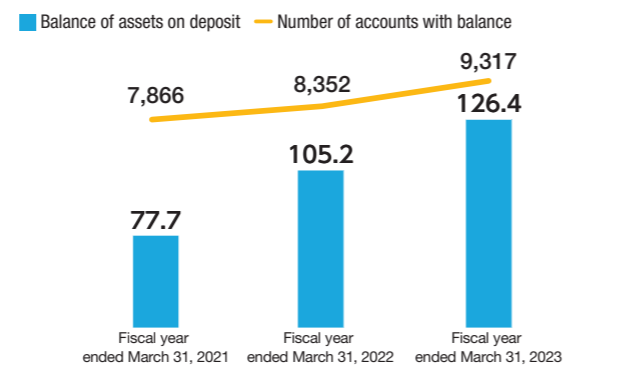
Financial and Non-Financial Highlights of Group Companies

Toho Securities Co., Ltd. (Securities)

Net sales and ordinary profit (Millions of yen)



Balance of assets on deposit and number of accounts with balance (Billions of yen)

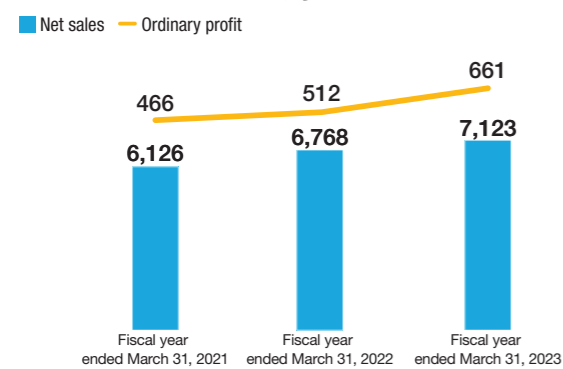


Toho Consulting Partners Co., Ltd. (Business succession and M&A support services, business started from October 2022)

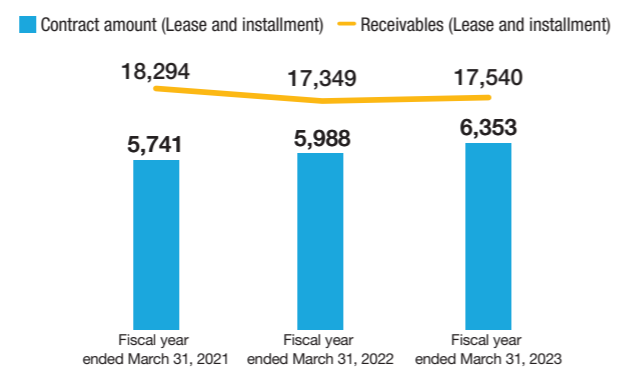
Item	Amount	Item	Second half of the fiscal year ended March 31, 2023
Net sales	¥53 million	Number of business succession consultation cases	61 cases
Ordinary profit	¥0 million	Number of M&A consultation cases	222 cases
		Total	283 cases

The Toho Lease Co., Ltd. (Leasing)

Net sales and ordinary profit (Millions of yen)

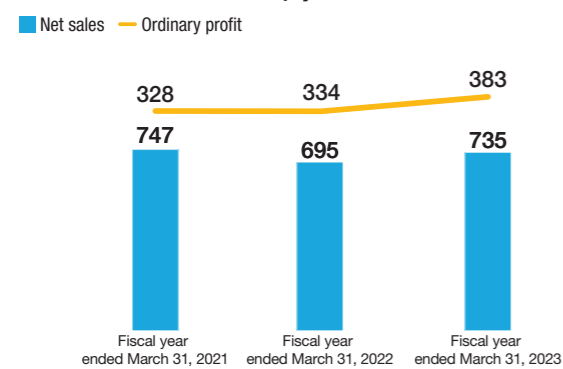


Lease and installment contract amount and receivables (Millions of yen)

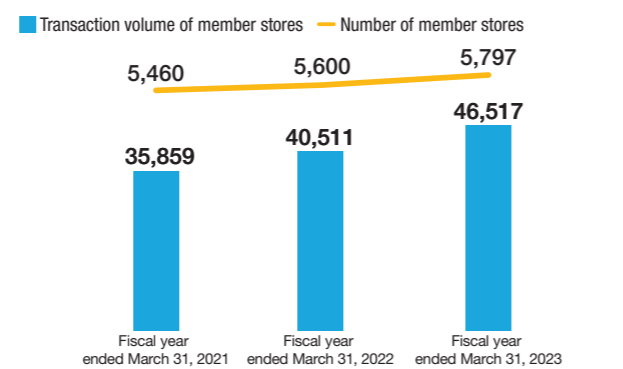


The Toho Card Co., Ltd. (Credit card business and credit guarantee business)

Net sales and ordinary profit (Millions of yen)

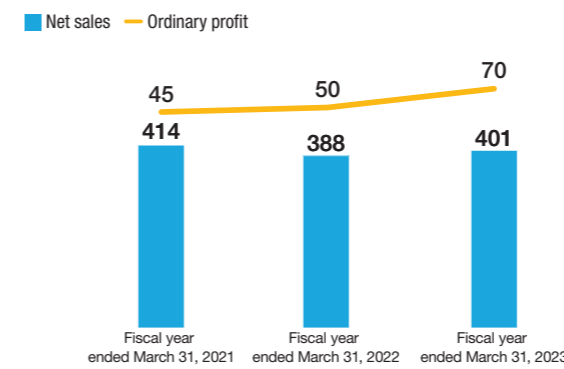


Transaction volume and number of member stores (Millions of yen)

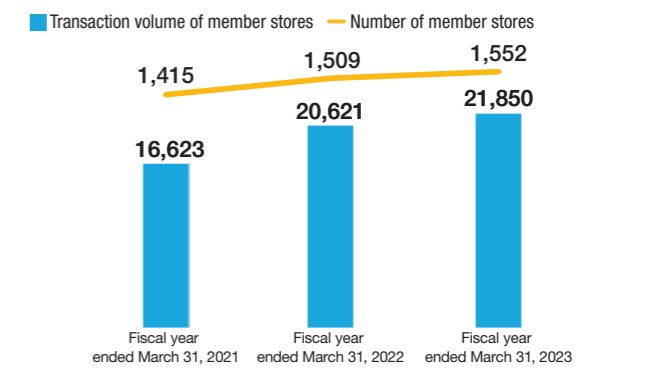


The Toho Credit Service Co., Ltd. (Credit card business and credit guarantee business)

Net sales and ordinary profit (Millions of yen)

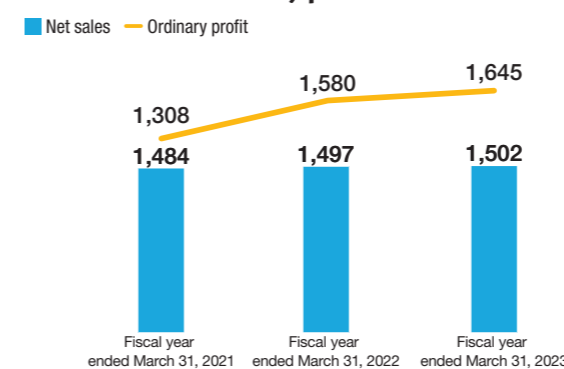


Transaction volume and number of member stores (Millions of yen)

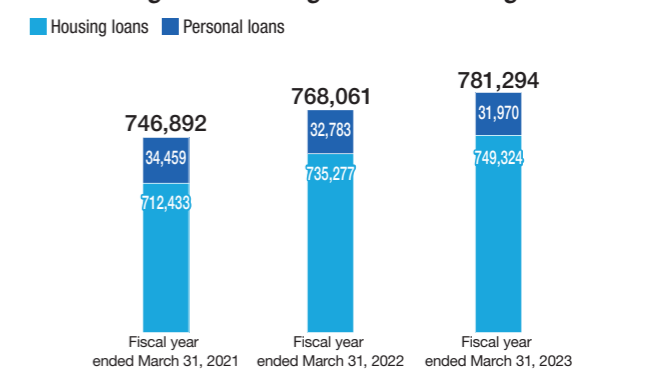


The Toho Credit Guarantee Co., Ltd. (Credit guaranteeing)

Net sales and ordinary profit (Millions of yen)

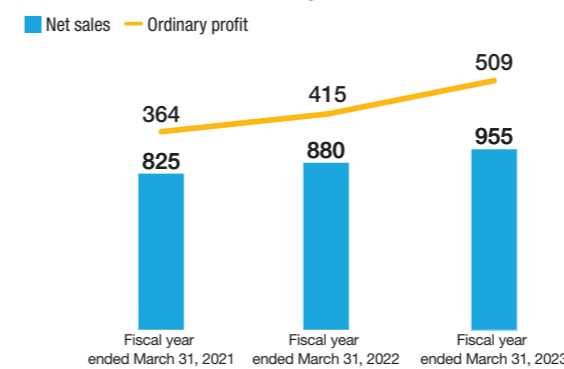


Balance of guarantee obligation outstanding (Millions of yen)

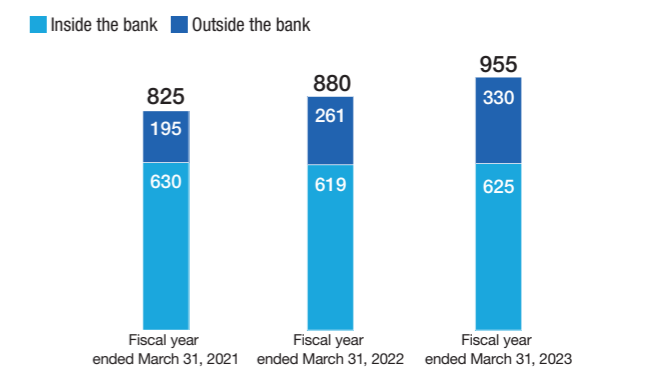


The Toho Information System Co., Ltd. (Planning and development for IT implementation)

Net sales and ordinary profit (Millions of yen)



Breakdown of net sales (Millions of yen)



Profit and dividends of group companies for the fiscal year ended March 31, 2023 (Millions of yen)

Company name	Services	Ordinary profit	Profit	Group dividend amount ^{*1}
Toho Securities Co., Ltd.	Securities	(240)	(276)	—
Toho Consulting Partners Co., Ltd.	Business succession and M&A support services	0	(2)	*2
The Toho Lease Co., Ltd.	Leasing	661	568	500
The Toho Card Co., Ltd.	Credit card business and credit guarantee business	383	306	284
The Toho Credit Service Co., Ltd.	Credit card business and credit guarantee business	70	48	46
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1,645	1,234	1,172
The Toho Information System Co., Ltd.	Planning and development for IT implementation	509	476	434
Toho Smile, Co., Ltd. (Special subsidiary)	Printing and binding of business forms and other documents	1	0	0
Total		3,030	2,355	2,438

*1 Dividends paid from each Group company to the banking entity and Group companies *2 Business started from October 2022

The Sustainable Growth Process

External environment

P Politics
(monetary policy, etc.)

- Deregulation of the banking business
- Progress of the Fukushima Innovation Coast Framework

E Economy

- Full-fledged economic recovery from the novel coronavirus pandemic
- Continuation of a negative interest rate policy
- Progression of the depreciation of the yen/strong dollar
- Sharp rises in the price of crude oil/raw materials

S Society

- Depopulation, population aging, decrease in the working-age population
- Lifestyle changes (during and after the pandemic)
- Diversification of work styles (diversity)
- Increased interest in the SDGs/ESG

T Technology

- Progression of digital transformation (DX)
- Fintech, going cashless

Funds used

Financial capital

A sound financial/revenue base

Human capital

Human resources with diverse, sophisticated financial knowledge

Intellectual capital

Expertise/human networks well acquainted with the region

Social capital

A complete network of branches

Corporate Philosophy

Social Mission

Focusing on the community, together with the community

Management Approach

For customer satisfaction

Code of Conduct

With new sensibilities and flexible ideas

Corporate Message

For the Sake of Our Communities

Striving for the further recovery of Fukushima
<Ten-Year Vision>

A Company That Contributes to the Regional Community

Transcending the Framework of Financial Services



Contributing to achieving the SDGs by solving regional issues

Value offered

Regional community

- Contribution to sustainable development, regional revitalization
- Initiatives for regional economic revitalization, support to promote and accumulate industry
- Environmental conservation initiatives

Customers

- Customers operating businesses: Start-up support, M&A support, recruitment and other consulting services, and business succession support
- Individual customers: Asset formation (assets on deposit/loans) support, inheritance support, etc.

Shareholders

- Medium- and long-term improvement of corporate value
- Highly transparent information disclosure, including non-financial information
- Active dialogue

Employees

- Improvement of job satisfaction through work style reforms
- Promotion of diverse work styles and diversity
- Support for human resource development tailored to each employee's career vision

The 17th medium-term management plan
Toho "Kagayaki" Plan

Basic Policy I
Enabling the region and customers to shine
(Giving back to the region and customers)

Strategy
Corporate consulting strategy
Private consulting strategy
Channel strategy
Group strategy

Basic Policy II
Enabling employees to shine
(Growth and vitality)

Strategy
Personnel/human resources development strategy

Basic Policy III
Enabling the Bank to shine
(Sustainable management culture)

Strategy
New sales system/organizational strategy
Digital/IT strategy
Securities operation strategy
Cost restructuring strategy
Alliance strategies
SDGs/ESG strategy

Achievement of the SDGs

Toho SDGs Declaration

1. Regional economy/society

Contributing to revitalization of the regional economy and community



2. Population aging

Supporting a safe and secure life for the elderly



3. Financial services

Providing financial services so that people can live better lives



4. Diversity

Promoting diversity and work style reforms



5. Environmental conservation

Contributing to the conservation of a sustainable environment



The basis supporting sustainable growth

(Corporate governance/compliance/ risk management)

Long-Term Vision

With the needs of the region and customers diversifying more and more in the future, the duties customers require of the Toho Bank Group are not limited to existing, traditional financial services but extend across various fields.

In addition, now that 12 years have passed since the Great East Japan Earthquake, the Bank's unchanging mission is to contribute to Fukushima's further recovery. Social contributions and initiatives for environmental issues are also required more than ever before, based on the Toho SDGs Declaration.

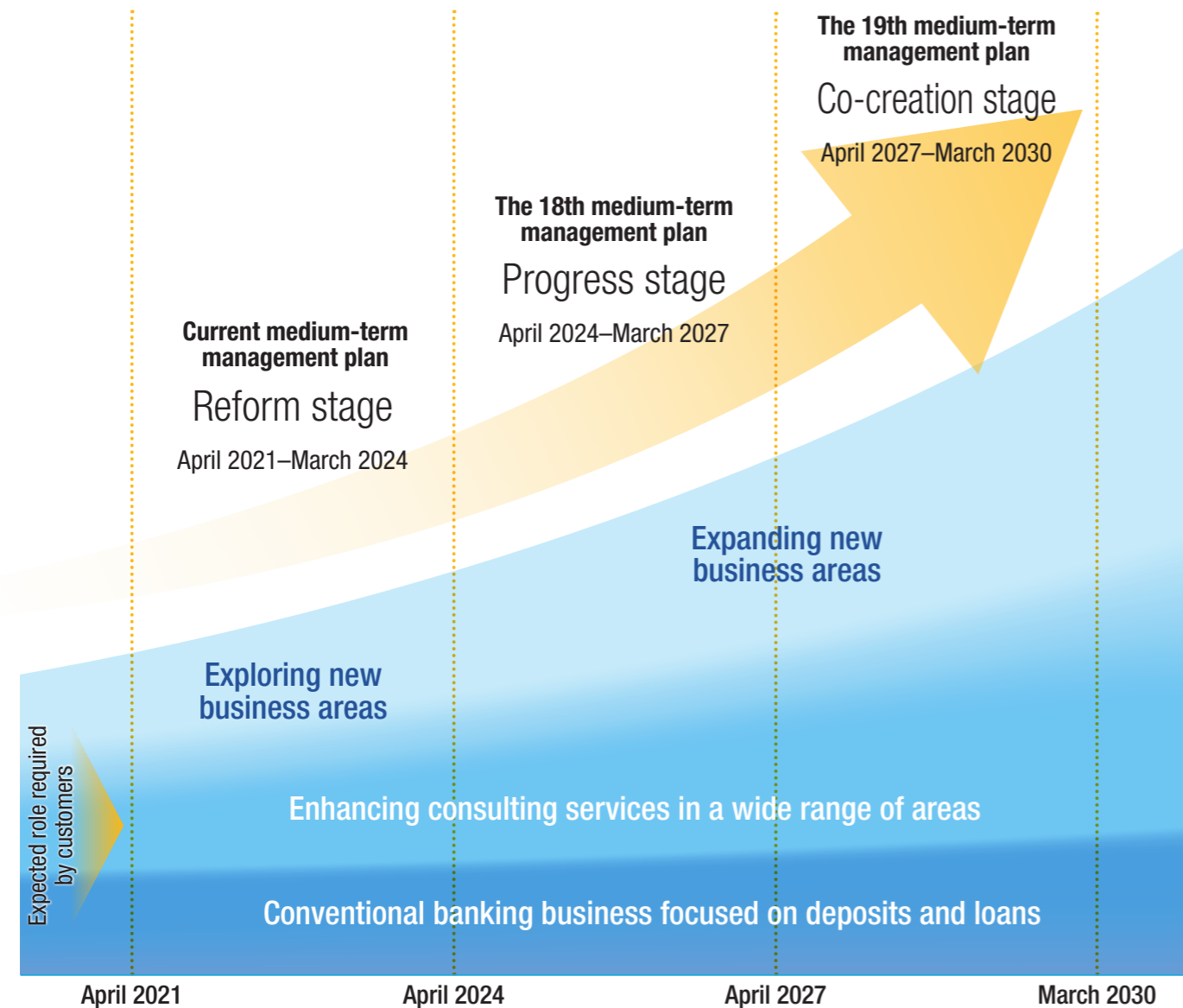
The Bank intends to clear a path to new fields of business as well as strive to be a company contributing to regional society in fields other than financial services to fulfill the duties of the region and customers while actively taking on trends in social change, technological innovation, and deregulation with new ways of thinking.

Long-Term Vision

Striving for the further recovery of Fukushima

A Company That Contributes to the Regional Community

Transcending the Framework of Financial Services



Basic Policy		
I	II	III
Enabling the region and customers to shine (Giving back to the region and customers)	Enabling employees to shine (Growth and vitality)	Enabling the Bank to shine (Sustainable management culture)
<ul style="list-style-type: none"> To support the region and customers facing many issues regarding scaling down of the local economy and the novel coronavirus pandemic, we will strive to realize a bright future by making maximum use of our management resources in efforts to resolve customers' management issues and create abundant lives (give back). 	<ul style="list-style-type: none"> We will build an environment where employees can shine and work energetically by allowing them to design their careers independently and autonomously and allowing them to experience personal growth. We will create a corporate culture that emphasizes human resources development, primarily on-the-job training, with the aim of improving employee growth and vitality. 	<ul style="list-style-type: none"> We will build a sustainable and stable management culture by reforming the structure of the headquarters and branches and enhancing profitability. We will actively engage in initiatives related to the SDGs, ESG, and digitalization.

Medium-Term Management Plan

The 17th medium-term management plan

Toho “Kagayaki” Plan

Plan period: April 2021–March 2024

Basic Policy	“Kagayaki” Declaration
I. Enabling the region and customers to shine	(1) We will contribute to regional society by demonstrating our consulting functions and regional trading company functions. (2) We will provide individual customers with optimal service in a wide range of areas, including asset formation and loans, to create abundant lives. (3) We will build new channel strategies using digital tools in order to improve convenience for customers. (4) We will offer customers one-stop services with a united Group.

Strategy	“Kagayaki” Declaration	Key Initiatives	SDGs Declaration
Corporate consulting strategy	I-(1)	Contribution to regional society by demonstrating our consulting functions Contribution to regional society by demonstrating our regional trading company functions Customer support in the novel coronavirus pandemic	1. Regional economy/society 3. Financial services
Private consulting strategy	I-(2)	Asset management (formation) support befitting a regional bank Developing asset succession consulting using our trust functions Cards rooted in customers’ lives Helping customers build full lives	3. Financial services 2. Population aging 3. Financial services
Channel strategy	I-(3)	Improving convenience by strengthening cooperation between channels	
Group strategy	I-(4)	Offering one-stop services with a united Group	1. Regional economy/society

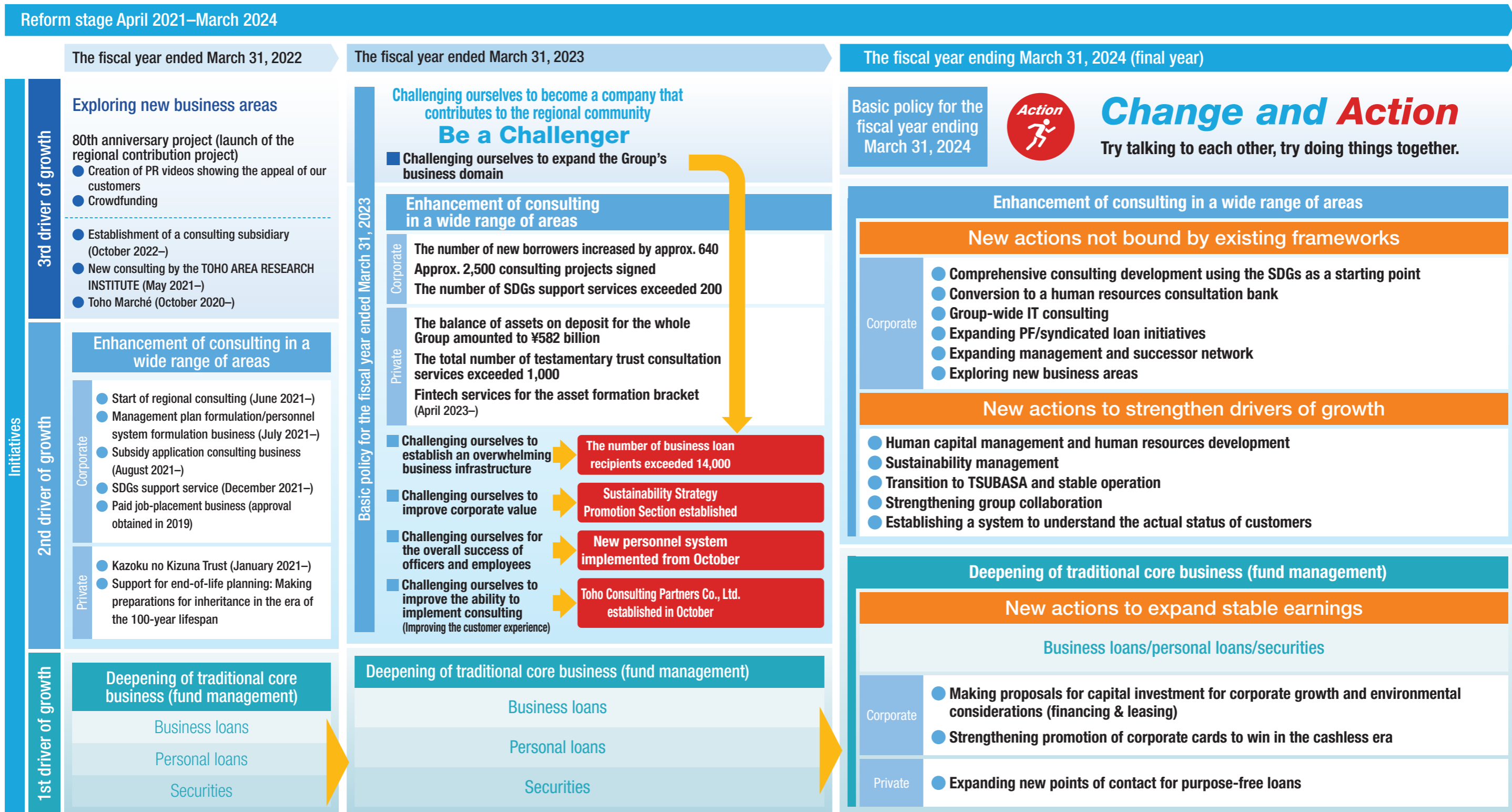
Basic Policy	“Kagayaki” Declaration
II. Enabling employees to shine	(1) We will support employees autonomously shaping their careers and realize a dynamic work environment. (2) We will realize a flexible way of working in which employees can choose diverse work styles. (3) We will further enhance our ability to make suggestions and implement them through human resources development.

Strategy	“Kagayaki” Declaration	Key Initiatives	SDGs Declaration
Personnel/human resources development strategy	II-(1)	Personnel system reform Establishment of a career-offer system (reform of the open-recruitment system)	
	II-(2)	Expansion of opportunities to succeed Expanding the leave system/making it more flexible	4. Diversity
	II-(3)	Human resources development to demonstrate consulting abilities	
		Head Office support of on-the-job training Enhancement of skill visualization	

Basic Policy	“Kagayaki” Declaration
III. Enabling the Bank to shine	(1) We will reform the sales system and Head Office organization to improve consulting ability. (2) We will strengthen our digital/IT strategy to encourage improvement of financial services and employee work style reform. (3) We will build a solid financial structure to ensure stable profit. (4) We will strengthen and expand alliances to provide new added value. (5) We will promote SDGs/ESG initiatives to realize a sustainable society. (6) We will improve and strengthen our stance on compliance and risk management.

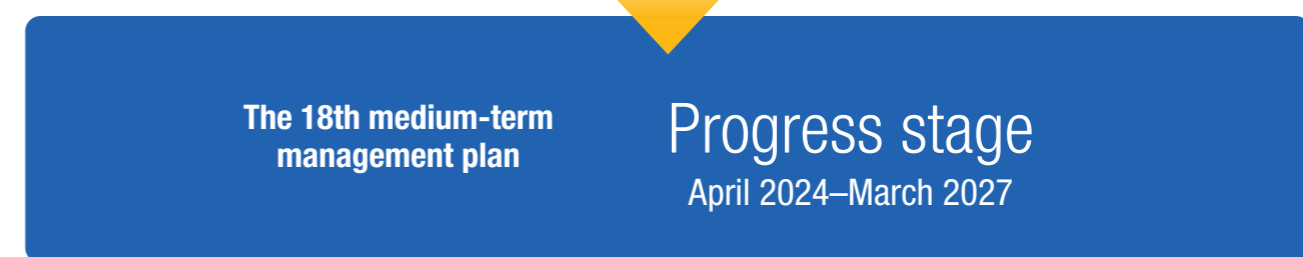
Strategy	“Kagayaki” Declaration	Key Initiatives	SDGs Declaration
New sales system/organizational strategy	III-(1)	Deploying human resources to important areas by reviewing branch functions and reforming the organization of the Head Office.	1. Regional economy/society
Digital/IT strategy	III-(2)	Expansion of customer-oriented service as well as functional enhancement and business optimization of operational systems in the bank	3. Financial services 4. Diversity
Securities operation strategy	III-(3)	Securities portfolio rebuilding	1. Regional economy/society 5. Environmental conservation
Cost restructuring strategy	III-(3)	Cost reduction and reasonable investments through a cost restructuring project	5. Environmental conservation
Alliance strategies	III-(4)	Strengthening of the TSUBASA Alliance and expansion of cooperation with other financial institutions	3. Financial services
SDGs/ESG strategy	III-(5)	Initiatives based on the Toho SDGs Declaration	All items
—	III-(6)	Improve and strengthen stance on compliance and risk management	—

Progress of the Medium-Term Management Plan



State of progress of the 17th medium-term management plan

		Results for the fiscal year ended March 31, 2023	Target for the fiscal year ending March 31, 2024 (final year)
Consolidated	Net core business profit	¥10.0 billion	¥10.0 billion or more
	ROE	2.3%	2.8% or more
	Core OHR	76.3%	78.0% or less



Initiatives to Enhance Group Corporate Value

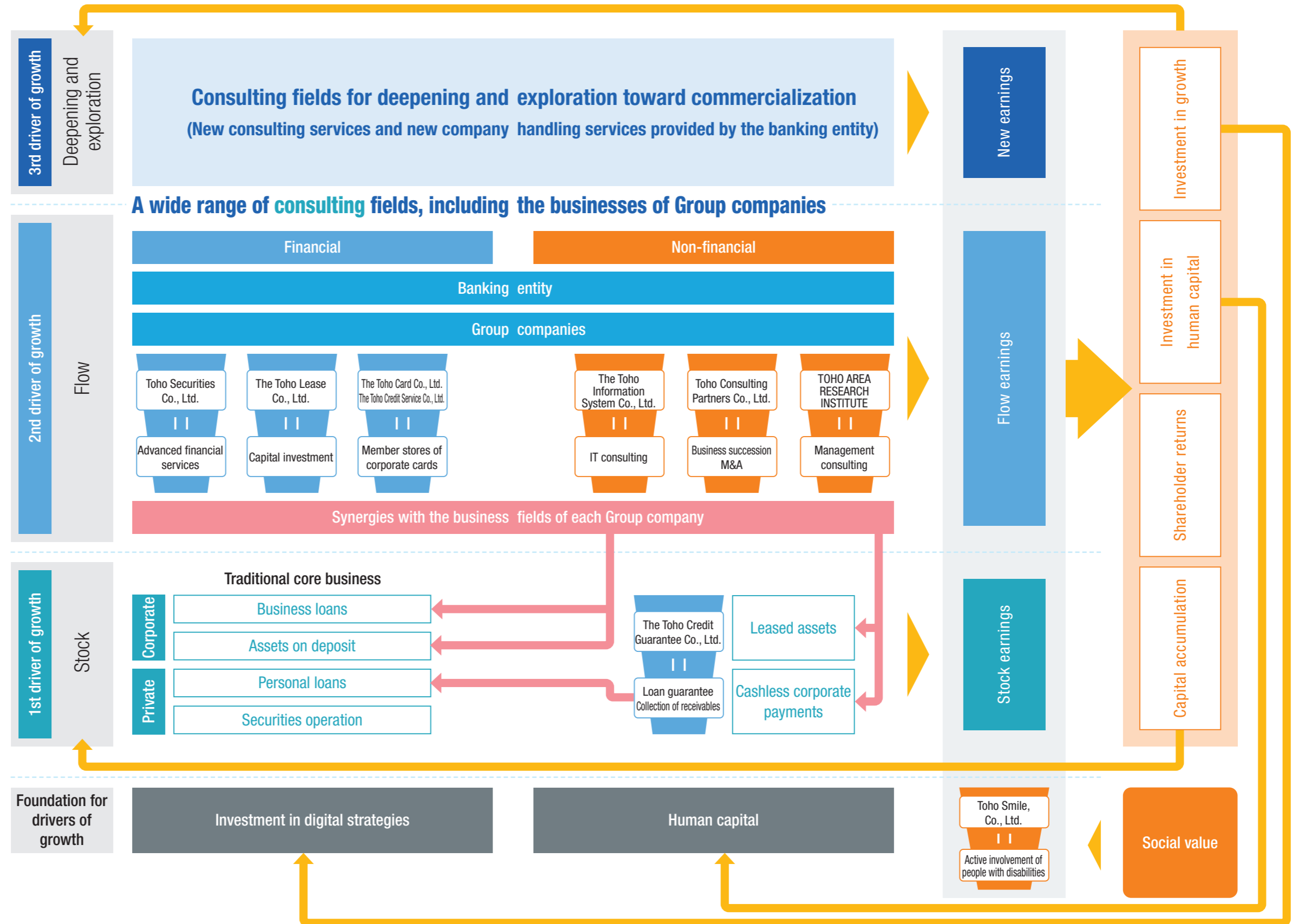
The Toho Bank Group will enhance the corporate value of the Group by further improving profitability through the three drivers of growth, investing in growth, investing in human capital, returning profits to shareholders, and accumulating equity capital. The Group will also focus on investments in digital strategies, further strengthen human capital, and foster a diverse organizational culture by securing and developing core human resources to lay a solid foundation for drivers of growth.

3rd driver of growth
 We will work on examining the consulting fields for deepening and exploration toward commercialization based on stock and flow earnings.

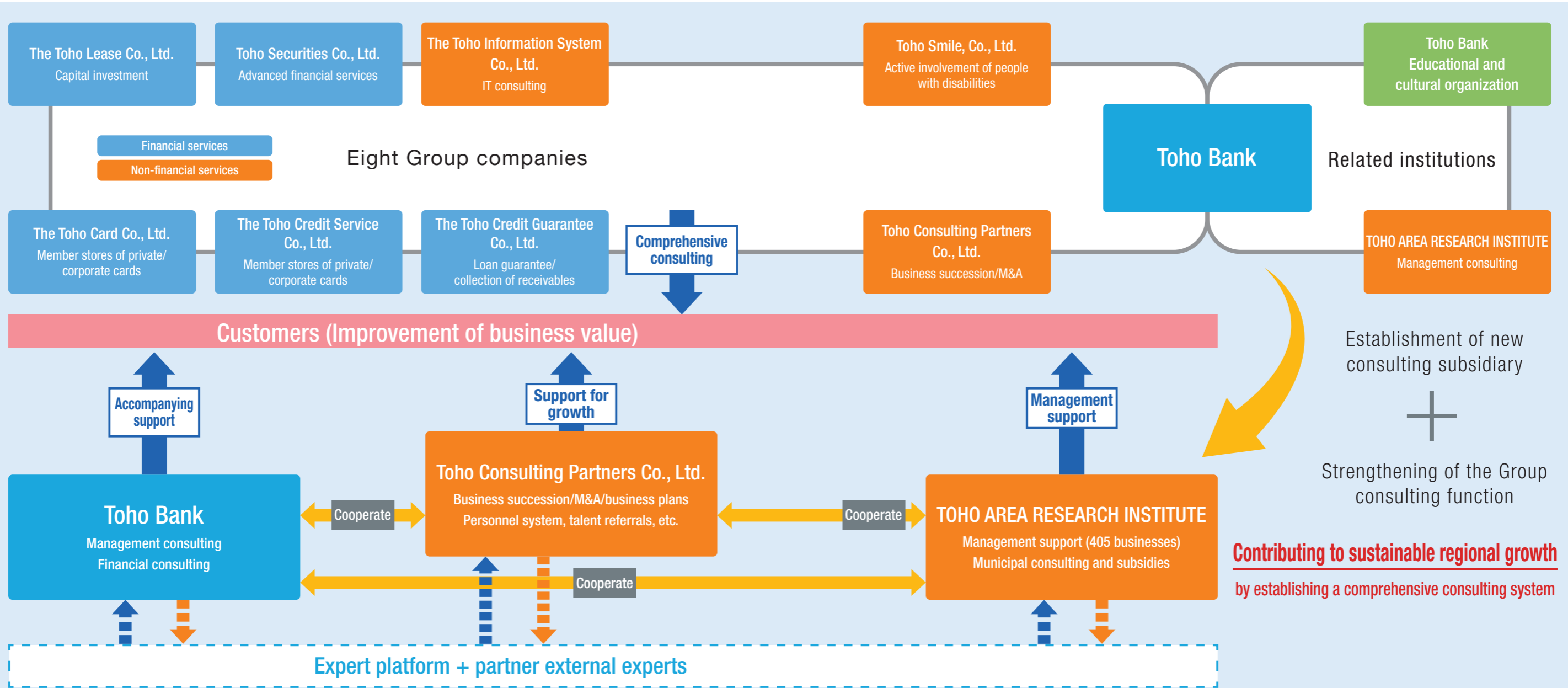
2nd driver of growth
 We will expand flow earnings by strengthening our efforts in a wide range of consulting fields, including the businesses of Group companies.

1st driver of growth
 In addition to traditional core business areas, such as business loans, assets on deposit, personal loans, and security management, we will accumulate stock earnings from lease assets and cashless corporate payments.

Foundation for drivers of growth
 Based on our banking strategies, we will make digital investments to enhance customer experience value and invest in human capital to improve the skills and motivation of employees to provide various consulting services.



Comprehensive Consulting System Leveraging the Group's Comprehensive Strengths



* Expert group of analysts, management consultants, local professionals, etc., belonging to TOHO AREA RESEARCH INSTITUTE

Toho Consulting Partners Co., Ltd.

In October 2022, the company launched its business in response to an increasing number of customers who are forced to suspend or close their businesses due to succession issues and other reasons in local communities where the declining birthrate and aging population are accelerating. The company's main businesses are business succession support and M&A support.

TOHO AREA RESEARCH INSTITUTE

The institute collects research and information on regional economic and industrial trends, corporate management, regional revitalization, etc., provides research results and information to various sectors, and contributes to regional reconstruction through lectures and other activities. The institute also started regional consulting services in May 2021, including municipal consulting and management support.

The Toho Lease Co., Ltd.

The Toho Bank Group has identified the accumulation of leased assets as the 1st driver of growth to help customers install equipment. In June 2023, we launched a donation-type lease program to promote SDGs initiatives through our leasing operations. Accordingly, we have been promoting capital investment in energy conservation, decarbonization equipment, electric vehicles, etc., as decarbonizing efforts accelerate in the future.

The Toho Card Co., Ltd. and The Toho Credit Service Co., Ltd.

The cashless market is expected to reach 120 trillion yen in 2025. We believe that this market will continue to grow in the future. In this environment, we have identified corporate cashless payments as the first driver of growth as the market is expected to expand rapidly. We are taking initiatives toward cashless payments and digitalization by helping customers streamline their payment and office management.

1st driver of growth



Role in Boosting Fukushima's Economic Growth as a Sustainability Leader

Outside Director **Masako Konishi**

Decarbonization Is an Industrial Revolution

I was appointed as an Outside Director of the Bank in June 2022. After starting my career at a TV station as an announcer, I decided to further develop my expertise by acquiring weather forecasting certification. This led to me keenly watching the weather, and I noticed that the number of abnormal weather events was increasing. This was around 1990s.

One day, I learned about emissions trading systems from a newspaper. As I was very interested in the deep connection between economic activity and the environment, in 2004, I went to the US to study environmental policy and refreshed my knowledge of emissions trading systems.

After returning to Japan, I joined WWF Japan and expanded my knowledge of environmental conservation and corporate management approaches through a wide range of activities, including participating in the setting of international rules, providing consulting to companies, and lecturing at universities. At that time, interest in environmental policy in Japan was still fairly low. However, the conclusion of the Paris Agreement in 2015 triggered a huge change in awareness.

It would not be an exaggeration to say that decarbonization is an industrial revolution. It is now recognized that failing to incorporate sustainability into actual management is a huge risk factor. However, practicing sustainability management comes with a certain amount of pain. Scrutiny from the markets is becoming more intense, and top management members are required to make decisions.

“The Bank Needs Front-Line Environmental Knowledge”

Within this environment, I was approached about becoming an Outside Director of the Bank in 2021.

As I have no corporate management experience, I hesitated about whether I had a role to play. However, the lawyer who was mediating the discussion told me, “Going forward, Toho Bank will need the knowledge of the global environmental front-lines that you possess.”

Part of my work to date has been researching the overall approach to energy in Japan, including renewable energy. I think that the nuclear accident at the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant might trigger a change in Japan's energy situation, so I have been monitoring the situation in Fukushima closely.

Furthermore, Fukushima has paid a huge price for the nuclear accident. I think this is extremely unfair. I have found myself wondering why Fukushima has had to suffer so much. The lawyer also told me, “People from Fukushima have great perseverance. Please help us find ways to bring growth to Fukushima so we can show people in other prefectures and around the world our best face.”

These words were what made me decide to join the Bank as an Outside Director. After hearing them, I resolved to utilize everything I have learned and work earnestly for the Bank, the Fukushima economy, and the recovery from the nuclear accident.

Sincerely Improving Corporate Governance

Over the past year, I have been studying both about Fukushima and about corporate governance approaches. As part of this, I participated in outside director training held by an external organization. While taking this training, I really felt that the Bank's governance is steadily advancing toward a high level.

Specific initiatives include becoming a company with an Audit and Supervisory Committee and establishing the Nomination and Remuneration Committee in 2018 and achieving a Board of Directors composition in which 50% of Directors are Outside Directors in 2022. It also made changes in accordance with revisions to the Tokyo Stock Exchange's Corporate Governance Code in 2021, such as strengthening diversity and sustainability initiatives.

Additionally, I realized that the culture within the Bank is good. It is making a full effort to be open, including allowing me to attend meetings of Branch Managers and Executive Officers, and providing people new to the industry like myself with proper explanations before every Board of Directors meeting.

An issue to be addressed going forward is to raise the capabilities of its Outside Directors, which is also one of the directives received from the Ministry of Economy, Trade and Industry. This has renewed my resolve to diligently find ways to utilize sustainability as a business tool.

Sustainability as a Business Tool

The Bank's purpose is to foster growth in Fukushima. Revitalizing Fukushima will be an essential, core part of decarbonization as an industrial revolution. I would like to see the Bank plant the seeds of growth through its consulting business as a bank that is trusted by the regional community.

You could say that promoting sustainability is one way of realizing this. When the Bank gets a company to commit to achieving the SDGs, it is also considering the next sources of that company's growth. One way to get companies thinking of new business financing is to propose investments in energy conservation and alternative energy sources, such as renewables.

Making sustainability-related proposals will also raise the sales skills of the Bank's staff. As I mentioned earlier, sustainability requires top management members to make decisions. Having Bank staff meet directly with company leaders and make proposals that require them to make a decision will also nurture the self-confidence of the Bank's people.

Since becoming an Outside Director, I have seen enthusiasm in this area, but I think the efforts of many companies in Japan are still lacking compared to Europe and the US. I recognize that the Bank is still standing at the starting line in regard to sustainability management.

I believe that implementing energy conservation and renewable energy initiatives will become increasingly important to regional development in the future. The Bank is helping to boost economic growth in Fukushima by promoting sustainability.

Sustainability will help to ensure that a livable environment is preserved for the next generation, in Japan and all over the world. I would like to emphasize to all our stakeholders that the end goal of promoting sustainability is to protect the environment for future generations.



Sustainability Initiatives

The Toho Bank Group's Approach to Sustainability

The Toho Bank Group conducts its corporate activities based on its corporate philosophy of "Focusing on the community, together with the community" as its social mission, "For customer satisfaction" as its management approach, and "With new sensibilities and flexible ideas" as its code of conduct.

Under these circumstances, we are working to promote sustainability in the areas of environment (E), social (S), and governance (G) to realize a sustainable local community. In addition to creating a virtuous cycle of social and economic values, we are striving to increase corporate value over the medium to long term to meet the expectations of a wide range of stakeholders, including local customers and shareholders.

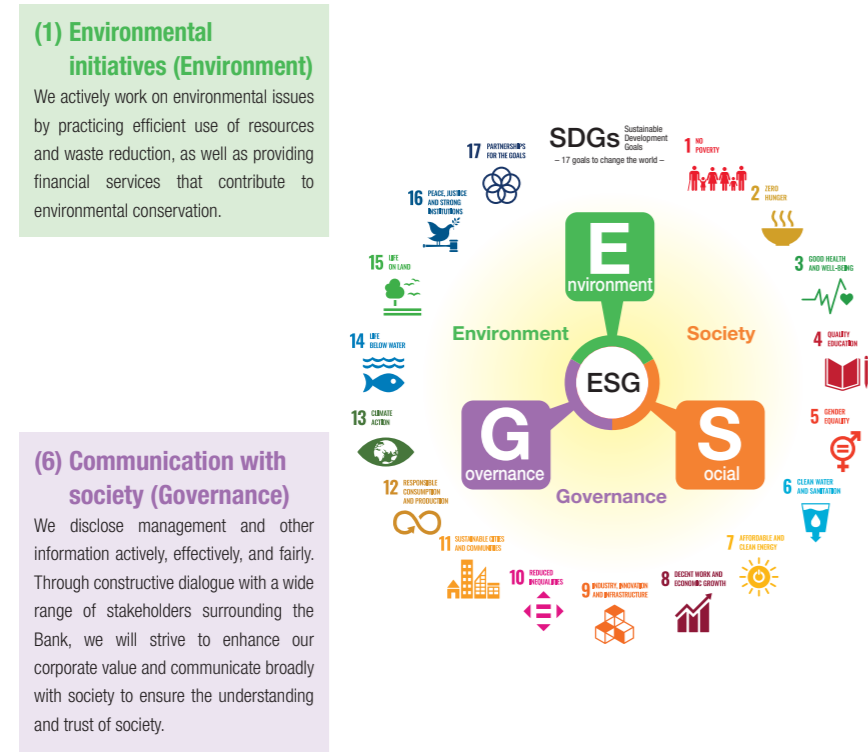
Specifically, we believe it is essential to address climate change and other environmental issues, as well as human capital and diversity initiatives, which are prerequisites for addressing these issues.

The Toho Bank Group established the ESG Initiatives Policy in 2019, published the Toho SDGs Declaration in 2020, and endorsed the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. In 2023, we participated in the Green Transformation (GX) League.



ESG Initiatives Policy

To achieve the Sustainable Development Goals (SDGs), the Toho Bank Group is committed to addressing social issues such as environmental and human rights issues and building a governance structure to address these issues. Based on the Toho SDGs Declaration, we are tackling social and environmental issues in the region, utilizing the knowledge gathered through the TSUBASA Alliance.



Toho SDGs Declaration

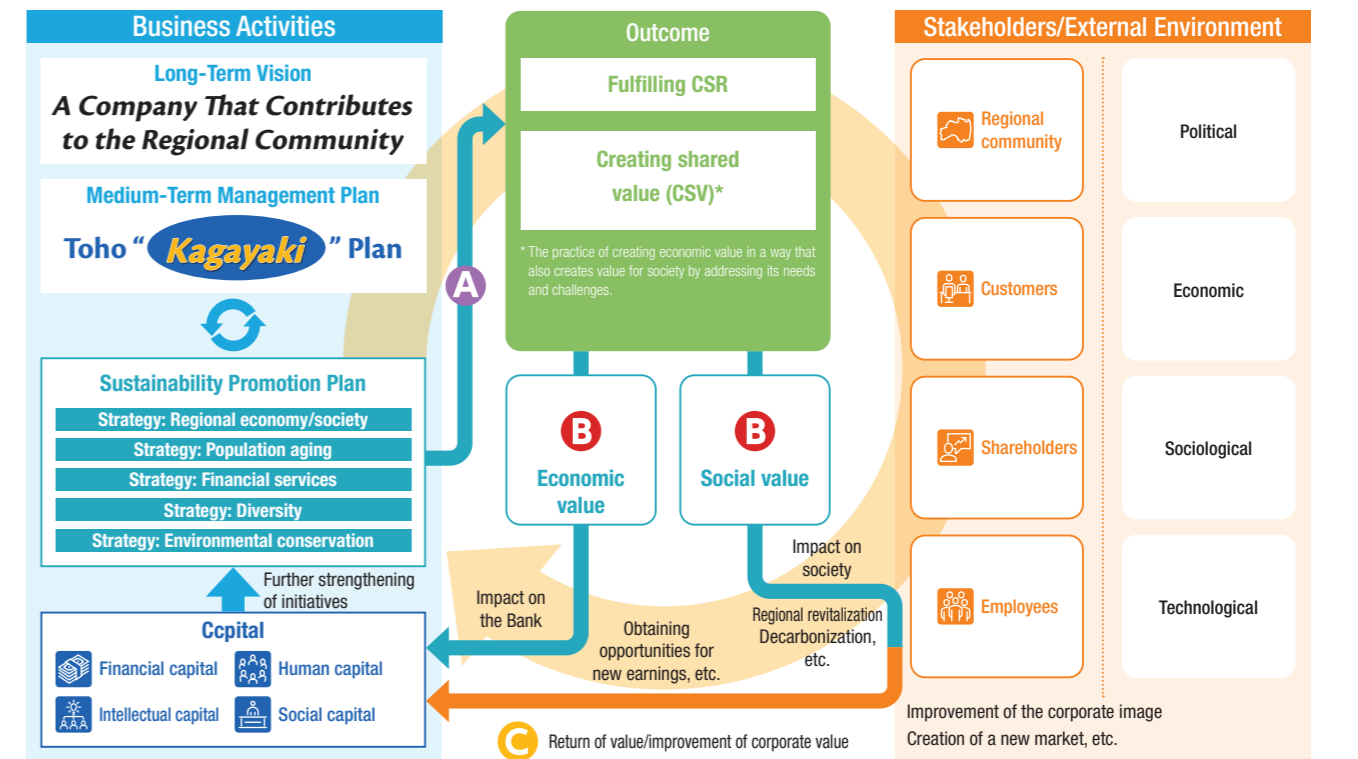
The Toho Bank Group aims to create a virtuous cycle of economic value (impact on the Bank) and social value (impact on society) by promoting sustainability based on the Toho SDGs Declaration and to realize sustainable regional communities.

Based on the SDGs adopted by the United Nations, the Group declares that it will tackle the following social and environmental issues to realize sustainable growth in the region.



Positioning of the Sustainability Promotion Plan

Based on the five themes set in the Toho SDGs Declaration, we are promoting initiatives to contribute to solving social issues through our business activities. We also aim to realize a virtuous cycle of increasing corporate value (C) by creating shared value (B) through SDG initiatives (A).



Environmental Conservation

Carbon Neutrality Initiatives

The Bank aims to enhance the sustainability of our home of Fukushima by leading carbon-neutral initiatives in the prefecture through the promotion of sustainable finance and expansion into renewable energy power businesses. The Toho Bank Group will also accelerate its group-wide efforts to reduce CO₂ emissions and demonstrate a model for sustainability management as a top bank in the prefecture.



Environmental Conservation

Initiatives for Climate Change and the TCFD Recommendations

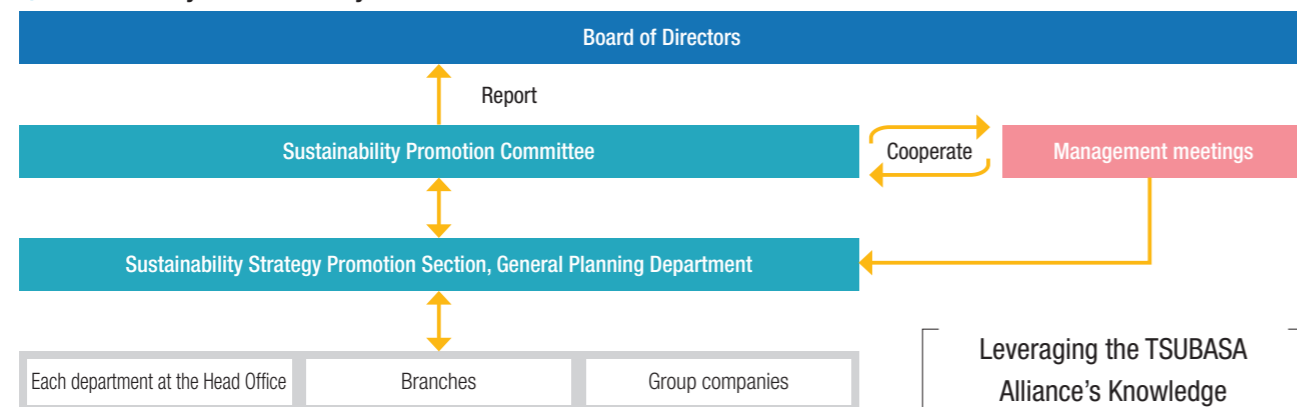
The Toho Bank Group has declared its support for the TCFD recommendations* in 2020. We will continue to actively disclose information on our initiatives for climate change according to the TCFD recommendations.



* The Task Force on Climate-related Financial Disclosures established by the Financial Stability Board. Encourages companies to disclose information on climate change risks and opportunities.

Governance

Sustainability Governance System Chart



Meetings

	Chaired by President
Sustainability Promotion Committee	<ul style="list-style-type: none"> Discussion of the Sustainability Promotion Plan Confirmation of the progress of the Sustainability Promotion Plan Discussion and reporting of important sustainability-related matters
Board of Directors	<ul style="list-style-type: none"> Reporting on the results of the discussion at the Sustainability Promotion Committee meetings

Organizations

	Established at General Planning Department
Sustainability Strategy Promotion Section	<ul style="list-style-type: none"> Newly established in 2023 as a department to oversee the sustainability initiatives of the entire Toho Bank Group. Further promote initiatives across the Head Office, as well as review and upgrade the content of initiatives.

Strategy

The Toho Bank Group established the Toho SDGs Declaration to further promote initiatives that contribute to the resolution of social and environmental issues and contribute to the sustainable growth of regional community. The declaration positions environmental conservation, including climate change, as a key management issue, and we will advance initiatives from the perspective of both opportunity and risk.

Opportunities

We support the transition to a low-carbon society from financial aspects through project financing arrangements and loans related to renewable energy projects.

Risks

We recognize the physical and transition risks associated with climate change.

Physical risks

Physical risks include the impact on the business activities of our business partners brought about by climate change, increased credit risks due to changes in business conditions, and operational risks due to damage to branches.

Transition risks

Transition risks include increased credit risks for companies we invest or provide loans to as the transition to a low-carbon society, such as tighter climate-related regulations, impacts them.

Carbon-related assets

The percentage of carbon-related assets* as a part of the Bank's credit balance is 15.6%.

* From the fiscal year ended March 31, 2023, carbon-related assets are expanded from the Energy Sector only to four sectors, including Transportation, Materials and Structures, and Agriculture, Food, and Forest Products. The Bank selects and aggregates target industries based on the Bank of Japan's industry classification.

Scenario analysis

We perform scenario analysis to understand the impact of climate change risks on our credit portfolio.

Physical risks

Scenario	IPCC's RCP8.5 scenario (4°C scenario)
Analysis methodology and overview	Assuming damage from floods (river flooding), which account for the majority of natural disasters stemming from climate change and have a high probability of occurring in Japan, we analyze the impact on credit costs associated with the loss of value of collateral real estate and the suspension of customers' business activities due to flooding by utilizing hazard maps.
Analysis period	To 2050
Credit costs	Credit costs increased by about ¥2.0 billion.

Transition risks

Scenario	IEA sustainable development scenario (below 2°C scenario)
Analysis methodology and overview	Targeting companies in the power sector with high CO ₂ emissions, we analyzed the additional amount of credit costs due to the increase in additional capital investment costs for renewable energy.
Analysis period	To 2040
Credit costs	There is limited impact on credit costs.

Since the results of this analysis are estimates based on certain assumptions, we will continue working to enhance our scenario analysis.

Environmental Conservation

Risk Management

With an awareness of the physical and transition risks posed by climate change, the Toho Bank Group is responding to them with the framework of an integrated risk management system, including credit risk management and operational risk management. In addition, from the viewpoint of climate change countermeasures and sustainable growth, we have established the following credit policy for sectors that have social and environmental impacts.

The credit policy will be further discussed in the future.

Sector	Policy
Coal-fired power plants	<ul style="list-style-type: none"> In consideration of the impact of carbon dioxide emissions on climate change, we do not invest in or finance the new construction of coal-fired power plants as a general rule. However, except in cases where investments and loans are considered based on Japan's energy policy and other factors, we will carefully consider our response after comprehensively taking into account power generation efficiency performance, environmental impact, and other factors.
Cluster munition manufacturing projects	<ul style="list-style-type: none"> Based on the inhumane nature of cluster munitions, we do not invest in or finance businesses that manufacture cluster munition weapons.
Palm oil farm development and deforestation projects	<ul style="list-style-type: none"> Regarding palm oil farm development and deforestation projects, we do not invest in or finance businesses that are likely to be involved in illegal logging from the perspective of preserving forest resources and protecting human rights. When considering investments and loans for such projects, we make decisions by fully paying attention to the acquisition status of international certifications such as RSPO^{*1} and FSC^{*2}, environmental considerations, and troubles with local communities. <p><small>*1 Roundtable on Sustainable Palm Oil: an international non-profit organization operated by participants from seven sectors related to palm oil (production, oil extraction and trade, product manufacturing, retail, investment and financing companies, environmental non-governmental organizations (NGOs), and social and development NGOs. *2 Forest Stewardship Council: an international non-profit organization established to promote responsible forest management worldwide</small></p>

Metrics and targets

The Toho Bank Group uses the following indicators for its climate change policy.

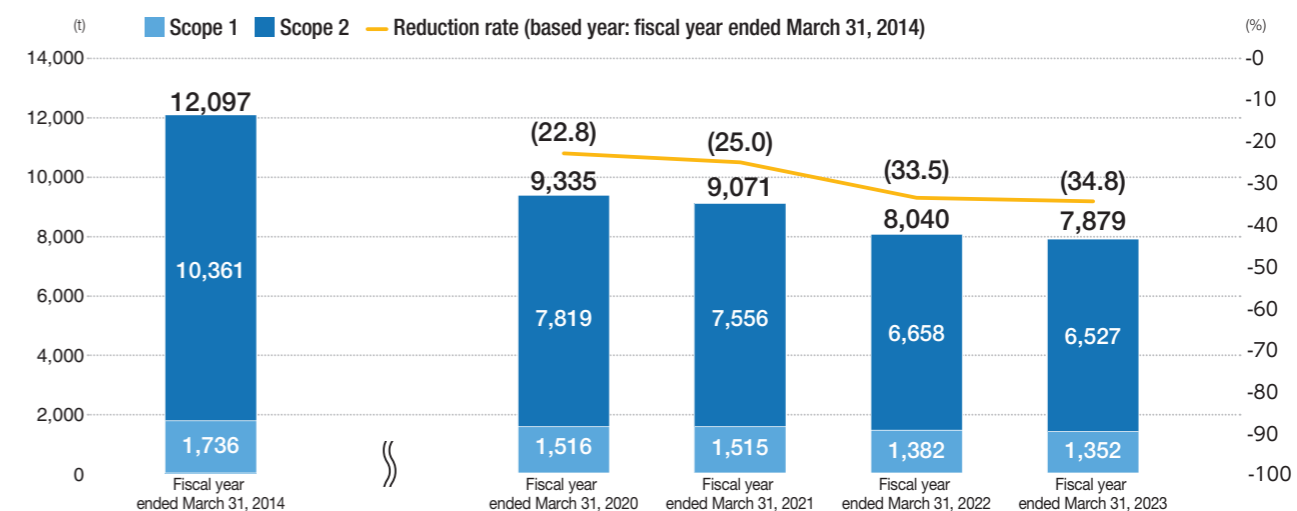
Carbon dioxide (CO₂) emissions

Reduction Target	CO ₂ emissions in the fiscal year ending March 31, 2031 Reduction by 50% compared to the fiscal year ended March 31, 2014
Reduction Result	CO ₂ emissions in the fiscal year ended March 31, 2023 Reduced by 34.8% compared to the fiscal year ended March 31, 2014

- We will continue our efforts to reduce CO₂ emissions.
- We are also reviewing our CO₂ emission reduction targets through renewable energy electricity and expanding Scope 3 measurement and disclosure.

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Scope 1 (direct emissions)	1,736	1,516	1,515	1,382	1,352
Scope 2 (indirect emissions)	10,361	7,819	7,556	6,658	6,527
Total	12,097	9,335	9,071	8,040	7,879
Scope 3	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	Category 6 (Business travel)	380	369	364	
	Category 7 (Employee commuting)	341	326	324	

Changes in CO₂ emissions results



Sustainable finance in the environmental field

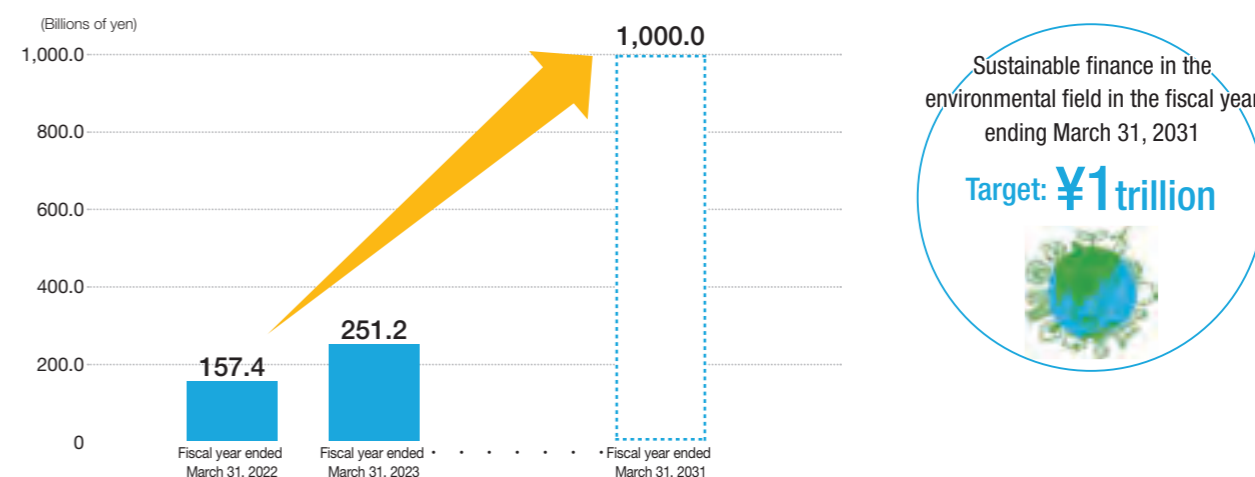
Target investments and loans	Implementation/structuring of investments and loans to businesses that invest in addressing climate change, such as renewable energy businesses and environmental conservation-related businesses
Period	Fiscal year ended March 31, 2022 to fiscal year ending March 31, 2031 (10 years)
Target	¥1.0 trillion
Result	¥251.2 billion (cumulative total through the fiscal year ended March 31, 2023)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cumulative amount of sustainable finance implemented/structured in the environmental field	157.4	251.2
Of which, renewable energy related	134.1	172.8

Note: In addition to the environment field above, we also invest in social bonds. (cumulative total of ¥5.7 billion for the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2023)

- To promote the transition to a decarbonized society and a new industrial and social structure to realize a sustainable society, we have set a target of implementing and structuring ¥1 trillion in sustainable finance over 10 years from the fiscal year ended March 31, 2022 through fiscal year ending March 31, 2031. Such finance includes investments and loans for the Bank of Japan's climate change response operations and our investments and loans related to the environmental sector.
- We will continue to expand the content of the indicators and targets related to climate change.

Cumulative results of sustainable finance in the environmental field



Corporate Consulting Strategy



1. Corporate Consulting Initiatives

We offer new added value as a consulting service to respond to various management issues faced by customers.

We implement comprehensive proposals according to customer needs by developing and deploying human resources with specialized skills in each area.

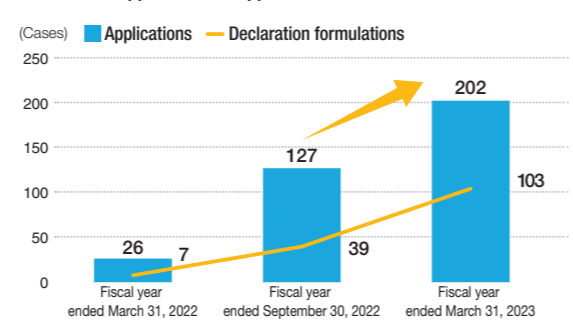
Initiatives to Support Customers' SDGs Management

Toho SDGs Support Service

With efforts toward the SDGs gaining momentum in Japan and abroad, we launched the Toho SDGs Support Service in December 2021 to promote customers' SDGs initiatives.

The service supports the visualization of the status of SDGs initiatives and the creation of SDGs declarations (for external PR), and it also supports the solving of specific management issues.

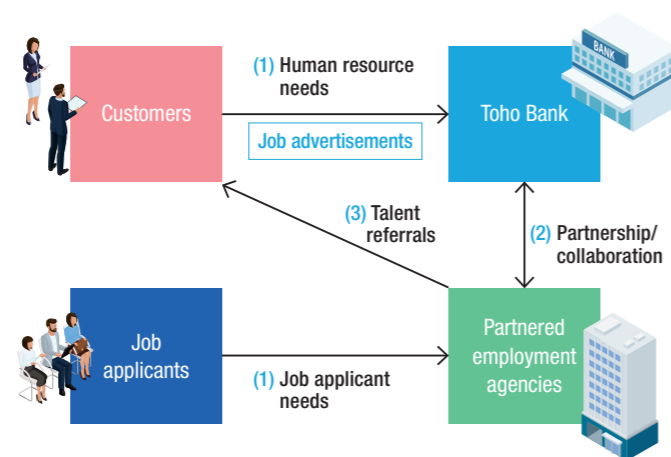
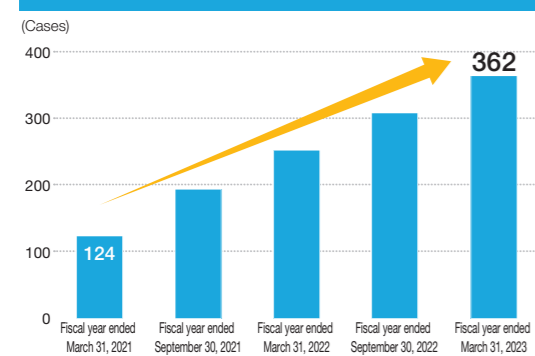
Toho SDGs Support Service Applications and Declaration Formulations



Recruitment Initiatives

As personnel shortages grow ever more severe, we are facilitating recruitment, including in the high-need areas of management and administrative posts, to support the solving of customers' management issues regarding human resources.

Cumulative cases of support for the securing of human resources: 362 (end of March 2023)

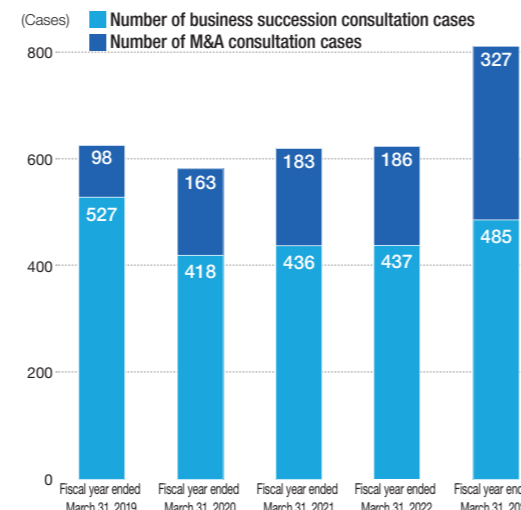


Business Succession/M&A Support Initiatives

- We provide problem-solving support for customers having trouble with business succession and other issues.
- In October 2022, we established Toho Consulting Partners Co., Ltd. to facilitate solutions for customers' issues.
- We will contribute to the regional community as a reliable partner to our customers.



Number of business succession/M&A consultation cases



Start-up Support/Next-Generation Manager Training

Start-up/new business development support

We hold Toho "Support Entrepreneurs" Consultation Events, as well as Toho Start-up Support Seminars in partnership with local governments, in order to support people aiming to start a business and people facing issues after starting a business.

Event	Cumulative total participants
Toho "Support Entrepreneurs" Consultation Event	169
Toho Start-up Support Seminar	101

(End of March 2023)

Development of next-generation managers

We run the Toho Next-Generation Management Club to build networks and improve the management talents of young managers and successors responsible for the next generation.

In the fiscal year ended March 31, 2023, we held the 11th Toho Next-Generation Manager Seminar online, with 216 participants, under the themes of "corporate management based on world affairs" and "SDG-conscious corporate management."



Toho Next-Generation Management Club Members **1,446** (End of March 2023)

Business Matching

Business matching by expert referral

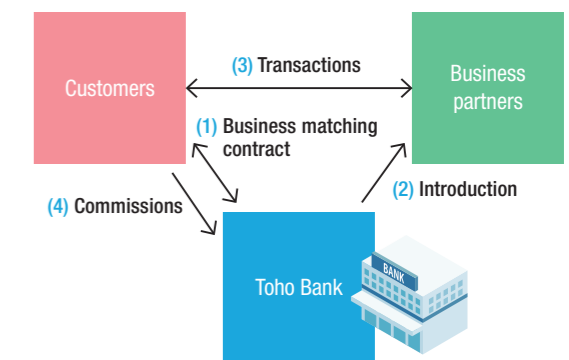
The Bank provides support to solve customers' management issues by coordinating with outside experts in a wide range of fields.

Examples of expert services

<input type="checkbox"/> Management plan formulation/business management	<input type="checkbox"/> Security/BCP	<input type="checkbox"/> Payment services/cashless	<input type="checkbox"/> Overseas development
<input type="checkbox"/> Fundraising/leases	<input type="checkbox"/> Opening/expanding markets	<input type="checkbox"/> Use of subsidies/grants	<input type="checkbox"/> Disposal/use of unused real estate
<input type="checkbox"/> Market research/marketing	<input type="checkbox"/> Supplier/subcontractor development	<input type="checkbox"/> Managing/guaranteeing receivables	<input type="checkbox"/> Surveys/appraisals of owned real estate
<input type="checkbox"/> Production reform/logistics rationalization	<input type="checkbox"/> Safeguarding/use of intellectual property	<input type="checkbox"/> Acquiring/relocating business sites	<input type="checkbox"/> SDGs support service
<input type="checkbox"/> Productivity improvement/work efficiency improvement	<input type="checkbox"/> Energy conservation/reduction of electricity charge	<input type="checkbox"/> New construction/remodeling of offices/factories	

Business matching service for sales channel development

We leverage our customer network to provide business matching service for sales channel development, which involves introducing customers to business partners.



Cumulative results since handling began

Introductions 219
Contracts concluded 53

(From the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2023)

Business meetings/PR events

We hold business meetings and PR events to provide opportunities for customer business matching and market expansion.

E-commerce business to support recovery (co-sponsorship/collaboration)

We co-sponsor and collaborate on e-commerce business to support recovery for all food-related businesses in the prefecture. We began handling the Fukushima Market-Utsukushima (Beautiful Fukushima) Good-Quality Product Store as the third stage of support in April 2012.



Utsukushima (Beautiful Fukushima) Good-Quality Product Store by Fukushima Market

Cumulative sales results since handling began

350,000 items/¥1.4 billion

(From the fiscal year ended March 31, 2012 to the fiscal year ended March 31, 2023)

Corporate Consulting Strategy

Offering a Variety of Fundraising Measures

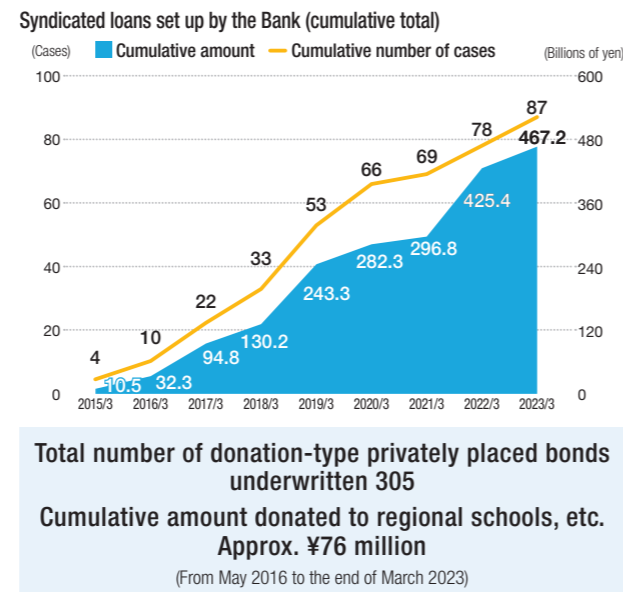
● Project finance and syndicated loans

We assist smooth fundraising for large projects through project financing and syndicated loans with the aim of accelerating efforts to create and agglomerate growth industries, particularly the renewable energy industry that is bolstering the recovery of Fukushima Prefecture.

● Privately placed bonds initiatives

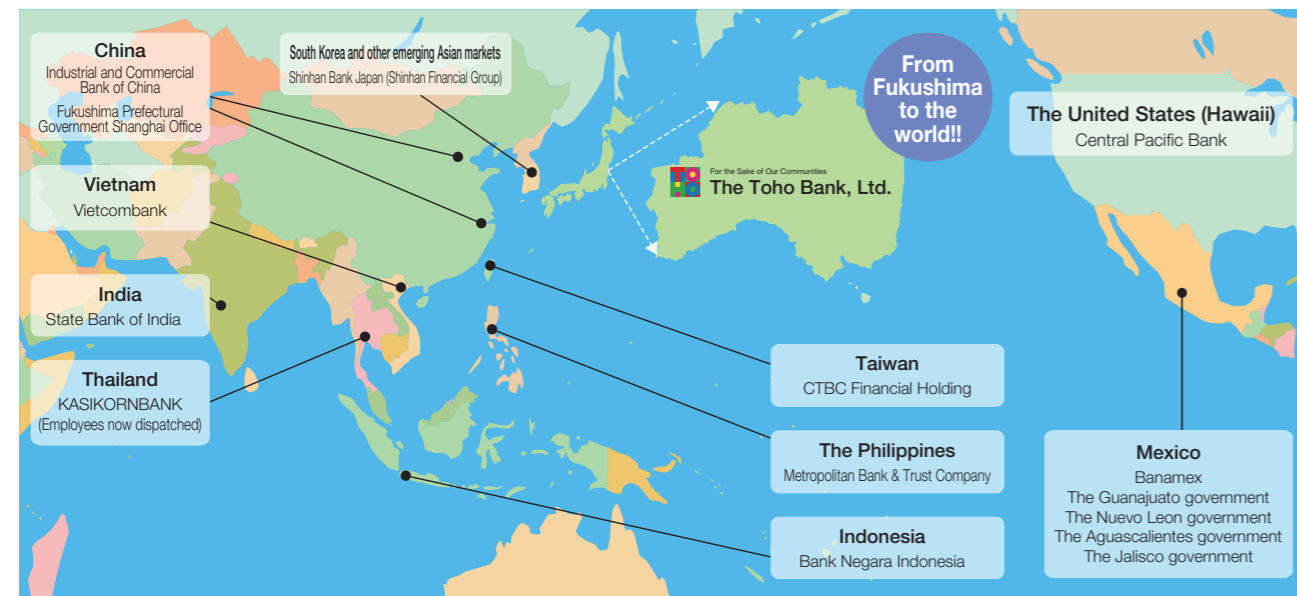
We handle privately placed bonds that provide customers with financing at fixed interest rates and improve their image as companies in good standing.

For donation-type privately placed bonds, such as the Toho Privately Placed Bonds to Support Full Participation in the Region, a portion of the underwriting commission for customer-issued privately placed bonds is donated to various entities such as schools and medical institutions.



Support for Expansion into Foreign Markets

In line with the progress of globalization, the Bank forms business partnerships with foreign banks and other entities on location and dispatches employees to actively support business partners' business development overseas.



● Communicating the latest information from the frontlines by issuing "TOHO ASEAN REPORT"

Since December 2021, we have issued "TOHO ASEAN REPORT," compiled by our staff posted overseas, in order to provide customers with the latest information from the business frontlines.

Our staff posted to Vietnam issue the report, containing the latest local information and topics, through the Bank's website once every three months.

● Business meetings in Bangkok and Vietnam (onsite: August 2022; online: September 2022)

We held manufacturing business meetings in cooperation with Fukushima Prefecture with the aim of advancing the foreign market expansion of companies in the prefecture. The Bank will endeavor to respond to the needs of customers developing business abroad as well as contribute to globalization of the Fukushima Prefecture economy.



TOHO AREA RESEARCH INSTITUTE Initiatives

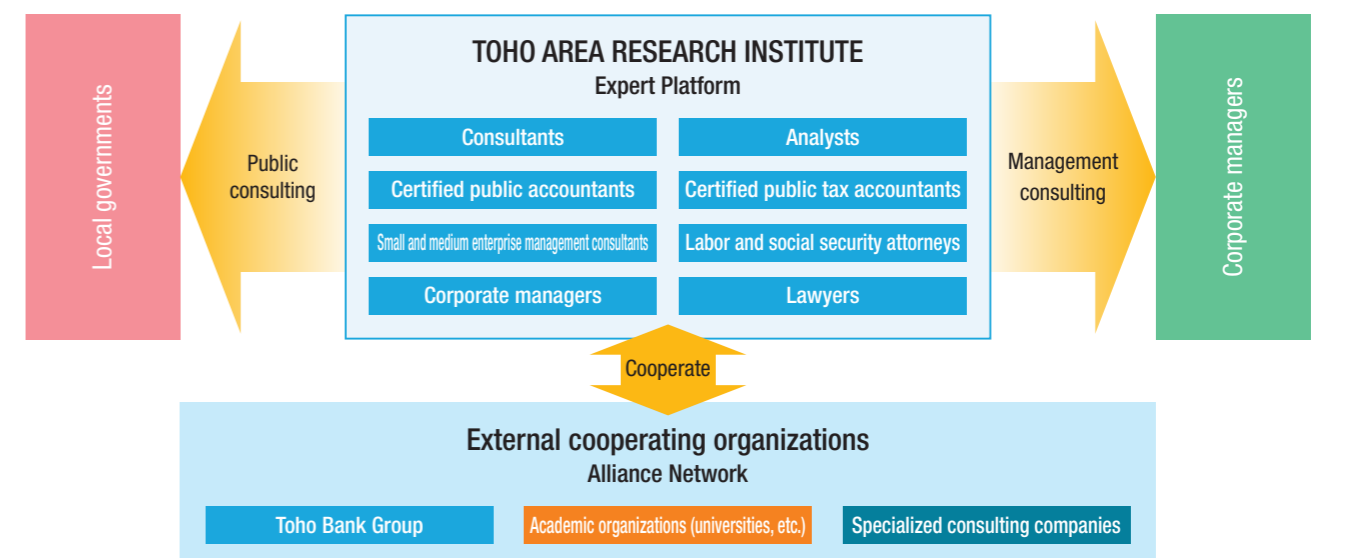
● Consulting in a wide range of areas

The TOHO AREA RESEARCH INSTITUTE is the Toho Bank Group's thinktank. In addition to carrying out investigations, analysis, and research focused on Fukushima Prefecture's economy and industry, it provides consulting "as a partner" that addresses the various issues facing companies and local governments in a wide range of areas.



● Expert Platform

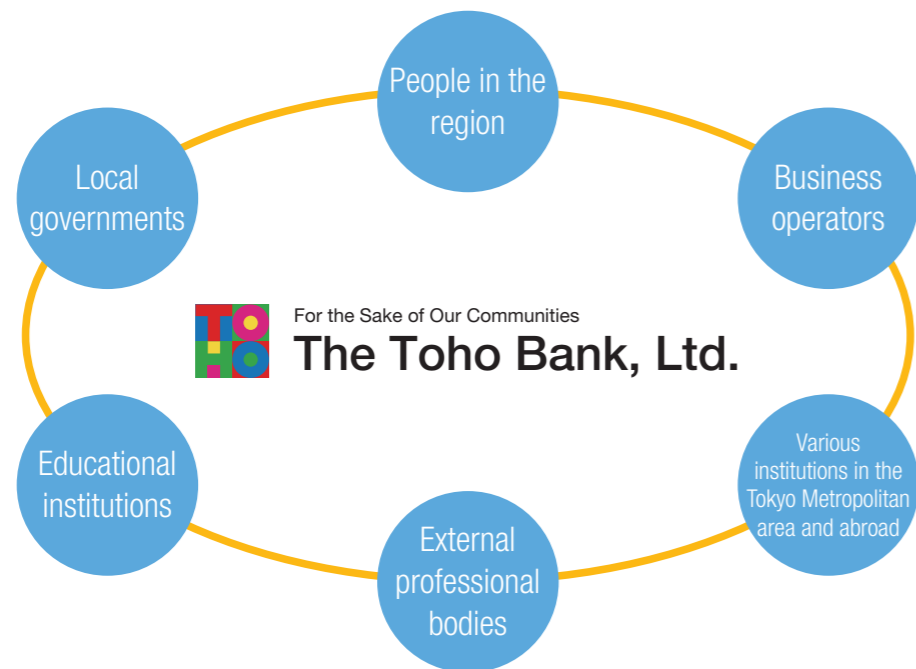
In order to provide customers with high-level, expert consulting, we are building an expert platform within TOHO AREA RESEARCH INSTITUTE by gathering experts from various fields. These experts work with the institute's staff to deliver management support to customers.



2. Regional Revitalization Initiatives

We propose and provide optimal support options along with outside institutions regarding the region's various issues.

Support system and options of the Integrated Strategy for Revitalizing Region, People, and Work



Mutual cooperation/information gathering/provision

	Region	People	Work
Initiatives to solve regional issues	Strengthening regional industry's competitive edge	Establishment of new business facilities/industry accumulation	Support for sixth-sector industrialization in agriculture
		Renewable energy	Medical and welfare devices
	Bringing human resources to the region/human resources development/employment measures	Development of proposal-based business for management issues according to a company's life stage	
		Start-up support	Business matching
		Foreign expansion support	Business revitalization/management improvement
Forming economies and spheres of life in regional towns and cities	Tourism/regional revitalization/presenting fine items from Fukushima	Promotion of moving and settling	
Strengthening management of existing stock in light of depopulation	Proposals for use of vacant houses/closed schools	Childrearing support/health promotion	
	Information dissemination in collaboration with the Fukushima PPP and PFI Study Group		

Cooperation with Local Governments

The Bank concludes comprehensive partnership agreements with local governments to effectively use mutual resources, cooperates in a wide range of areas such as industrial promotion and childrearing support, and implements initiatives with an understanding of regional characteristics and needs.

(In order of conclusion: a cumulative total of 29 local governments)
 Fukushima Prefecture, Yabuki Town, Koriyama City, Date City, Fukushima City, Shirakawa City, Nihonmatsu City, Sukagawa City, Motomiya City, Iwaki City, Aizuwakamatsu City, Tamura City, Kitakata City, Nishigo Village, Soma City, Tanagura Town, Kori Town, Kunimi Town, Shinchi Town, Miharu Town, Ono Town, Naraha Town, Minamisoma City, Hirono Town, Kawamata Town, Tomioka Town, Namie Town, Shimogo Town, Iitate Village

(Reference) Number of local governments for which we are the designated financial institution:
 32 of the 60 local governments in the prefecture (including rotation systems)

Regional Revitalization Initiatives

● Held the "Work Experience Tour" in cooperation with Fukushima Prefecture and Tokio Marine & Nichido Fire Insurance Co., Ltd. (September 2022)

Amid increasingly severe population outflow to urban areas, we held the "Work Experience Tour" to boost job hunting in which people return to their hometowns in the region, come to the region from elsewhere, or return to regional towns near their hometowns.

The event was held jointly by the Bank, Fukushima Prefecture, and Tokio Marine & Nichido Fire Insurance Co., Ltd.

● Support for regional human resources development (July 2022)
 In cooperation with the Fukushima Innovation Coast Promotion Organization, we conducted a guest lecture on the theme of "SDGs" at Soma Municipal Koyo Junior High School with the aim of contributing to the regional revitalization and development of human resources in the coastal area.

● Toho Marché customer support drive (Began operation in October 2020)

We hold Toho Marché to enable Bank officers and employees to support customers affected by the novel coronavirus pandemic by buying their products. In September 2022, we held the JA-Fukushima Mirai Fair in collaboration with JA-Fukushima Mirai.

Initiative results	266 businesses/¥16 million
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● Tourism promotion initiatives

Financial Network of TOHOKU Tourism

We held the 4th FINE + Tohoku Instagram Photo Contest as a Financial Network of TOHOKU Tourism (nickname: FINE + Tohoku) initiative.

FINE+ Tohoku brings together the expertise and networks of six regional banks in the Tohoku region and the Development Bank of Japan in order to provide various forms of support for promoting Tohoku tourism.

● Regional revitalization projects using crowdfunding

(November 2021 to November 2022)

80th anniversary commemorative project

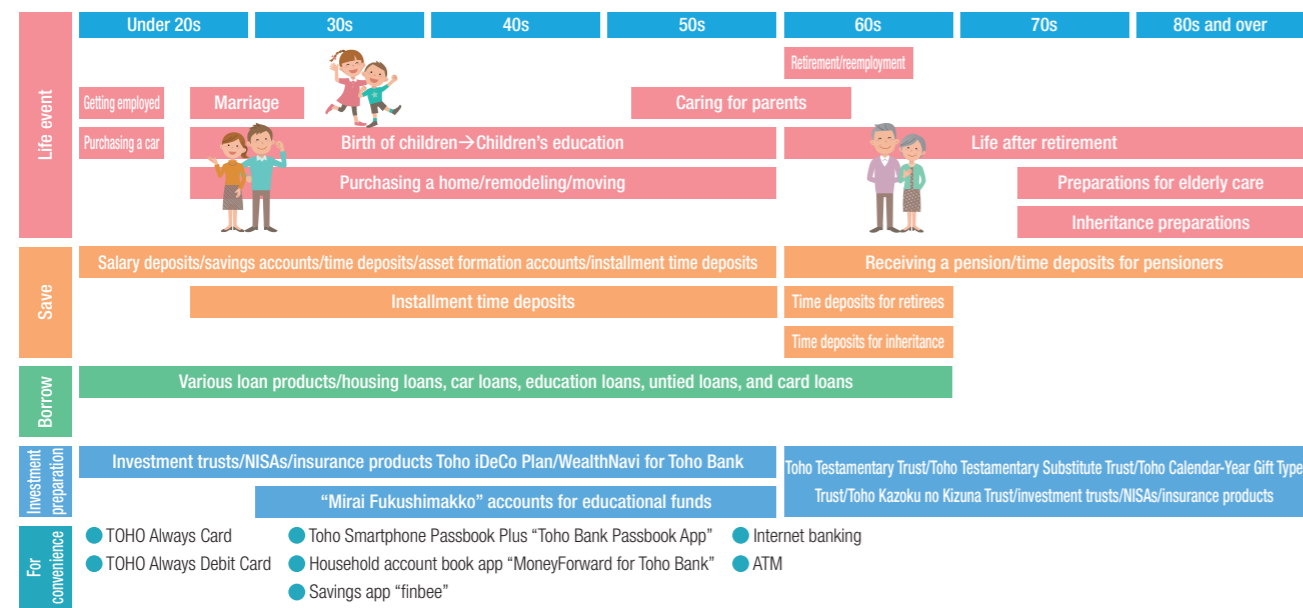
As part of the project to mark the 80th anniversary of the Bank's founding, we used crowdfunding to partially subsidize usage fees and to provide PR support toward project achievement for people striving to advance initiatives that contribute to regional revitalization in Fukushima Prefecture.



Private Consulting Strategy



The Bank offers a variety of products and services to respond to customers' life events and diverse needs.



1. Consulting Operations That Get Closer to Customers

● Guidance in accordance with life events

In order to help customers build full lives as stipulated by the Toho "Kagayaki" Plan, our medium-term management plan, we provide each customer with individual guidance on the best services to fit with various life events, such as marriage, childbirth, and buying a house.

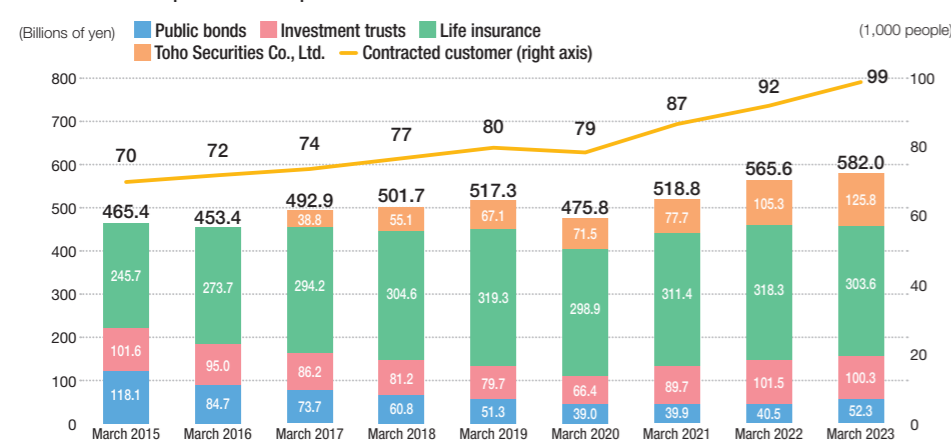
● Guidance on products for medium- to long-term asset formation

We help customers with asset formation and management through consulting operations that get closer to their needs, providing asset management guidance that incorporates a lifelong perspective. As a result, the number of customers who have concluded contracts with us to manage their deposited assets has increased by 7,000 year on year.

● Enhancing cooperation between the Bank and the securities company

We opened Toho Securities Co., Ltd. in April 2016 to respond to diverse asset management needs and built a system to provide highly specialized products and services. As a result of collaboration between the Bank and Toho Securities, the balance of assets on deposit for the whole Group has exceeded ¥580 billion.

Balance of the Group's assets on deposit



2. Asset Formation Initiatives

● Guidance on installment-type financial instruments

To facilitate stable asset formation, we actively propose installment-type financial instruments (installment-type investment trusts/level-premium insurance) that allow investments starting with a small amount from the point of view of "long-term, decentralized, and in installments."

As a result of proposing products that are attuned to customer needs, such as partnering with HOKEN NO MADOGUCHI GROUP in July 2020 to open Toho Insurance Plaza, the number of contracts for installment-type financial instruments has steadily increased.

Going forward, we will work on medium- to long-term asset formation support for our customers and deliver useful information in a timely manner.

● NISA initiatives

We are strengthening guidance related to the NISA system so that as a regional financial institution, we can provide asset formation support to customers, particularly for the generations currently of a working age in our home region of Fukushima.

We will issue a wide range of information about the new NISA system, which will be substantially revised in January 2024.

● Strengthening non-contact transactions using digital technology

Use of tablets

We are leveraging our strength in face-to-face sales to provide guidance for customers in real time through tablets. In this way, we can explain information such as market information and fund details in a visual and easy to understand format.

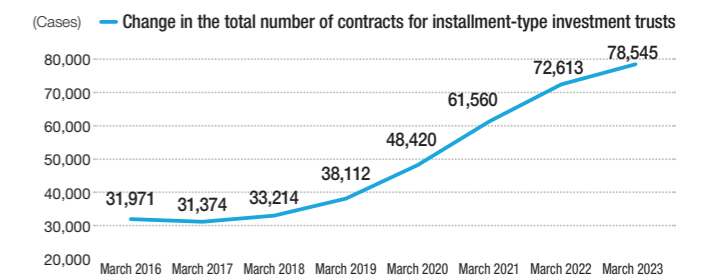
Online investment trusts

Our online investment trust service can be used for actions such as investing in or withdrawing from investment trusts, signing up for an installment-type investment trust, and checking current balances.

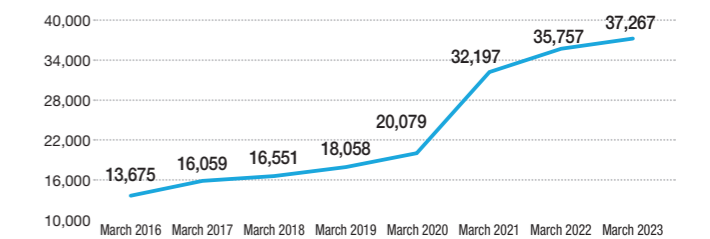
WealthNavi for Toho Bank

We are collaborating with WealthNavi Inc., which operates WealthNavi, Japan's leading asset management robo-advisor service, to provide our customers with a fully automated discretionary investment-based asset management service.

Installment-type financial instruments



Change in the total number of contracts for level-premium insurance



3. Life Plan Support Initiatives

● Policy for personal loan initiatives

As consumer activity gradually recovers to the level before the impact of the novel coronavirus pandemic, demand for personal loans is expected to continue growing.

Our policy is to actively meet our customer needs through both face-to-face and non-face-to-face activities, including revising our products and services to make them more competitive and implementing a variety of campaigns timed in accordance with demand.

Housing loans

A home is the biggest purchase most people make in their lives, so we will help customers to acquire their dream home by reliably providing each customer with a housing loan that is the best fit for their individual needs.

We will provide one-stop consulting that enables customers to revise life insurance policies, complete procedures for fire insurance, and access other services alongside their consultation on housing loans. In this way, we will work to expand overall transactions with customers while growing our housing loans business.

The balance of housing loans is currently strong, increasing by ¥9.3 billion year on year to ¥790.0 billion.

Diversifying housing loans

- In addition to housing funds, the Toho Super Housing Loan-Plus 7 of up to a maximum of ¥7 million in funds for various expenses/objectives
- The Housing Loan with a Special Agreement for Cancer Security to prepare for the worst
- The Housing Loan Advance Application Service that allows applications without visiting a branch

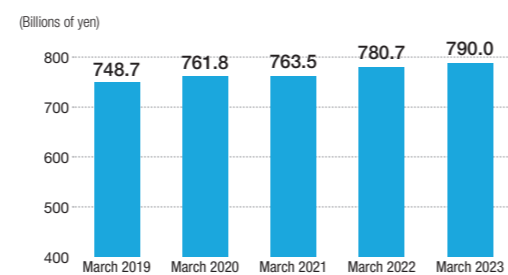
Unsecured loans

In the fiscal year ended March 31, 2023, we enhanced the convenience of our highly popular all-online loans (a comprehensive service that enables customers to carry out procedures from application to making a contract without needing to visit a branch) by greatly reducing the number of items that need to be filled in and upgrading systems with a focus on operability. As a result, approximately 70% of new contracts were completed as all-online loans without customers coming into a branch.

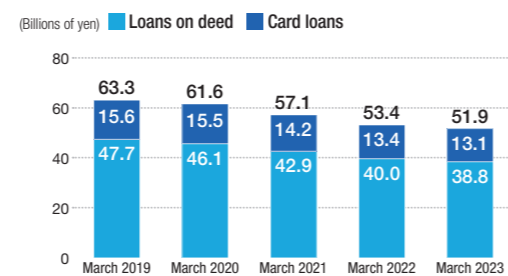
We are also actively working to meet customers' diverse financial needs, including for car loans, preparatory funds for children's education, and untied loans and card loans with unrestricted purposes, through branch and job-area sales (promotion of personal loans according to job area) and a variety of campaigns.

We will continue to expand products for which the process from application to making a contract can be completed on the internet to improve customer convenience.

Change in the balance of housing loans



Change in the balance of unsecured loans



Products available online

- Auto loans: Loans for car purchases, loans covering inspection and repair costs, refinancing of car loans, etc.
- Education loans: Loans covering school enrollment fees, course fees, and education-related housing costs, refinancing of education loans, etc.
- Untied loans: Loans covering marriage costs, travel costs, medical costs, etc. (not covered by living costs or business funding)
- TOHO Smart Next credit-card loans: Funding for various purposes, including living costs (not covered by business funding)

● Various sustainability loan initiatives

Financial services in the event of a disaster

We offer support for rebuilding the lives of customers affected by disasters through the provision of "disaster rehabilitation loans," which can be used flexibly for home repairs and other disaster recovery needs.

Sustainable housing loans

We have set sustainable finance in the environmental field as a long-term target and as a regional financial institution, we are strengthening our environmental initiatives, including supporting the SDG initiatives of customers.

Additionally, we are handling sustainable housing loans as an initiative that contributes to regional environmental conservation and tackling climate change. This involves actively facilitating housing loans for environmentally friendly new build housing with the aim of supporting customers' efforts to reduce greenhouse gas emissions.

Toho Auto Loan for Zero-Emission Vehicles

We are using auto loans to encourage the spread of environmentally friendly zero-emission vehicles*.

From January 1 to June 30, 2023, we implemented a campaign that offered loans for the purchase of zero-emissions cars with an annual interest rate of 0.9% (variable interest rate, guarantee fee included).

We will continue to contribute to the creation of a future-oriented, sustainable society based on the Toho SDGs Declaration by promoting the use of zero-emission vehicles that are considerate of the global environment.

* Refers to electric vehicles (EV) and fuel cell vehicles (FCV), which do not require gasoline or light fuel oil and thus do not emit carbon dioxide.

● Support for consultations on all types of loans and insurance products (branches specialized in loans, Toho Insurance Plaza)

We facilitate consultations for customers by opening our branches specialized in loans on Saturdays and Sundays as well, to make it possible to support customers for whom visiting (consulting at) a branch is difficult on weekdays. At our four branches specialized in loans, we have also set up Toho Insurance Plaza, which are a collaboration with HOKEN NO MADOGUCHI GROUP that provide expert consultation on insurance.

We are providing customers with personalized loan and insurance proposals through consultations with staff possessing specialist knowledge.

	Branches specialized in loans	Toho Insurance Plaza
In Fukushima Prefecture	Loan Plaza Fukushima Branch	Toho Insurance Plaza Fukushima (inside the Loan Plaza Fukushima Branch)
	Koriyama Loan Center (inside the Koriyama Main Office)	Toho Insurance Plaza Koriyama (inside the Koriyama Main Office)
	Yatsuyamada Loan Center (inside the Yatsuyamada Branch)	
	Shirakawa Loan Center (inside the Shinshirakawa Branch)	
In Miyagi Prefecture	Aizu Loan Center (inside the Takizawa Branch)	Toho Insurance Plaza Aizu (inside the Takizawa Branch)
	Iwaki Kashima Loan Center (inside the Iwaki Kashima Branch)	Toho Insurance Plaza Iwaki (inside the Iwaki Kashima Branch)
	Sendai Loan Center (inside the Sendai Branch)	

4. Inheritance-Related and Trust Business

At Toho Bank, we utilize our trust banking functions to provide asset inheritance consulting for succession and preparation for nursing care and dementia as forms of end-of-life support for the era of the 100-year lifespan.

Inheritance-related and Trust Business by the Banking Entity

Based on our authorization to engage in trust business (Act on Engagement in Trust Business by Financial Institutions, Article 1), in June 2017, the Bank became the first regional bank in the Tohoku region to begin handling the Toho Testamentary Trust and Toho Estate Liquidation Service, and we have received consultations from many customers.

In March 2019, to respond to the growing need for smooth asset succession and inheritance measures, we began handling the monetary trusts Toho Testamentary Substitute Trust and Toho Calendar-Year Gift Type Trust.

Furthermore, in January 2021, we began handling the monetary trust called Toho Kazoku no Kizuna Trust, which prepares customers for old-age care and dementia, and we are responding to a wide range of customer needs. (Cumulative application amount for monetary trusts: approx. ¥9.3 billion)

Succession-related products using trusts



Testamentary trust

- Creation of property ledgers
- Creation of will drafts
- Presence of witness
- Storage of wills
- Execution of wills



Estate liquidation services

- Proxy succession procedures
- Creation of property inventory
- Support for the preparation of agreements on division of inheritance



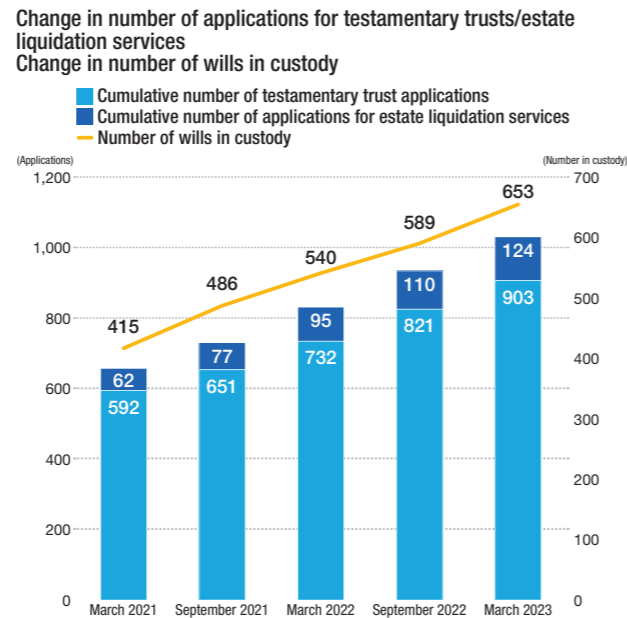
Testamentary substitute trust

- Issuance of money to family members immediately after succession is invoked
- Preparation of funeral funds
- Family living funds



Calendar-year gift type trust

- Proxy gift procedures
- No need to prepare a gift agreement
- Succession measures via gift inter vivos to children or grandchildren



Preparation for Old-Age Care and Dementia Utilizing Trusts (SDGs)

With advances in longevity and an aging society due to the era of the 100-year lifespan, various problems caused by cognitive decline are arising.

By offering the Toho Kazoku no Kizuna Trust, a monetary trust that provides preparation for old-age care and dementia, Toho Bank will contribute to initiatives that support the safe and secure lifestyles of elderly customers and their families.

Features of the Toho Kazoku no Kizuna Trust

(1) Preparation	Enables a proxy to smoothly withdraw funds required for nursing care, medical expenses, etc. if the customer is in a state requiring nursing care or is suffering from dementia
(2) Monitoring	Enables family members to track account withdrawals by the customer and proxies
(3) Bequests	Enables transfer of money to designated family members when the need for inheritance occurs



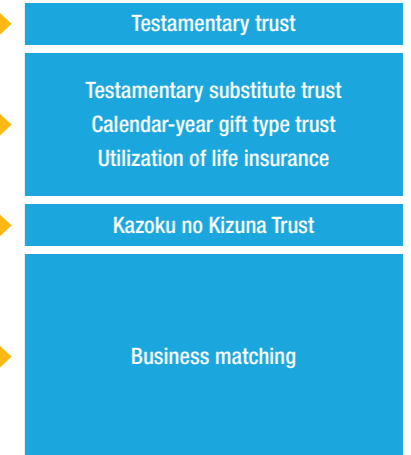
Various Initiatives for Elderly Customers (SDGs)

In addition to asset succession consulting via testamentary trust and monetary trusts, Toho Bank provides customers with proposals in accordance with their assets and family circumstances. We are expanding partnerships with many specialized contractors to respond to customers' varied needs in the era of the 100-year lifespan.

Customer needs

- I want to decide on my own in a notarized will who I will leave property to and the percentages to leave.
- I want to prepare funds that my family can use immediately, such as funeral and tax expenses.
- I want to take succession measures by utilizing inter vivos gifts.
- I want to prepare for nursing care and dementia.
- I want to make effective use of real estate and asset recombination.
- I want to request guarantor service when moving into a facility for the elderly, a medical facility, etc.
- I want to request voluntary guardianship.
- I want to use a monitoring service that confirms safety and can rush to the scene in the event of an emergency.
- I want to take measures against telephone banking fraud.

Primary responses



Bequest Partnership through Testamentary Trust

Toho Bank provides bequest partnerships through testamentary trusts.

Utilizing the testamentary trust scheme, we implement will-designated donations to partners.

Bequest partners

April 2017	Fukushima University
May 2018	The Japanese Red Cross Society, Fukushima Branch
March 2020	Fukushima Medical University
May 2022	Iwaki City Medical Center

Holding Inheritance and Testamentary Trust Individual Consultation Events

We hold Inheritance and Testamentary Trust Individual Consultation Events to provide individual customers with consultations about issues including inheritance and wills.

These are conducted by specialist staff at each branch. Attendees are presented with a Toho Kizuna Notebook, a notebook that facilitates end of life preparations.

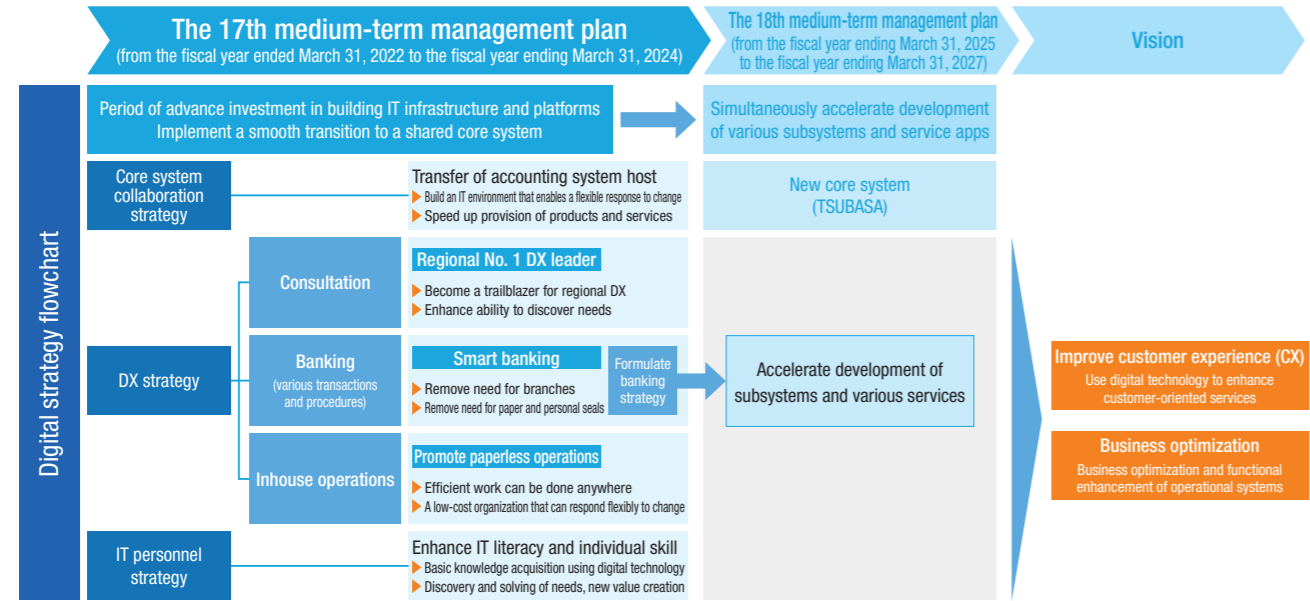
Individual consultation events held in the fiscal year ended March 31, 2023	220
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Digital/IT Strategy

We are working on a digital/IT strategy with the aim of improving customer experience (CX) by using digital technology to enhance customer-oriented services, and of carrying out the business optimization required to achieve this.

After we switch to a new core system, which is scheduled to happen in January 2024, we will accelerate the development of a range of services so we can provide convenient services focused on banking (various transactions and procedures).



Core system collaboration strategy

In January 2024, we will switch to the TSUBASA Core Banking System with a view to building an IT environment that enables a flexible response to changes in the financial environment and speeding up development of leading edge products and provision of services, among other considerations.

This will establish the IT infrastructure needed to flexibly and quickly provide advanced services that respond to the diversification of customer needs and the digitalization of society.

- Benefits of the switch**
- Point 1 Progressiveness
 - Point 2 Safety
 - Point 3 Potentiality

DX strategy

We have set moonshot targets¹ for each of our three operational categories and we are implementing various measures to achieve these targets.

¹A plan or challenge that will be extremely difficult to pull off, but will generate innovation if achieved.

Operational Category	Consultation	Banking	Inhouse operations
Moonshot Target	Regional No. 1 DX leader	Smart banking	Promote paperless operations
KPI	IT consulting contract concluded 31	Digital service ² users 290,000 End of March 2023	Reduction in paper consumption at Head Office ³ 26.9% End of March 2023

²Sum of internet banking and Toho ID users

³Compared to March 31, 2021

IT personnel strategy

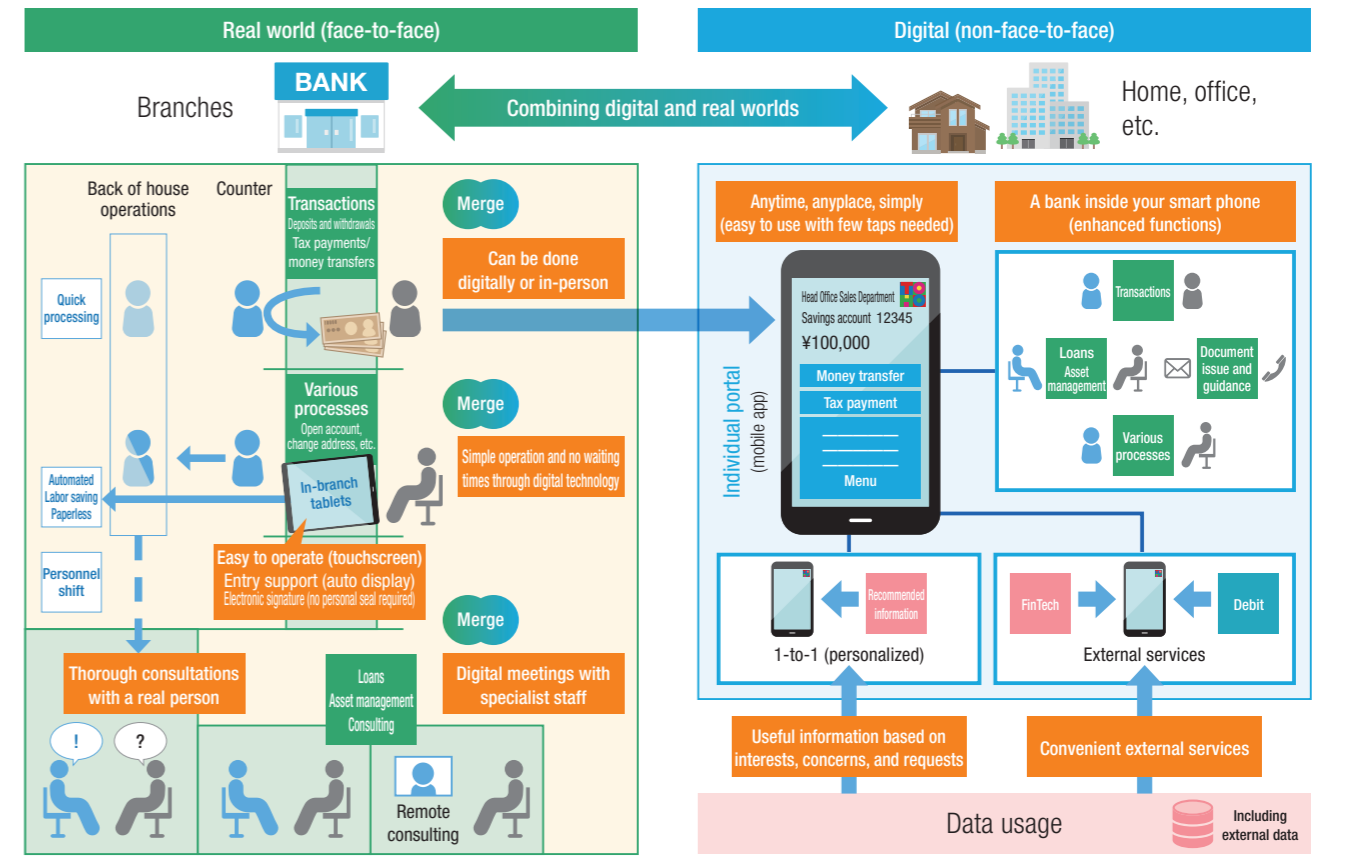
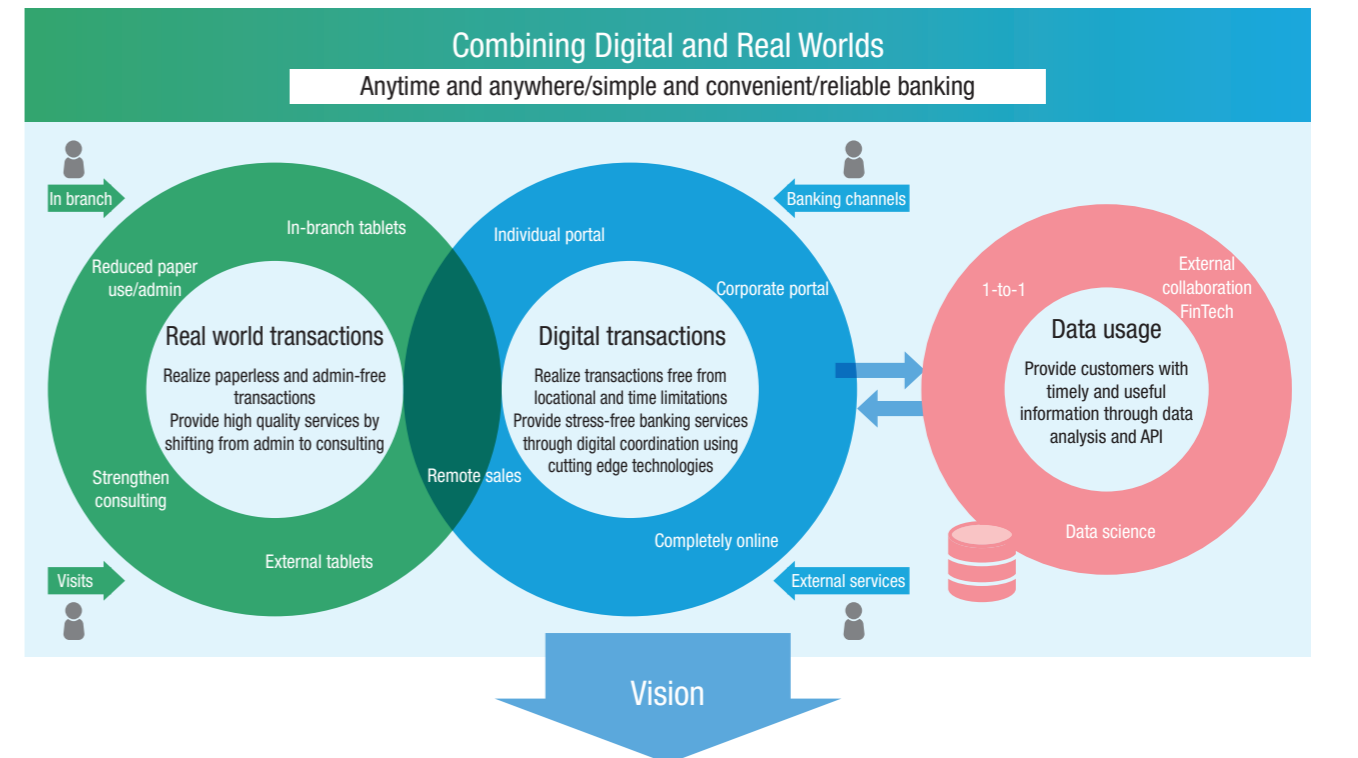
We have established a profile outlining the ideal character and required skills we envision for employees, as shown below, and we are working to develop such personnel. At the same time, we are securing IT personnel through mid-career recruitment and other means.

Personnel profile	All employees	Sales personnel	Head Office planning division	Head Office IT division
	Possess basic IT knowledge, can use IT, and are motivated to advance DX	Work hard to identify customers' needs and wants, share an orientation with customers toward using IT to pursue solutions, and are problem solvers	Can use IT to design banking services and operational improvements and can create new corporate value	Possess a full understanding of the latest IT technologies and can build and operate systems for digital transformation for customers and within the Bank
				<p>KPI</p> <ul style="list-style-type: none"> In-house study abroad program (DX/IT consulting) Cumulative total participants 47 Design skill training Cumulative total participants 9 End of March 2023

Banking Strategy

In September 2022, we formulated a banking strategy that positions the shift to a new core system as an opportunity to dramatically transform banking so that we can provide advanced digital services going forward.

For the variety of the strategy's measures, such as installing tablets in the customer areas of our branches, we are advancing considerations and collaborations under the key phrase of "combining digital and real worlds."



Digital/IT Strategy



In response to the diversification of customer needs and rapidly advancing digitalization, Toho Bank is working to expand various digital services through API. We are also considering new digital services by broadly collaborating with other banks through the TSUBASA Alliance.

Going forward, we will create new added value in the field of financial services and strengthen initiatives for improved customer convenience.

Collaboration with Fintech Companies

In October 2018, we began operation of the TSUBASA Fintech Platform (API*1 shared platform), which can safely and quickly connect with various fintech and other companies.

This API platform was jointly built by TSUBASA Alliance participant banks and the T&I Innovation Center*2, and enables more individual customers to use various fintech services.

The API for corporate customers started service in May 2020 for customers with a contract for our corporate internet banking service. We believe that we can contribute to improving the operational efficiency of our customers through data linkage with services such as cloud accounting.

We will use APIs to flexibly and quickly provide advanced services that respond to the diversification of customer needs and the digitalization of society.

*1 API: An abbreviation for Application Programming Interface. An API is a mechanism that connects to bank systems and other systems from the outside based on customer consent and enables information to be safely acquired. This is called "open API" when the specifications and other information are disclosed to external businesses.
 *2 T&I Innovation Center: Co-founded by TSUBASA Alliance participant banks Toho Bank, Chiba Bank, Daishi Bank (now Daishi Hokuetsu Bank), Chugoku Bank, Iyo Bank, North Pacific Bank, and IBM Japan. It conducts fintech-related surveys, research, and development.

Toho Bank Passbook App

(from November 2017) *First in the prefecture

The Toho Bank Passbook App is an application that allows users to check their account balance and deposit/withdrawal details in real-time from their smartphone at any time without the need to issue a paper passbook.

Applications to use the app can be completed within the app, and it is easy to use due to its fingerprint authentication and face recognition functions.

Going forward, we will continue to expand usage by showing customers the convenience of the passbook app.

(End of March 2023: 146,000 accounts)



- Point 1 No need to update passbook or carryover!
- Point 2 After applying you can check your account details at any time!
- Point 3 It's an eco-conscious passbook that's environmentally friendly!
- Point 4 No worries about losing your passbook or having it stolen!

Complete Renovation of the Toho Bank Website

(October 2021)

To improve convenience for our customers, we renovated our website in October 2021.

In addition to adopting a responsive design that can display the screen optimally on all customer devices such as smartphones and computers, we also introduced an AI chatbot function.

Going forward, we will continue working to make our website easier to understand and use.



Expansion of All-Online Loans

In April 2021, we introduced eKYC*, a digital identity verification system using AI (facial recognition, etc.) for unsecured personal loans completed via the internet. This makes it possible to confirm identity verification matters by simply taking photos of the identity verification documents and the user's appearance (face) with a smartphone and other devices.

Going forward, we will continue to improve our digital services and expand the types of procedures that can be done via smartphones and other devices.

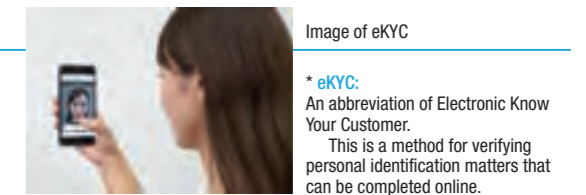


Image of eKYC

* eKYC: An abbreviation of Electronic Know Your Customer. This is a method for verifying personal identification matters that can be completed online.

All-online loans

- Apply online 24 hours a day, 365 days a year!
- From application to signing the contract, there's no need to visit a bank branch!

Products available online

- Auto loans
- Educational loans
- Untied loans
- TOHO Smart Next credit-card loans

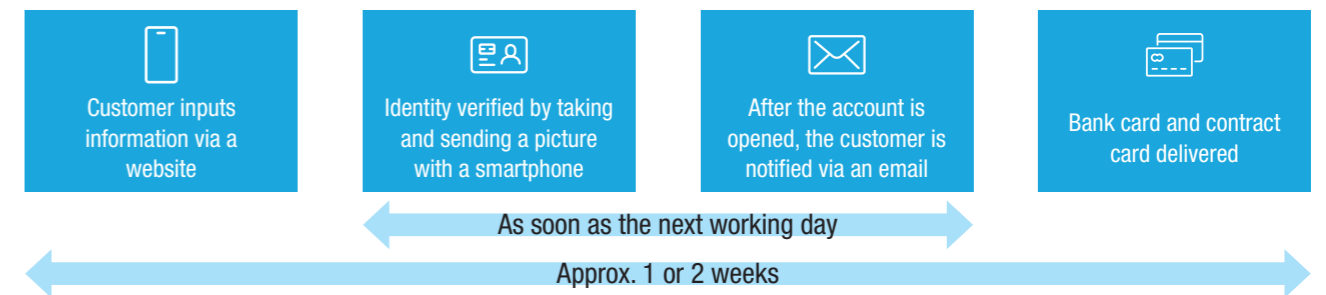
Start of Online Account Opening

In June 2022, our internet branches started allowing customers to open accounts online using eKYC.

The simple procedure can be carried out using a smartphone and does not require account application forms and identity verification documents to be sent via post or the use of a personal seal, meaning customers can start using their accounts as soon as the next working day.

Going forward, we will continue providing new services that improve convenience for customers.

- Point 1 Procedures can be completed without visiting a branch!
- Point 2 Personal seal not required for application forms!
- Point 3 Account can be open as soon as the next working day!



Responding to a Cashless Society

We are working to improve convenience for account users by linking accounts with credit cards and various payment services, as well as supporting cashless payments in the region by proposing merchants who accept J-Coin Pay (a smartphone settlement app) and credit cards.

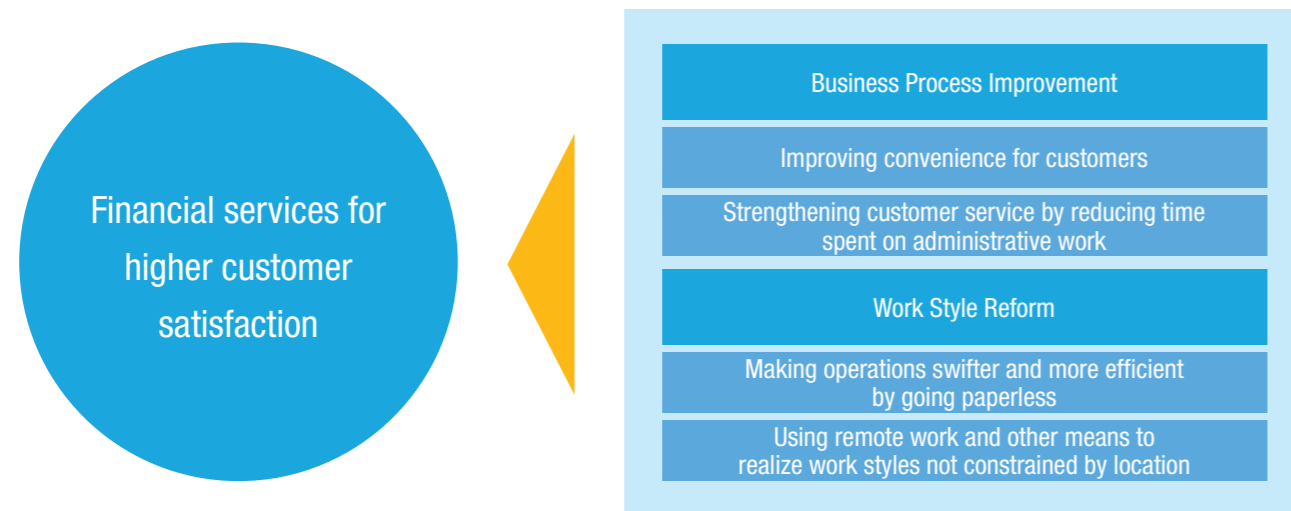
Promoting cashless payments in the region not only improves convenience, but also leads to a wider range of sales opportunities, more efficient operations, and greater productivity. Therefore, we are recommending cashless options to our customers.



A stera terminal all-in-one settlement device

Business Reforms

By endeavoring to eliminate and streamline inefficient operations and promoting flexible working styles that allow employees to work from anywhere, we are aiming to create an organization that can provide financial services to our customers' satisfaction.



Business Process Reform

Through efforts including the simplification of office work such as procedures that do not require a seal, we are aiming to create an organization that can realize improved customer convenience and strengthened contact points with customers through reductions in time spent on administrative work.

● Expanding seal-less transactions

From March 2021, we started seal-less transactions, which allow customers to make transactions without the need for a personal seal, and we are expanding the type of transactions that are included in this initiative.

Since November 2022, we have been collaborating with financial institutions in the prefecture and 55 prefectural municipalities to start handling account transfer transactions, such as various tax payments, with the personal seal step omitted.

● Digitalization of reports, etc.

We have been successively digitalizing paper documents used internally, such as reports. Through this initiative, we reduced the number of hours spent on administrative work by approximately 7,000 hours in the fiscal year ended March 31, 2023.

● RPA*

We introduced RPA in April 2019, and it is primarily used for operations concentration divisions at Head Office.

By replacing routine, high-volume work processes with RPA, we have saved approximately 7,000 hours of work per year and are drastically improving the efficiency and speed of Head Office work.

* Robotic Process Automation: Software that performs routine operations work instead of employees.

Work Style Reform

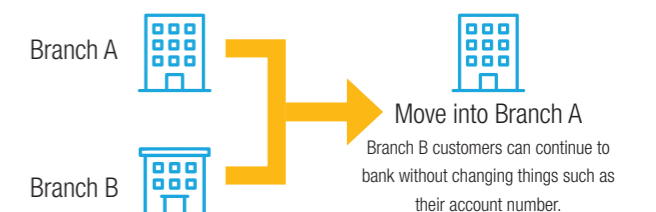
We are advancing work style reforms centered on going paperless with the aim of reducing paper consumption and realizing flexible working styles where employees can work from anywhere.

Branch/ATM Strategy

In light of the declining population in Japan due to the low birthrate and aging population, as well as the advancement of cashless payments and other matters, we are restructuring our branch network and reviewing branch functions in consideration of market characteristics and customer needs.

● Branch-in-branch

In the fiscal year ended March 31, 2023, we merged the offices of three branches, and strengthened consulting functions by centralizing sales personnel through the consolidation of offices.



● Installing shared ATMs with Seven Bank

In light of developments such as digitalization and the shift to cashless payment, we have installed shared ATMs with Seven Bank at all York-Benimaru stores in Fukushima Prefecture. These ATMs also include functions such as charge function for electronic payment systems, and they have been installed at an additional 18 corners (compared to before the initiative). In this way we are improving convenience for customers in terms of functions and number of installations.

Providing Frontline-focused Advice with a View To Creating a Better Society

Outside Director **Hideya Takashima**



I was appointed as an Outside Director of Toho Bank in June 2022.

I was born and raised in Hobara Town, in the district of Date, Fukushima Prefecture (now Hobara Town, Date City), and after graduating from university, I worked for about 30 years in the production engineering division of Sapporo Breweries Limited. From 2017 to 2021 I served as President & representative director of the company. In 2018, I was also commissioned as a “Date Hometown Ambassador” from Date City and my feelings for my home prefecture of Fukushima drive my actions.

I want to use the experience I have gained through my previous career to provide opinions on the Bank’s governance framework, employee motivation, and the way the Bank should be.

The Bank’s Long-Term Vision uses the word “company” instead of “bank.” This shows its strong determination to transform into a corporate group that acts for the benefit of all its stakeholders, including shareholders. Today, I will also use “the Company” instead of “the Bank” and “employees” instead of “bank staff.”

As an Outside Director, I am always aware that I must never stop thinking. I repeatedly ask “Why?” and “Is that so?,” although this often comes naturally as I am hearing terms and experiencing things for the first time. I also consciously try to go to actual workplaces and see situations with my own eyes as much as possible.

Toho Bank has been a familiar presence in my life since childhood. I have memories of its branches, ATMs, and even my father’s passbook. However, I did not know anything about its business activities other than being a bank in Fukushima.

Time passed, and then the events of March 11, 2011 happened. I knew that Toho Bank employees were staying close to victims of the disaster through the mass media but I did not hear the raw truth of what happened at the time until May this year, when I read an internal record outlining the details. Victims who had their houses swept away by the tsunami were given 100,000 yen in cash to ensure that their immediate needs could be met, provided they could verify their identity. Bank employees put the lives of their customers first and acted independently using their own judgement, even while worrying about their own safety and that of their families. I was moved.

Getting Close To, Empathizing With and Supporting Customers

I feel that there is a culture of altruism within the Toho Bank Group. Employees should feel proud and take confidence from this.

When I was the head of Sapporo Breweries’ Sendai Brewery, I made sure I had many opportunities to meet with the managers of local small and medium-sized companies. This experience gave me a deep understanding of how local small and medium enterprises drive regional economies, make many people happy, and contribute to the creation of a better society. I learnt many lessons that cannot be taught, but only experienced, and I became painfully aware that the important thing was not how I was evaluated by Sapporo Breweries’ Headquarters, but how the Sendai Brewery was evaluated by the regional community.

My own experiences and the experiences of the Company’s employees cannot be simply compared. However, when asked “Who is evaluating you?” or “Who is paying your wages?” they sincerely answer “the customers,” or “the people of the region.” This is the same. If they were to think the answer was “my boss,” or “the Company” even in the slightest, it would be a big problem.

Getting closer to customers with an altruistic spirit, empathizing with what they feel, and moving forward together. I am confident that this behavior will culminate in the creation of a better, sustainable society.

Confidently Stating Differing Opinions

Our independent Outside Directors have diverse backgrounds and knowledge so when we have discussions, I learn new ways of looking at or approaching a matter.

Discussions at Board of Directors meetings are dynamic. Even though I have been with the Company for less than a year, I participate actively. I am even able to confidently state differing opinions. This truly embodies its current slogan of “Try talking to each other, try doing things together.” This is a simple slogan that anybody can put into practice, so I think it will help to make the atmosphere within the Company even better. Even when participating in meetings like branch manager meetings online, I feel there are many occasions when people are able to provide diverse opinions and proposals from a frontline perspective.

Balancing the Achievement of Financial Targets With the Enhancement of Non-Financial Assets Will Draw Out the Bank’s True Nature

In order to make Toho Bank into a better, stronger company, I want to support the activities of Toho Bank Group employees from an Outside Director’s perspective.

I feel we have non-financial assets that have yet to be sufficiently communicated to people outside the Group. These assets are the building blocks of the Toho Bank Group’s brand value. I think it is one of my responsibilities to unearth these latent assets that are still unknown to the outside world and make them visible in a way that builds trust in the Toho Bank Group.

For example, Toho Bank plays an enormous role in promoting sports within Fukushima Prefecture. I came to realize this even more keenly after joining the Company. Initiatives include sponsoring athletics, soccer, basketball, and even the FUKUSHIMA CITY HALF MARATHON. These activities make a considerable contribution to making Fukushima a livelier place. However, are they being properly showcased? I think we should try something like making videos that can be shown as part of a financial education program for junior high school and high school students.

Furthermore, these initiatives are being implemented by the most important non-financial asset, “human resources.” Looking back over the past year, I feel the number of activities being carried out that transcend the borders between organizations and workplaces has grown. I think these kinds of “cross-border activities” are excellent opportunities for developing “human resources.”

Finally, I think that if we can achieve financial targets such as profit and ROE, while also further enhancing our non-financial assets, the Toho Bank Group’s true nature will fully emerge.



Personnel/Human Resources Development Strategy

Diversity

Promote diversity and work style reforms

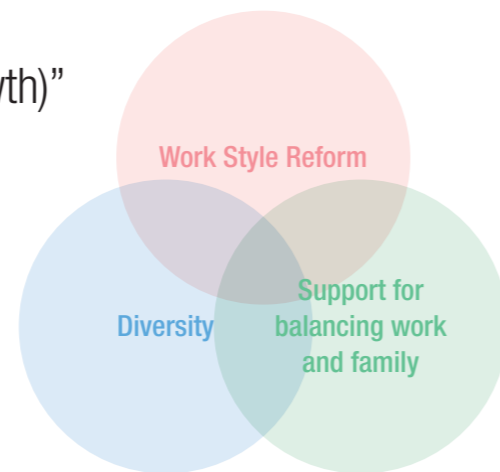
Supporting sustainable growth with diverse human resources who are actively involved in an environment that allows them to choose their own work style



Promotion of Diverse Work Styles

“Enabling employees to shine (employee growth)”

We recognize that adapting to change by securing diverse human resources is important for realizing medium- and long-term improvement of corporate value. We are strengthening diversity promotion initiatives and creating work environments to enable each individual employee to demonstrate their abilities to the fullest.



- Complete flextime system**
Employees can proactively decide their daily working hours and work flexibly
- Telework**
Utilizing ICT, employees can make effective use of time and various locations as they work, and it is also effective for balancing work and family
- Part-time work/Side business**
We allow part-time work and side businesses so that each individual can utilize their skills, contribute to the region, and build connections
- Dress code liberalization**
Leads to improved productivity through the creation of a free and open workplaces that are conducive to flexible ideas

Significantly reducing overtime work

Average monthly overtime work in the fiscal year ended March 31, 2016
30 hours 11 minutes

Average monthly overtime work in the fiscal year ended March 31, 2023
16 hours 49 minutes

Support for balancing work and family

- In-office childcare facilities (3 locations)
- Support seminars for returning to work
- Nursing care seminars
- Family worry-free leave
- Grandchild care leave
- Reduced working hour system/Reduced working day system
- Couple transfer program
- Career support leave system

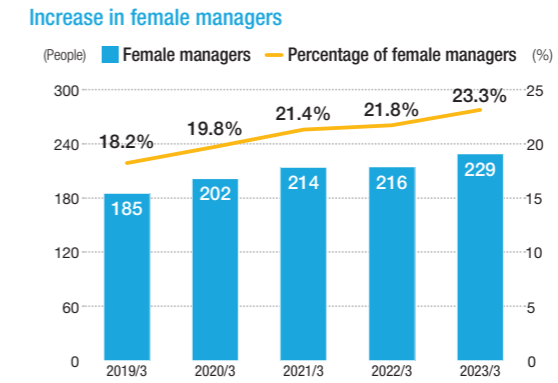
Topics Establishing in-office childcare facilities

To support the creation of an environment where employees can work with peace of mind and return to work from maternity and childcare leave, the in-house childcare facility TOHO Kids Land was established in October 2014, and is currently operating at three locations.

Number of users **Cumulative total of 303 since opening** (end of March 2023)

Promoting the active participation of women

We are promoting the active participation of women in our business by providing ongoing support in various areas, such as support for balancing work and family, to enable our female employees to work with enthusiasm and peace of mind.



Active promotion

Officers	2
Branch managers	4
Assistant branch managers	5

- Approximately half of the people newly promoted to officer positions are women
- The average number of consecutive years of employment at the Bank for women is 14.9

Support seminars for returning to work

Senior female employees provide advice for employees planning to return to work about balancing work and childcare and career development.



Expanding opportunities for long-time employees and seniors

In order to create an environment where people who are 60 years and older can fulfill roles such as branch manager, we have established a senior supporter system that enables employees to continue working up to the age of 70.

Number of employees aged 60 and over (end of March 2023)

Re-employed bank staff	29
Part-timers in leadership positions	124
Senior supporters	36



Active involvement of people with disabilities

We are actively working to promote the employment of people with disabilities and to provide employment assistance. At our special subsidiary Toho Smile, Co., Ltd., which was established in March 2012, employees with disabilities are actively involved in leveraging their high-level skills.



Special subsidiary Toho Smile, Co., Ltd.

Sports for people with disabilities

Mana Sasaki (visually impaired), an athlete who holds an all-Asia record, belongs to the TOHO Athletics Club and is actively involved in competitions both in Japan and internationally.

Sasaki represented Japan as an athlete at the Tokyo 2020 Paralympic Games in the Women's T13 class 400m, achieving a result of 7th place.



Mana Sasaki

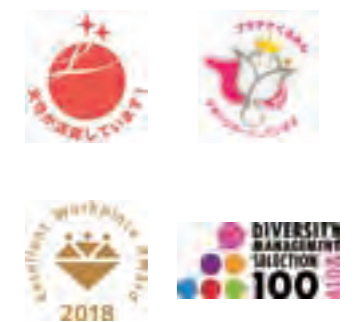
Number of people with disabilities employed **67.0 people**

Employment ratio of people with disabilities **2.56%**

* Exceeds the statutory employment ratio of 2.3% under the Act to Facilitate the Employment of Persons with Disabilities

Major outside evaluations of initiatives

September 2016	Received the “Eruboshi” certification (2nd stage) (Ministry of Health, Labour and Welfare)
May 2017	Received the Platinum “Kurumin” certification (Ministry of Health, Labour and Welfare)
December 2017	Received the Prime Minister’s Commendations at the Fiscal 2017 Awards for Women Empowering Companies (the Cabinet Office)
December 2017	Received the Minister’s Prize for Excellence Award in the Family-friendly Enterprises Category of the Equal Employment/Work-Life Balance Awards (Ministry of Health, Labour and Welfare)
March 2018	Received the Executive Committee Special Award at the Most Valued Companies in Japan awards (Hito o Taisetsu ni Suru Keiei Gakkai)
November 2018	Received the Good Career Company Award 2018 Innovation Prize (Ministry of Health, Labour and Welfare)
February 2019	Received the Gleaming Initiative Award at the Comfortable and Productive Company/Workplace Awards (Ministry of Health, Labour and Welfare)
March 2019	Received the New Diversity Management Selection 100 award (Ministry of Economy, Trade and Industry)

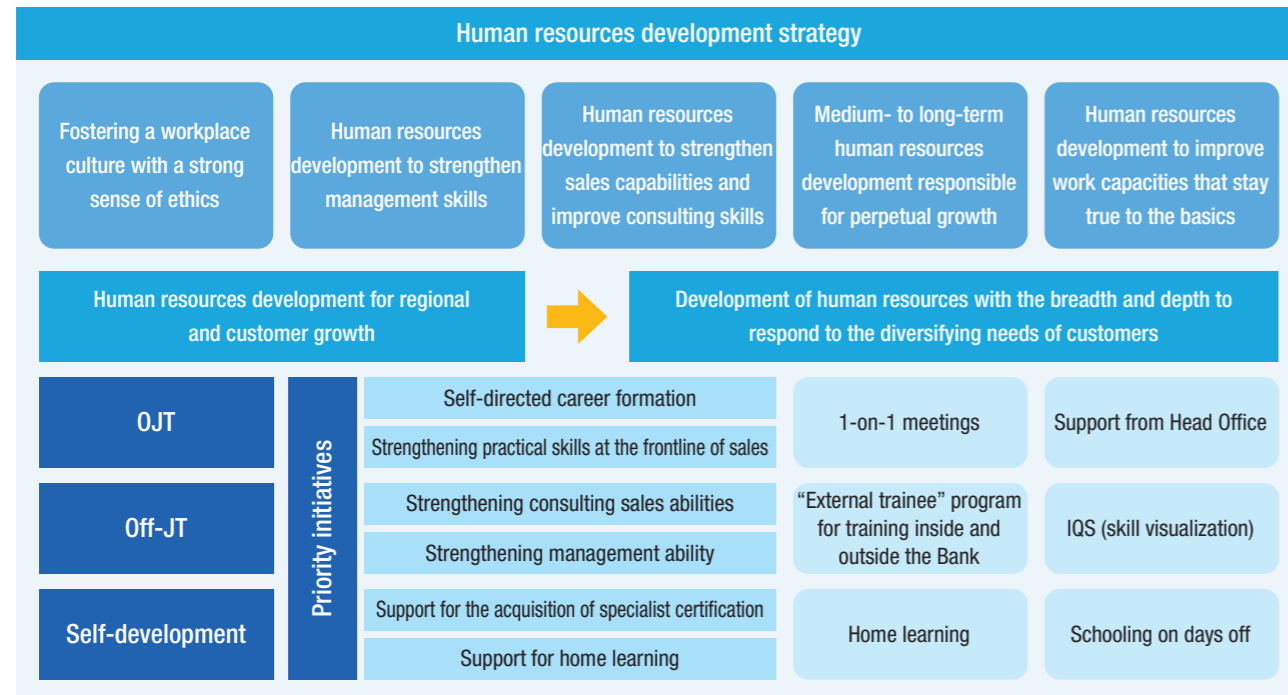


Personnel/Human Resources Development Strategy

● Human Resources Development Policy

We recognize that the Group's people are our most important management capital, so we are practicing human resources development for regional and customer growth.

We believe that offering high level consulting services in a wide range of fields is crucial to meeting our customers' expectations, so through TOHO University, we are working toward realizing self-directed career formation for our employees and strengthening their consulting sales abilities through initiatives centered on the three pillars of OJT, off-JT, and self-development.



● TOHO University

We are making efforts to develop full-fledged professional talent, including level-specific training for everyone from new employees to General and Branch Managers; training on specific topics such as corporate/personal consulting skills, loans, and compliance; "in-house study abroad" for employees to work at Head Office departments for a short time to acquire specialist skills; and home learning (e-learning) for the promotion of self-development.

Strengthening initiatives for career autonomy	Support career autonomy through the "Consulting Sales Skills Challenge System," which lets employees recognize their skills and set new goals, and by conducting 1-on-1 meetings.
Strengthening consulting sales abilities and expertise	Strengthen specialist capabilities and consulting abilities through substantial in-house training programs, "in-house study abroad," where employees learn at Head Office and Group companies, and appointing "external trainees" who have the opportunity to learn in a variety of business categories and industries.
Strengthening practical skills at the frontline of sales	Develop human resources who can play an active role in the field through participatory training such as role-playing and discussions and training aimed at strengthening decision-making and proposal abilities.
Establishing a culture of learning on your own	Provide spaces for voluntary learning, such as home study and holiday seminars through home learning (e-learning), in addition to supporting the acquisition of specialized qualifications such as small and medium enterprise management consultant and financial planner, etc.
Enhancement of Head Office support and consultation system	In tandem with the Head Office support team, implement the strengthening of practical skills at branches (field sales training). Enhance the consultation system for younger employees with a mentor system and other initiatives.
Strengthening management skills and followership, and fostering mindsets	Build more robust relationships of trust and strengthen teamwork by conducting 1-on-1 meetings that bring out employees' independence and by holding seminars to foster an OJT mindset.

● TOHO Niwasaka Campus training center

Our training center TOHO Niwasaka Campus, which is responsible for human resources development, conducts training tailored to various styles.

In particular, in the "simulated branch" training room, bank counter training and operations training for terminal devices, ATMs, etc., can be performed more practically, and these are useful for developing abilities that can be applied immediately.



➔ Equipment overview

Maximum occupancy for accommodation	112 people
Auditorium	130 seats
7 training rooms	78 seats
Cafeteria	130 seats
Sports field (2 baseball fields) with indoor practice area and bullpen	
Tennis courts (6 courts)	



Practical training using the "simulated branch"



Practical training on MFS operation



Trainees in a groupwork session

Topics

Employee level-up course for third-year employees: Knowing Fukushima Today

We have many employees who joined the Bank with a passion for contributing to the reconstruction of Fukushima. This course includes a fieldwork section to "get to know the current situation in Fukushima" by observing disaster-hit areas, giving employees a chance to once again think seriously about what they want to do as Bank employees and what they can do now as employees of a financial institution in the region.



Observing Tomioka Wine, a new town-building initiative launched after the earthquake



Confirming the reconstruction status of coastal areas from the Fukushima Robot Test Field



Visiting the Great East Japan Earthquake and Nuclear Disaster Memorial Museum to learn about the steady reconstruction process



Sharing ideas about companies and regional revitalization through group work



Expressing the ideas compiled by each group on a large sheet of paper



Each group presenting their ideas

Alliance Strategies



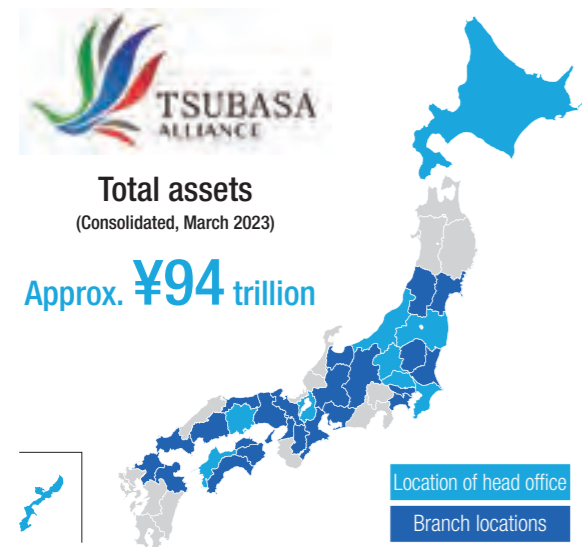
TSUBASA Alliance

- This is a broad partnership of 10 participating regional banks (Toho Bank, Chiba Bank, Daishi Hokuetsu Bank, Chugoku Bank, Iyo Bank, North Pacific Bank, Musashino Bank, Shiga Bank, Bank of The Ryukyus, and Gunma Bank) launched in October 2015 to enhance sustainable regional growth and financial systems, to plan and promote joint measures to contribute to the increased corporate value of participating bank groups, and to plan and discuss measures that contribute to strengthening the top line and reducing costs for participating banks.
- Toho Bank joined the alliance in March 2016 and is expanding its range of cooperation in various fields while maximizing the benefits of wide-area collaboration and scale.

Major collaborative measures	T&I Innovation Center Co., Ltd. (TSUBASA & IBM Japan)	Development, operation, and maintenance for TSUBASA Shared Fintech Platform (open API*) and fintech business contest
	Enhancement of financial services	Cooperative financing, succession-related business partnerships, asset management business partnerships, business partnerships related to public money storage services for local governments, M&A information collaboration, mutual customer introduction, etc.
	TSUBASA Core Banking System collaboration	In January 2024, Toho Bank plans to transfer to the TSUBASA Core Banking System*2 as a next-generation accounting system.

*1 API: An abbreviation of Application Programming Interface. An API is a mechanism that connects to bank systems and other systems from the outside based on customer consent and enables information to be safely acquired. This is called "open API" when the specifications and other information are disclosed to external businesses such as fintech companies.

*2 The TSUBASA Core Banking System: A system built by The Chiba Bank, Ltd., The Daishi Bank, Ltd., The Chugoku Bank, Ltd., and IBM Japan, Ltd., to be jointly developed, operated, and maintained.



Member banks	Location of head office	Date of joining
Chiba Bank	Chiba City, Chiba Prefecture	
Daishi Bank (now Daishi Hokuetsu Bank)*	Niigata City, Niigata Prefecture	October 2015
Chugoku Bank	Okayama City, Okayama Prefecture	
Iyo Bank	Matsuyama City, Ehime Prefecture	
Toho Bank	Fukushima City, Fukushima Prefecture	March 2016
North Pacific Bank	Sapporo City, Hokkaido Prefecture	
Hokuetsu Bank (now Daishi Hokuetsu Bank)*	Nagaoka City, Niigata Prefecture	April 2018
Musashino Bank	Saitama City, Saitama Prefecture	March 2019
Shiga Bank	Otsu City, Shiga Prefecture	May 2019
Bank of The Ryukyus	Naha City, Okinawa Prefecture	April 2020
Gunma Bank	Maebashi City, Gunma Prefecture	December 2020

* Daishi Bank and Hokuetsu Bank merged on January 1, 2021

Evolution (Deepening) of the TSUBASA Alliance

Establishment of T&I Innovation Center Co., Ltd.

Along with the rapid progress of information and communication technology, the development of various innovative finance-linked services called fintech became active both in Japan and abroad, and in July 2016, T&I Innovation Center was established through investment from six regional banks that are members of the TSUBASA Alliance (Toho Bank, Chiba Bank, Daishi Hokuetsu Bank, Chugoku Bank, Iyo Bank, and North Pacific Bank) and IBM Japan. With the participation of four banks that joined the TSUBASA Alliance later (Musashino Bank, Shiga Bank, Bank of The Ryukyus, and Gunma Bank), the company is conducting surveys and research activities aimed at realizing financial services with higher added value.

It has been commissioned by the abovementioned TSUBASA Alliance member banks to plan and develop financial services utilizing fintech, and it also developed and operates TSUBASA Shared Fintech Platform, which is an open-API platform.

Establishment of TSUBASA ALLIANCE Co., Ltd.

In July 2020, TSUBASA Alliance participating banks established a joint investment company, TSUBASA ALLIANCE Co., Ltd.

Since its inception in October 2015, the TSUBASA Alliance has maintained its independence as a framework for broad regional bank cooperation that does not rely on business integration, while also increasing in scale each year. Its fields of cooperation are wide-ranging, including fintech, collaboration on operations and IT systems, succession-related operations, and joint arrangement of syndicated loans. To further improve the efficiency and sophistication of these collaborative measures, the TSUBASA Alliance aims to consolidate operations and functions common to each bank, and TSUBASA ALLIANCE Co., Ltd. plays a role as a platform for this purpose.

Opening of the AML Center

In October 2020, we opened the Anti-Money Laundering (AML) Center for operations related to the prevention of money laundering and terrorist financing.

This center gathers the knowledge and know-how of each bank, while jointly advancing the sophistication of its preparedness based on international requirements. Utilizing the company, we will continue to strengthen collaborative efforts through the TSUBASA Alliance in various operations in the future.

Establishment of the Business Strategy Department

Within the joint investment company TSUBASA ALLIANCE Co., Ltd. established in July 2020, the Business Strategy Department was established on October 1, 2021.

The Business Strategy Department operates out of the head office of Chiba Bank, and its staff members dispatched from TSUBASA Alliance participating banks work closely with the planning divisions of each bank while planning and advising on collaboration and consolidation related to important topics common to each of the banks, including the promotion of DX-related measures, human resources development and diversity, ESG and the SDGs, information gathering and utilization, and new business initiatives. Bringing together staff from participating banks in one place at the Business Strategy Department enables the consolidation of knowledge of participating banks, and we will continue to further advance collaborative efforts by the TSUBASA Alliance.

Expanding Alliances for Regional Revitalization and Regional Economic Revitalization

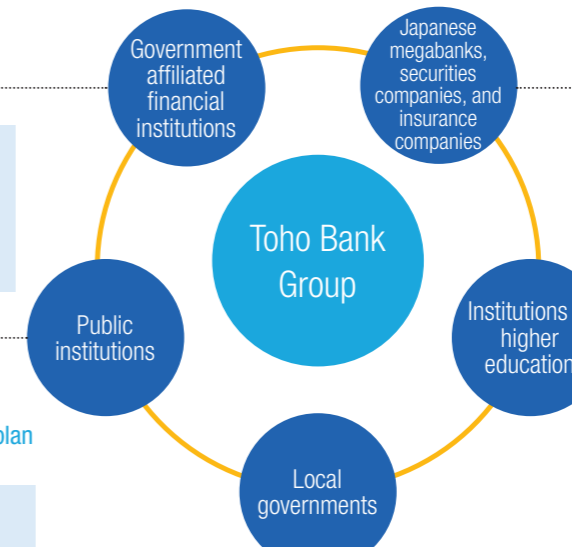
Expanding partnerships with other financial institutions

- Joint funds
- Cooperative financing
- Trainee dispatch

- Collaboration in business revitalization and business succession support directly linked to regional revitalization
- Quasi-equity loans

Monetary adjustment and plan formulation support

- Dispatch of high-level talent
- Sponsor search
- Business restructuring support
- SDGs business development support



- Renewable energy projects
- Trainee dispatch

- Provision of total solutions such as management support for local companies
- Matching with high-level talent at Japanese megabanks

- Industry-academia collaboration agreements
- Financial education

- Collaboration with on-campus startups
- Fostering an entrepreneurial mindset among students
- Creating points of contact between students and local businesses

Regional revitalization

- Holding Start-up Support Seminar and food business meetings

Personnel exchanges

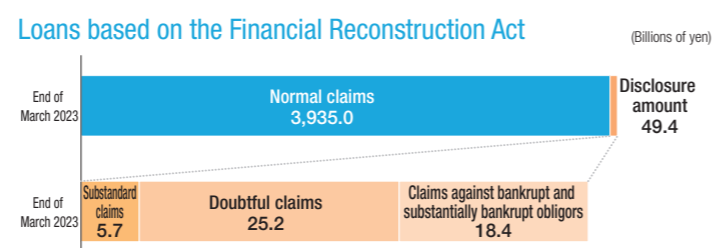
- Transition to cashless storage services for local governments
- Digitalization of public money operations
- Responding to an aging society

Responding to the Return to Asset Soundness and Management Support

The business environment of our business partners is changing drastically due to the prolonged impact of the novel coronavirus pandemic, the high price of crude oil, and soaring raw materials prices. We are working to support the operations of our business partners by thoroughly providing accompanying support for improving their business performance, such as financial support, core business support, and the formulation of management improvement plans.

Responding to the Return to Asset Soundness

As of the end of March 2023, the balance of loans based on the Financial Reconstruction Act is ¥49.484 billion, and the ratio of non-performing loans is at a low level of 1.24%. Going forward, branches and Head Office will work together to continue providing various support, such as coordinating with external experts according to the situation.



Self-Assessment and Dealing with Bad Debt

Asset self-assessment is a system by which a financial institution assesses the standards of assets it holds, and makes appropriate amortization and reserves that objectively reflect the contents of assets to accurately secure its finances. Loaned assets are classified into the following five categories according to their creditworthiness.

Based on the self-assessment results, we process bad debts appropriately, such as through amortization and provision for reserves, for each fiscal period. Reserves for claims to bankrupt borrowers and substantially bankrupt borrowers are recorded for the entire amount of claims not secured by collateral, etc., and claims to potentially bankrupt borrowers and borrowers with claims for special attention are in principle recorded at the expected loss ratio calculated based on the historical loan-loss ratio.

Also, among claims to potentially bankrupt borrowers and borrowers with claims for special attention, the reserves for large accounts are performed according to the DCF method*.

* **DCF (Discounted Cash Flow) method:** For claims for which the cash flow associated with the recovery of principal and the receipt of interest can reasonably be estimated, DCF is a method of determining the difference between the amount calculated by cash flow discounted by the initially contracted interest rate, and the book value of the claim, to set the allowance for loan losses.

Borrower classification

Normal borrower	There are no major problems with financial status, and there is no current issue with the certainty of debt fulfillment
Borrower for special caution	Borrowers having issues with their financial status and uncertainty about future debt fulfillment Of the borrowers for special caution, those that have problems with debt fulfillment, such as prolonged delinquency or changes in loan conditions, are designated as borrowers for special attention
Potentially bankrupt borrower	A borrower that is in a state of management difficulties and is likely to fall into bankruptcy in the future
Substantially bankrupt borrower	The fact of legal or formal bankruptcy has not occurred, but the borrower has fallen into a state of essential bankruptcy
Bankrupt borrower	A borrower that has fallen into a state of bankruptcy due to legal factors

Risk Management Claims and the State of Loans Based on the Financial Reconstruction Act

Items that are required to be disclosed in accordance with laws and regulations include loans based on the Financial Reconstruction Act and risk management claims. In accordance with the Cabinet Office Ordinance on Partial Amendments to the Ordinance for Enforcement of the Banking Act (Cabinet Office Ordinance No. 3, January 24, 2020) coming into effect on March 31, 2022, the classification, etc., of risk management claim in the Banking Act is displayed as loans based on the Financial Reconstruction Act. At the end of March 2023, the amount of non-performing loans in disclosed claims increased by ¥394 million from the end of the previous fiscal year, but the ratio of non-performing loans remains at a low level.

	End of March 2023	Compared to the end of March 2022	End of March 2022
Claims against bankruptcy, etc.	18.4	0.9	17.5
Claims with collection risk	25.2	0.6	24.6
Claims for special attention	5.7	(1.1)	6.8
(Claims overdue for 3 months or more)	1.0	0.9	0.1
(Claims with relaxed loan conditions)	4.6	(2.0)	6.7
Total	49.4	0.3	49.0
Normal claims	3,935.0	230.4	3,704.5

Non-performing loan ratio

	End of March 2020	End of September 2020	End of March 2021	End of September 2021	End of March 2022	End of September 2022	End of March 2023
Public non-performing loans	32.7	35.3	44.5	49.0	49.0	51.2	49.4
Total credit balance	3,947.9	4,080.0	3,875.5	3,814.3	3,753.6	3,874.9	3,984.4
Non-performing loan ratio	0.82%	0.86%	1.14%	1.28%	1.30%	1.32%	1.24%

Support for Customers Requiring Management Improvement, Business Revitalization, etc.

Our customers continue to face a challenging business environment due to the impact of the novel coronavirus pandemic, the high price of crude oil, and soaring raw materials prices.

We will tackle the post-pandemic period by collaborating with external support organizations to continue to thoroughly provide customers with accompanying support for improving their business performance, such as financial support, core business support, and the formulation of management improvement plans.

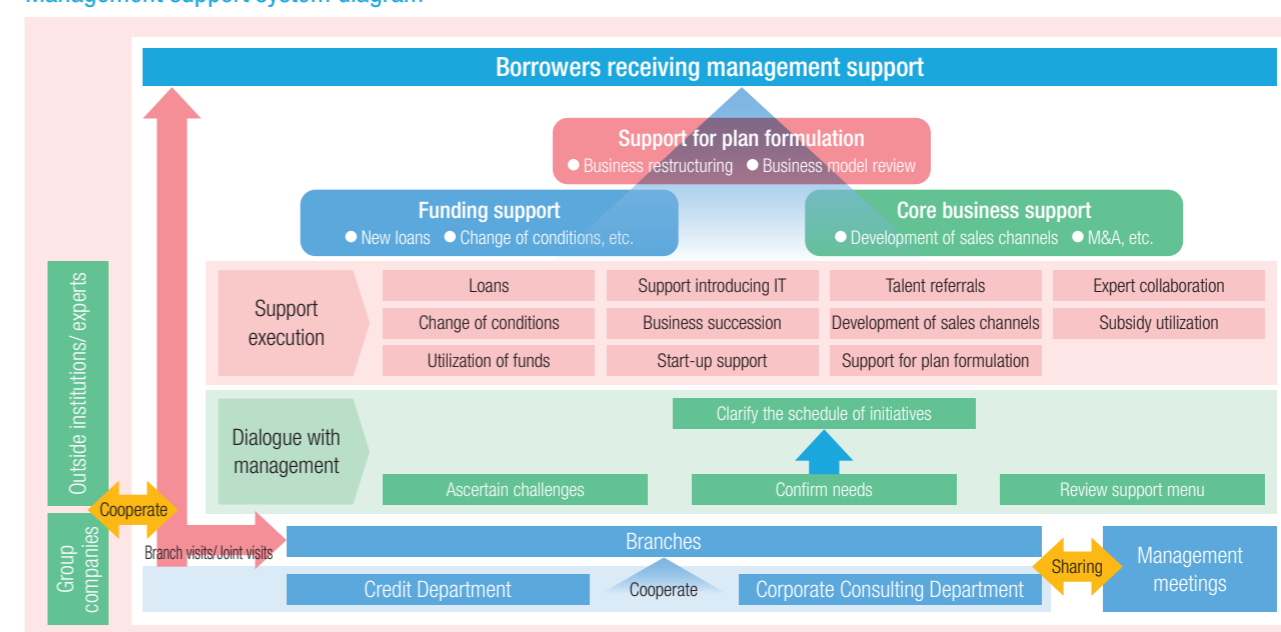
Progress of management improvement plans related to borrowers with condition changes

Report items	End of March 2021	End of March 2022	End of March 2023	YoY
Total number of condition changes	1,118	1,114	1,146	32
Borrowers in good standing	47	47	24	(23)
Steady borrowers	48	69	47	(22)
Underperforming borrowers/Not created	1,023	998	1,075	77

Number of borrowers whose conditions were changed, to which Toho Bank provided core business support/new loans

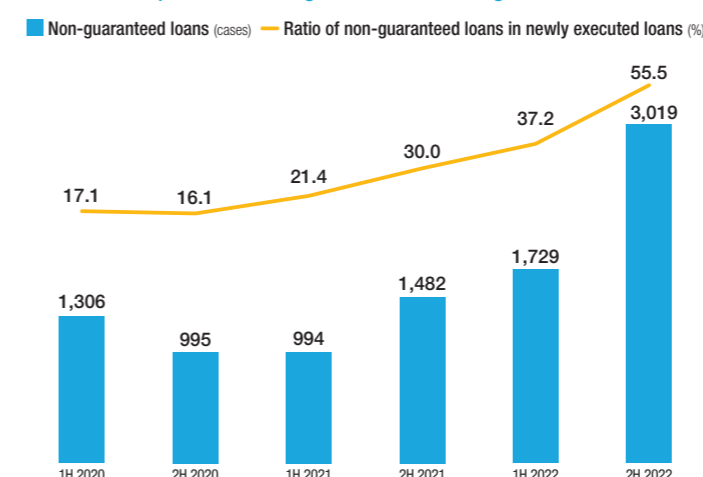
Report items	End of March 2021	End of March 2022	End of March 2023	YoY
Core business support	38	34	47	13
New loans	474	254	253	(1)

Management support system diagram



Status of Handling of Personal Guarantees by Business Owners

Status of response to non-guaranteed lending



Policy for handling personal guarantees by business owners

(Announced on May 16, 2023)

In line with the Guidelines for Personal Guarantee Provided by Business Owners (hereinafter referred to as the "Guidelines"), the Bank does not, in principle, require a personal guarantee from an owner of a business when providing financing to corporate customers. This is to promote and entrench financing practices that are not excessively dependent on collateral and guarantees.

Also, based on the Guidelines and other references, when asking customers for a guarantee, we explain properly and in detail what areas the customer is lacking in that creates the need for a guarantee agreement and how they can make improvements that will raise the possibility of such an agreement being adjusted or dissolved.

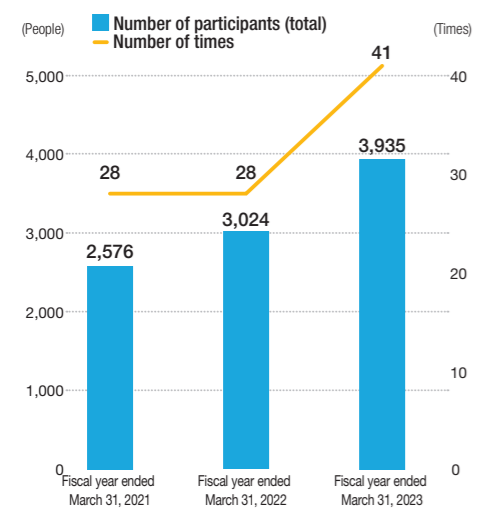
Initiatives for the Regional Economy and Society

Financial and Economic Education Initiatives

● Holding financial classes, etc.

In cooperation with schools and local communities, we are actively developing initiatives to improve financial knowledge in Fukushima Prefecture, such as holding financial classes for a wide range of people from elementary school to university students.

Number of financial classes held and number of participants



Money school for children and their parents in summer vacation (Head Office)



Guest lectures (each school)



Workplace experiences (each branch)



Community events

Mutual Support Initiatives for the Community

● Children's cafeteria support (Holding TOHO Kids Café Caravan)

As a support project for children who represent the bright future of regional communities, a caravan visited children's cafeterias around the prefecture to hold finance/SDGs lessons and support nutrition education activities.

First session	October 25, 2021	Yoshiida Kitchen (Fukushima City)
Second session	April 10, 2022	Shiokawa Children's Cafeteria (Kitakata City)
Third session	June 16, 2022	Shirakawa Children's Cafeteria (Shirakawa City)
Fourth session	October 19, 2022	Inawashiro Community Restaurant Manmaru (Inawashiro Town)
Fifth session	November 19, 2022	ASAHIGAOKA Nursery School (Koriyama City)
Sixth session	May 27, 2023	kids studio PORTA (Koriyama City)



Financial and SDGs lessons

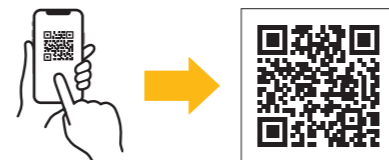


Handing out boxed lunches from a kitchen car

● PR project showing the appeal of communities and customers

We produce videos to disseminate and promote the appeal of communities and customers.

The completed videos are provided to customers and can be used freely in advertisements. They are widely disseminated on the Bank's website, YouTube channel, etc., to convey the goodness of the region.



First project Shibaei Co.



Second project Suzuki Farm



Third project Hayashi Trout Farm



Fourth project Sasanokawa Shuzo Co., Ltd.

● Implementing food drive

We provide food and other items to individuals and households in need in cooperation with the Fukushima Prefectural Council of Social Welfare.



Food collection box

● Supporting the operation of the Panda House

We continue to support the operation of the Panda House, an accommodation facility for families visiting their children who are struggling with illness at Fukushima Medical University Hospital. In addition to donating items such as furniture, Bank employees volunteer to set up Christmas trees and perform other services.



● Donating relief funds to victims of the Turkey and Syria earthquake

In March 2023, we donated with banks participating in the TSUBASA Alliance* to provide relief and recovery assistance to people affected by the Turkey and Syria earthquake.

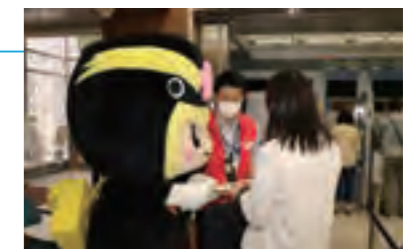


* A framework for regional cooperation with ten regional banks participating; Toho Bank, Chiba Bank, Daishi Hokuetsu Bank, Chugoku Bank, Iyo Bank, North Pacific Bank, Musashino Bank, Shiga Bank, Bank of The Ryukyus, and Gunma Bank

Initiatives to Protect the Elderly from Financial Crimes

● Countermeasures to financial crime

We have been working to prevent damage from financial crimes such as identity theft and tax refund fraud by distributing educational leaflets jointly with the Fukushima Prefectural Police Headquarters and the Fukushima Policy Station for preventing damage from identity theft and fraud and by restricting the use of ATMs for some customers aged 65 and older.



Distributing promotional leaflets with a mascot character

Initiatives for the Promotion of Culture and Sports

● Implementation of "Employee Cheering Days" to cheer on local professional sports teams

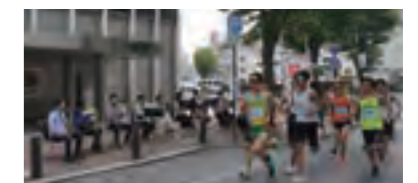
We hold "Employee Cheering Days" to cheer on professional teams in Fukushima Prefecture, such as Fukushima United FC and IWAKI FC (J.LEAGUE), as well as FUKUSHIMA FIREBONDS (B.LEAGUE). Our officers and employees work together to support local professional sports.



Our officers and employees cheering on a professional soccer team

● Contribution to local sporting events

As a sponsor, we supported FUKUSHIMA CITY HALF MARATHON 2023, the first marathon event held in Fukushima City in May 2023. In addition, many officers and employees participated as runners, and the Bank's brass band and hula dance clubs cheered on the event as support teams.



Runners and cheering teams in front of the Head Office

● Track and field lessons held by the Athletics Club

The Athletics Club, which consists of top Japanese athletes who are active in global competitions, holds track and field lessons every year for elementary and junior high school students.



They contribute to the promotion of regional sports through guidance on running techniques and practice methods.



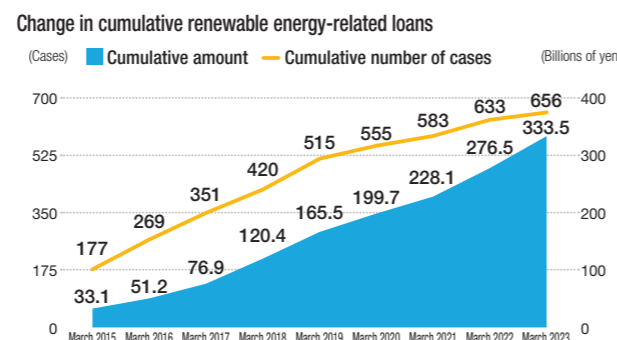
Environmental Conservation Initiatives



Approach to Environmental Conservation through Finance and Financial Services

Renewable energy-related loans

Aiming to realize a sustainable society, we are actively responding to numerous renewable energy projects as an initiative to prevent global warming. In addition, we see the environment/energy field in the Fukushima Innovation Coast Framework as a growing industry and are actively involved in this area.



Handling of ESG/SDGs privately placed bonds

By financially supporting customers who are working on ESG/SDGs and having them connect their ESG/SDGs initiatives to business, we are promoting the creation of a system that works together with the region to resolve issues.

Number of cases handled and amount (end of March 2023)

➔ Privately Placed Bonds to Support ESG and SDGs 110 cases ¥11.2 billion

Initiatives for ESG bonds

To realize a sustainable society, Toho Bank is investing in ESG bonds aimed at resolving environmental and social issues.

➔ ESG bonds 9 customers/18 bonds ¥4.4 billion of which, green bonds were 6 customers/9 bonds ¥2.3 billion (end of March 2023)

Interest Subsidy System for the Promotion of Regional ESG Loans

We have been selected as a designated financial institution for the Interest Subsidy System for the Promotion of Regional ESG Loans established by the Ministry of the Environment to promote capital investment that contributes to the reduction of CO₂ emissions.

We support customers' environmentally friendly capital investment needs and are drawing attention to environmental conservation throughout the region.

Implementation of donations through the handling of financial instruments

We donate a portion of trust fees from investment trusts with donation schemes. Together with the management company, we make donations to SDG-related projects in Fukushima Prefecture (conservation of Lake Inawashiro, etc.) and the Oze Preservation Foundation.



Implementation of donations through the handling of financial instruments

Fund name	Management company	Donation recipient	Donation amount for the fiscal year ended March 31, 2023	Cumulative donations
Global ESG Balanced Fund (also known as Blue Earth)	Nomura Asset Management Co., Ltd.	SDGs-related business in Fukushima Prefecture	¥2,000,000	¥6,000,000
Natural Environment Conservation Fund (also known as Ozekiko)	Asset Management One Co., Ltd.	Oze Preservation Foundation	¥706,634	¥14,843,879

Offering Toho Auto Loan for Zero-Emission Vehicles

To realize a decarbonized society in the region, we handled auto loans at an interest rate of 0.9% (variable interest rate, guarantee fee included) for customers who purchase zero-emission vehicles.

Application period: January 1, 2023 to June 30, 2023



Initiatives as a Company

Plastic Smart Declaration

To reduce plastic waste that pollutes the environment and disturbs ecosystems, and to increase plastic recycling, we established the Toho Plastic Smart Declaration and are striving to preserve the environment.

- Use a reusable bottle instead of disposable plastic bottles!
- Use reusable bags for shopping!
- Think about your food containers, stationary, and miscellaneous household goods!
- Be sure to recycle plastics!
- Don't use plastic straws!

Participating in the Fukushima Zero Carbon Declaration project

We support the Fukushima Zero Carbon Declaration project, conducted by Fukushima Prefecture to realize a decarbonized society by 2050. We are systematically implementing measures against global warming, such as the thorough implementation of energy conservation measures and the promotion of renewable energy at our branches, business center, and training center.



Creating environmentally friendly branches

We are striving to save energy by installing solar power generation systems, and introducing high-efficiency air conditioners, vertical gardens, and LED lighting when we newly build or reconstruct branches.



Utsunomiya Branch (TD Terrace Utsunomiya)
*Invested jointly with The Dai-ichi Life Insurance Company, Limited (opened in November 2022)

First mid-rise wooden office in the banking and life insurance industries

- Realizing a supply chain based on local production for local consumption through the use of locally produced lumber
- Procuring electricity through off-site corporate PPA since new construction (first in Japan), etc.

Afforestation and conservation activities

Since its inception in 2009, the Toho Minna no Mori Zukuri project has collaborated with municipalities and other entities in Fukushima Prefecture to restore forests and improve the environments, such as coastal disaster prevention forests, to pass on a lush green hometown to the next generation.



Cumulative number of trees planted:

4,800 (As of June 30, 2023)

Initiatives to reduce CO₂ emissions

We additionally introduced the hydrogen vehicle MIRAI to promote initiatives to decarbonize local communities in cooperation with the communities and customers. We will further strengthen the shift to eco-cars (electric vehicles, hybrid vehicles, etc.) for our sales vehicles. To encourage the spread of electric vehicles (EVs), we will install EVs charging facilities for customers in the parking lot of our head office. (Scheduled for fall 2023)



Hydrogen vehicle MIRAI introduced in July 2023 (second vehicle)

Feature Message from an Outside Director



We Will Not Be a Fair-weather Friend, But Contribute to the Regional Economy Through a “Readiness Is All” Approach

Outside Director (Audit and Supervisory Committee Member)

Hayao Watanabe

■ A Desire to Help Fukushima Prefecture’s Recovery

I was born and raised in Minamiaizu Town, Fukushima Prefecture, and after graduating from university, I joined Japan Development Bank (JDB) (current Development Bank of Japan). At JDB, I was involved in every aspect of operations, including financial affairs, human resources, general affairs, financing, audits, research, and public relations. Also, I studied abroad in the US twice during this time, honing my expertise while learning from case studies. From 2006, I was appointed as Branch Manager of the JDB’s Tohoku Branch in Sendai, where I had the opportunity to work together with the Bank.

At that time, from my perspective as a business partner, I got a real sense that the Bank was a presence that would stand by you. In particular, since the Great East Japan Earthquake and accident at the Fukushima Daiichi Nuclear Power Plant in 2011, I have seen the Bank getting more closely evolved in the regional economy and helping it back to soundness.

As someone with deep roots in Fukushima Prefecture, I had a strong desire to contribute to the recovery of Fukushima after the earthquake and nuclear accident, even if only a little. That’s why, when the Bank approached me in 2016, I agreed to become an Outside Director.

In bank operations, I think that in addition to receiving deposits, on the asset management side, financial screening, industry analysis, and macroeconomic analysis are really important. I want to contribute to the Bank’s corporate message of “For the Sake of Our Communities” by leveraging the knowledge I have cultivated in the finance industry and the risk management expertise I learned while studying in the US.

■ The Importance of Dissenting Opinions in Discussions

Currently, as an Outside Director (Audit and Supervisory Committee Member), I serve as chair of the Board of Independent Outside Directors and of the Nomination and Remuneration Committee, as well as lead Outside Director.

Since becoming chair of the Board of Independent Outside Directors in 2022, I have consciously tried to facilitate meetings in a way that enables members to actively share opinions from a variety of angles. Deepening discussions is important for bank management, and it is also connected to risk management. Therefore, I want people to feel they can share opinions from diverse perspectives, including dissenting opinions, at Board of Independent Outside Directors meetings and in other venues.

We also invite general manager-level employees to attend Board of Independent Outside Directors meetings as a way of exchanging opinions about situations and challenges at actual workplaces.

Since 2021, I have also been serving as the head of the Fukushima Prefecture Professional Human Resource Strategy Base being overseen by the Cabinet Office, through which I am able to discuss topics such as talent referrals with managers from

companies in the prefecture. I visit local companies and share information I gain within the Bank, while also listening their opinions. I feel this has made communicating significantly easier.

■ “There is No Answer, Use Your Head”

The 2011 earthquake and nuclear accident was the largest crisis we have faced in recorded history. I am always thinking about how the Bank can contribute to the recovery of Fukushima Prefecture. Our banking and consulting operations should be useful to regional revitalization in the truest sense. That is the duty of a top bank.

Regarding the approach that the Bank should take to the current situation in Fukushima, there is no single answer. We have to figure it out for ourselves. In regard to direction as well, all we can do is think based on the Fukushima Prefecture’s current situation. We need to really think things through.

To date, I have participated in study sessions with younger Bank employees and these were opportunities to have discussions. I encouraged them to “use your head.” I want them to avoid getting hung up on preconceived ideas and to think for themselves. This is the message I must communicate as an Outside Director.

The way the Bank can differentiate itself in terms of value is, as I mentioned earlier, to always take a position beside our business partners and help them to solve their problems. By doing this, we accumulate knowhow. I believe that if we fully commit to this behavior, we can contribute to the health of the regional community.

■ Acting With Readiness

Determining our core competencies is essential to raising the Bank’s corporate value. Regional revitalization is an important factor for a regional bank. We should be ready to contribute to the community while also steering the Fukushima economy toward improvement and raising corporate value. I think this shows a readiness to live together with the region.

We should provide business partners with solid advice about the issues they are facing and help them to practice sound management. The consulting business, which is an area we are focusing on, will improve the Bank’s corporate value.

One of the principles I live by is to not be a fair-weather friend. The banking business is the same. We cannot be friendly only during the good times. In other words, we need to be a bank that stays close to people when they are truly faced with difficulties and challenges and that provides real social added value.

I also like the expression “Readiness is all.” This means that being prepared is essential to everything you do. I think that the Bank demonstrated our readiness to help Fukushima recover after the earthquake and nuclear accident. I want to communicate to stakeholders that the Bank is ready to contribute to the regional economy.

In a region that was hit by an unprecedented historic event, all we can do is think and act for ourselves. In this unique situation, all of us, both officers and regular employees, must think what we can do to maintain the soundness of the regional economy, as well as to raise the corporate value of the Bank. We must face the situation head on and act with readiness.



Corporate Governance

Based on our corporate philosophy, to secure the unwavering trust of regional communities and customers, at Toho Bank we have made clear our basic policy on internal controls, have established a system of aiming to improve the soundness and appropriateness of the operations of the corporate group comprising both the Bank and our subsidiaries, and strive to ensure thorough compliance with laws and regulations as well as sound business operations.

In addition, from the viewpoint of sustainable growth of the Group and enhancement of corporate value over the medium to long term, we are working to realize effective corporate governance in line with the following basic policies.

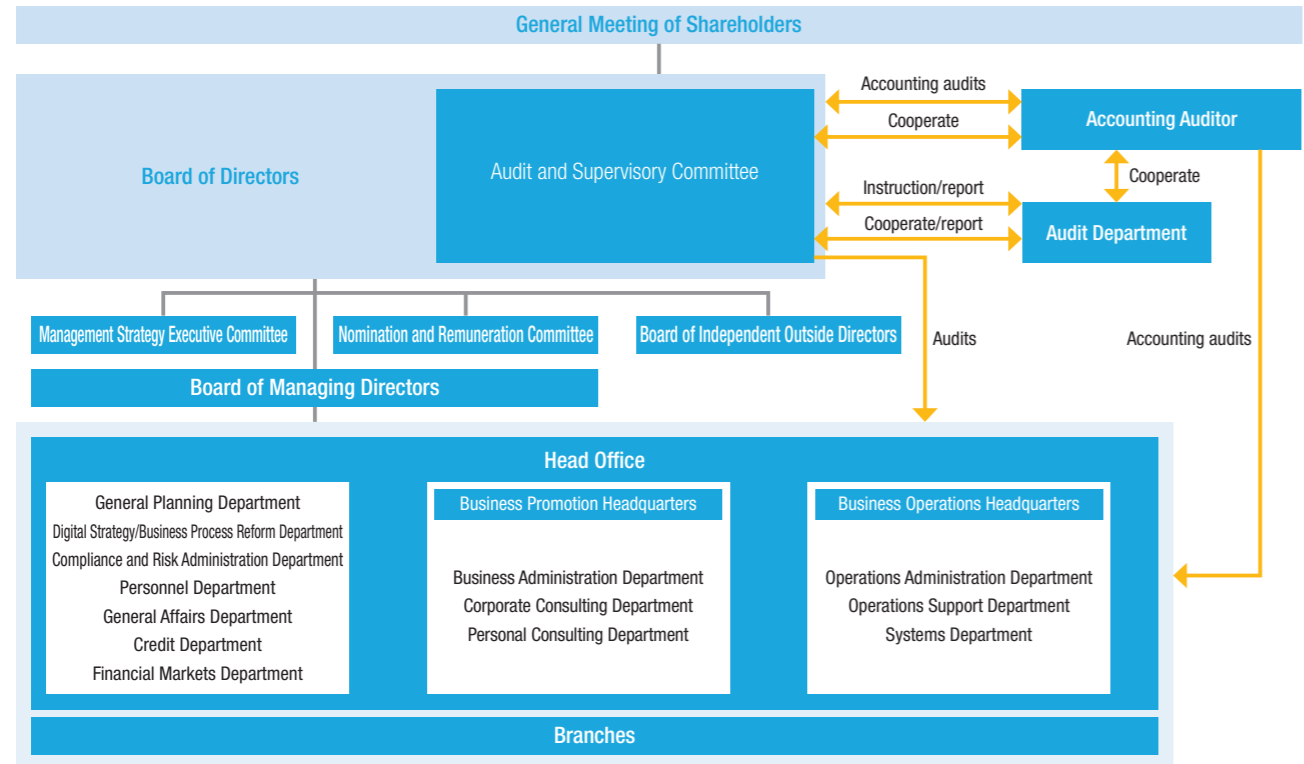
- A. Respect the rights of shareholders, work to create an environment in which shareholders can exercise their rights appropriately, and ensure substantial equality of shareholders.
- B. Strive for appropriate collaboration with various stakeholders, including shareholders, customers, employees, and regional communities, and foster a corporate culture and atmosphere for conducting sound business operations.
- C. Endeavor to ensure appropriate disclosure of corporate information, including non-financial information, and transparency in bank management, to build a foundation for constructive dialogue with stakeholders.
- D. The Board of Directors will indicate an overall direction for management strategy, etc., and create an environment that supports appropriate risk-taking by senior management. In addition, the Board shall conduct highly effective supervision of management from an independent and objective standpoint.
- E. Engage in constructive dialogue with shareholders to contribute to sustainable growth and improvement of corporate value over the medium to long term.

Basic policy on internal controls (Items)

- 1 The Bank's system for compliance with laws and regulations
- 2 Information management system for execution of duties by Bank Directors
- 3 The Bank's risk management system
- 4 Ensuring the efficiency of the Bank's duties
- 5 System to ensure the appropriateness of business operations of the corporate group consisting of the Bank and its subsidiaries
- 6 System for assisting the duties of the Audit and Supervisory Committee
- 7 System for reporting to the Audit and Supervisory Committee
- 8 Ensuring effective audits by the Audit and Supervisory Committee

Corporate governance system

(As of the end of June 2023)



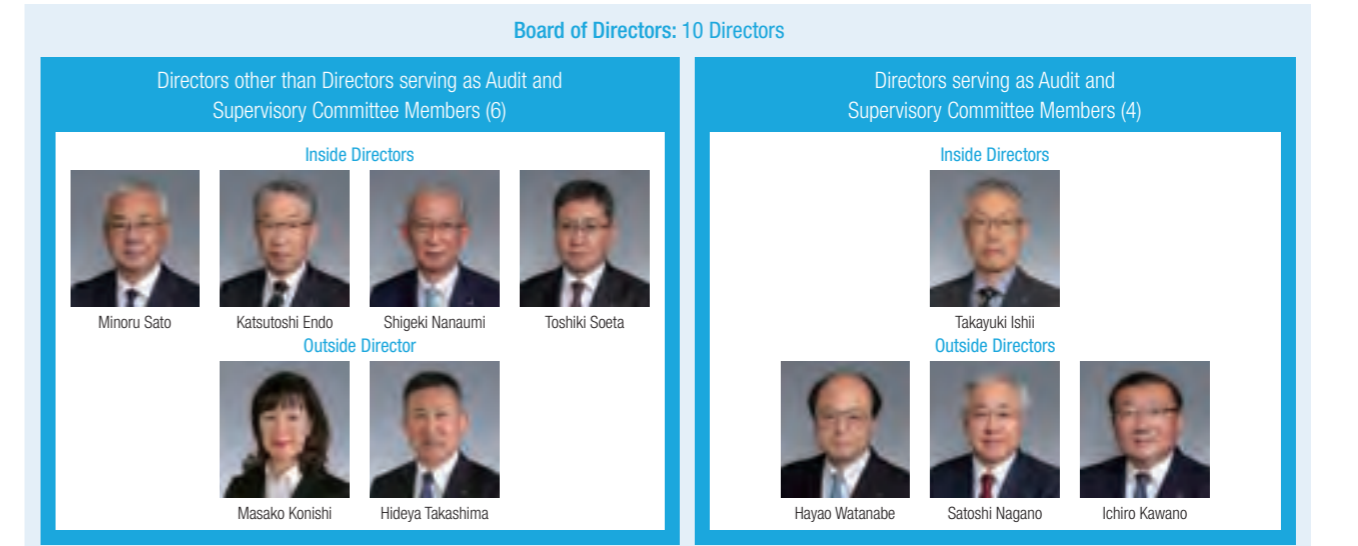
Details on Organizational Bodies

The Bank has adopted the Company with an Audit and Supervisory Committee system, and the following organizational bodies have been established to enhance the corporate governance system and increase corporate value.

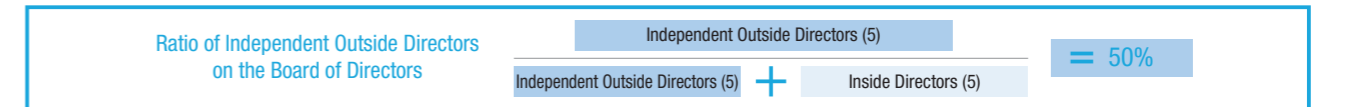
Board of Directors	As of June 30, 2023, the Board of Directors is comprised of ten members—six Directors other than Directors serving as Audit and Supervisory Committee Members (two Outside Directors), and four Directors serving as Audit and Supervisory Committee Members (three Outside Directors)—and in principle meets once per month. In addition to making decisions on matters defined in laws and regulations and the Articles of Incorporation, as well as key management items, such as determining basic policy related to management policy, compliance, and risk management, the Board of Directors also supervises the execution of duties by each Director.
Audit and Supervisory Committee	The Audit and Supervisory Committee has four Directors (three Outside Directors), in principle meets once per month, and is responsible for supervising business execution and auditing the execution of duties by each Director.
Board of Managing Directors	From the perspective of speeding up decision-making, we have established the Board of Managing Directors, comprised of the President, Senior Managing Director, Managing Directors, and Managing Executive Officers. This Board makes decisions on matters such as business execution delegated from the Board of Directors, conducts important deliberations on business execution from time to time, and improves the quality of the management execution system and business management system.
Nomination and Remuneration Committee	We have established the Nomination and Remuneration Committee, comprised of Representative Directors and Independent Outside Directors, as an optional committee equivalent to a nomination committee and remuneration committee. This Committee holds deliberations on matters such as appointments of candidates for Directors and determination of remuneration for each Director other than Directors serving as Audit and Supervisory Committee Members, which are then resolved at the Board of Directors after ensuring fairness, objectivity, and transparency.
Management Strategy Executive Committee	The Management Strategy Executive Committee is comprised of the President, Directors other than Directors serving as Audit and Supervisory Committee Members, Directors serving as Audit and Supervisory Committee Members, Executive Officers, and Head Office general managers, and conducts deliberations on the formulation of the medium-term management plan and fiscal year management plans, and provides reports concerning progress management.
Board of Independent Outside Directors	In June 2022, we established the Board of Independent Outside Directors and are working to enhance corporate governance by regularly holding meetings with the Independent Outside Directors, who are members of this board.

Composition of the Board of Directors

(As of the end of June 2023)



Note: Officers and Executive Officers



Initiatives for Information Disclosure

The Bank has established a Timely Disclosure Policy to determine how to manage internal information that becomes important company information. Based on the policy and the stock exchange's Timely Disclosure Rules and Financial Instruments and Exchange Act, we are always working to disclose information in a timely and appropriate manner.

Also, in addition to actively disclosing information with transparency and fairness through our website, annual reports, etc., we hold briefings on business conditions (IR for local residents) for local shareholders and customers to promote an understanding of the Bank's management policies and management status. Furthermore, in the fiscal year ended March 31, 2023, the Bank introduced new initiatives to bolster Shareholder Relations (SR) activities, with a focus on enhancing engagement with shareholders. To foster favorable relationships with institutional investors and other shareholders, we participate in dialogues concerning the Bank's medium- and long-term management policies, growth strategies, corporate governance, and environmental and social initiatives.

Directors, Executive Officers, and Officers on the Audit and Supervisory Committee

Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

President (Representative Director)
Minoru Sato
 Apr. 1983 Joined the Bank
 Jun. 2012 Director and General Manager, General Planning Department, and Manager, Management Strategy Coordination Office
 May 2014 Director and General Manager, Head Office
 Jun. 2014 Managing Director and General Manager, Head Office
 Jun. 2016 Senior Managing Director (Representative Director) and Head of Business Operations Headquarters
 Jun. 2020 President (Representative Director) (current position)

Senior Managing Director (Representative Director)
Katsutoshi Endo
 Apr. 1988 Joined the Bank
 Jun. 2019 Executive Officer and Branch Manager, Sendai Branch
 Jun. 2020 Executive Officer and Deputy Head, Business Promotion Headquarters
 Jun. 2021 Managing Executive Officer and General Manager, Head Office
 Mar. 2023 Managing Executive Officer
 Jun. 2023 Senior Managing Director (Representative Director) (current position)

Managing Director
Shigeki Nanaumi
 Apr. 1984 Joined the Bank
 Jun. 2015 Executive Officer and Branch Manager, Shirakawa Branch
 May 2016 Executive Officer and Branch Manager, Tokyo Branch
 Jun. 2019 Senior Executive Officer and Branch Manager, Tokyo Branch
 May 2021 Senior Executive Officer and General Manager, Koriyama Main Office
 Jun. 2021 Managing Director and General Manager, Koriyama Main Office
 Mar. 2023 Managing Director and General Manager, Personnel Department (current position)

Managing Director
Toshiki Soeta
 Apr. 1986 Joined the Bank
 Jun. 2018 Executive Officer and General Manager, Corporate Banking Department
 Nov. 2019 Executive Officer and General Manager, Corporate Banking Department, and General Manager, International Business Promotion Department
 Dec. 2019 Executive Officer and Deputy Head, Business Promotion Headquarters, General Manager, Corporate Banking Department, and General Manager, International Business Promotion Department
 Mar. 2020 Executive Officer and Deputy Head, Business Promotion Headquarters, and General Manager, Regional Trading Company Business Department
 Jun. 2020 Executive Officer and Deputy Head, Business Promotion Headquarters
 May 2021 Executive Officer and Branch Manager, Aizu Branch
 Jun. 2021 Managing Executive Officer and Branch Manager, Aizu Branch
 Sep. 2022 Managing Executive Officer and General Manager, Aizu Main Office
 Mar. 2023 Managing Executive Officer and Head, Business Promotion Headquarters
 Jun. 2023 Managing Director and Head, Business Promotion Headquarters (current position)

Outside Director
Masako Konishi
 Apr. 1981 Joined Announcement Department, CHUBU-NIPPON BROADCASTING CO., LTD.
 Apr. 1989 Served as a caster and reporter at multiple broadcasting stations such as NHK, TBS, and CNN
 Apr. 1998 Obtaining certificate of weather forecaster, served as a weather forecaster at MX TV, etc.
 Jan. 2001 Joined Weathernews Inc. Weather forecaster and producer, Contents Creation Department
 Sep. 2005 Joined WWF Japan (current position)
 Feb. 2017 Member of the Central Environment Council, Ministry of the Environment (current position)
 Apr. 2017 Specially Appointed Professor, Department of Business Design, Faculty of Global Business, Showa Women's University
 Apr. 2022 Specially Appointed Professor, Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (current position)
 Jun. 2022 Outside Director (Part-time), The Toho Bank, Ltd. (current position)
 Apr. 2023 Specially Appointed Professor, Graduate Program in Welfare Co-creation Management, Showa Women's University (current position)

Outside Director
Hideya Takashima
 Apr. 1982 Joined Sapporo Breweries Limited
 Mar. 2007 General Manager, Sendai Brewery
 Mar. 2009 Executive officer and General Manager, Corporate Strategy Headquarters
 Sep. 2012 Managing executive officer and General Manager, Hokkaido Headquarters
 Mar. 2013 Managing executive officer and General Manager, Hokkaido Headquarters and Representative, Hokkaido Head Office
 Mar. 2015 Director and Senior Managing Executive Officer, POKKA SAPPORO FOOD & BEVERAGE LTD.
 Jan. 2017 President & representative director, Sapporo Breweries Limited and Group executive officer, Sapporo Holdings Limited
 Mar. 2017 President & representative director, Sapporo Breweries Limited and Managing group executive officer, Sapporo Holdings Limited
 Mar. 2021 Advisor, Sapporo Holdings Limited
 Mar. 2022 External Auditor, FUJIO FOOD GROUP INC. (current position)
 Jun. 2022 Outside Director (Part-time), The Toho Bank, Ltd. (current position)
 Jun. 2022 Auditor, Hokkaido Airport Terminal Co., Ltd. (current position)

Executive Officers and Officers on the Audit and Supervisory Committee

<p>Managing Executive Officer (Head of Business Operations Headquarters) Hiroyuki Tsuchiya</p>	<p>Managing Executive Officer (General Manager, Iwaki Main Office) Tetsuji Yoshida</p>	<p>Managing Executive Officer (General Manager, Head Office) Naoyuki Tanabe</p>	<p>Managing Executive Officer (General Manager, Koriyama Main Office) Hiroimi Meguro</p>
<p>Managing Executive Officer (General Manager, Aizu Main Office) Chikai Sawada</p>	<p>Executive Officer (Deputy Head, Business Operations Headquarters and General Manager, Operations Administration Department) Yumiko Takahashi</p>	<p>Executive Officer (General Manager, Credit Department) Masatomo Fujishima</p>	<p>Executive Officer (Deputy Head, Business Promotion Headquarters and General Manager, Business Administration Department) Shinji Takano</p>
<p>Executive Officer (General Manager, Audit Department) Hidehiro Shishido</p>	<p>Executive Officer (Branch Manager, Sendai Branch and Sendai-Minami Branch) Takashi Sekine</p>	<p>Executive Officer (General Manager, General Planning Department) Satoshi Kanari</p>	<p>Executive Officer (Branch Manager, Shirakawa Branch, Shirakawa-Nishi Branch and Shirakawashiyakusho Branch) Hiroyuki Kikuchi</p>
<p>Executive Officer (Branch Manager, Aizu Ichinomachi Branch and Senior Deputy General Manager, Aizu Main Office) Masaru Uemuro</p>	<p>Officers on the Audit and Supervisory Committee Takuo Sato</p>		

Directors Serving as Audit and Supervisory Committee Members

Director (Audit and Supervisory Committee Member)
Takayuki Ishii
 Apr. 1983 Joined the Bank
 Jun. 2015 Director and General Manager, Iwaki Main Office
 May 2016 Director, stationed to Iwaki
 Jun. 2016 Managing Director, stationed to Iwaki
 Jun. 2017 Managing Director
 May 2019 Managing Director and General Manager, Iwaki Main Office
 Jun. 2020 Director (Audit and Supervisory Committee Member) (current position)

Outside Director (Audit and Supervisory Committee Member)
Hayao Watanabe
 Apr. 1979 Joined Japan Development Bank (current Development Bank of Japan Inc.)
 Jun. 2006 Branch Manager, Tohoku Branch
 Jun. 2009 Office Manager, Audit Office
 Jun. 2010 Full-time Corporate Auditor, KEIO PLAZA HOTEL CO., LTD.
 Jun. 2012 Outside Corporate Auditor, Japan Economic Research Institute Inc.
 Jun. 2016 Outside Director (Part-time), The Toho Bank, Ltd.
 Jun. 2018 Full-time Audit and Supervisory Board Member, ABLIC Inc.
 Jun. 2020 Outside Director (Audit and Supervisory Committee Member, Part-time), The Toho Bank, Ltd. (current position)

Outside Director (Audit and Supervisory Committee Member)
Satoshi Nagano
 Apr. 1986 Joined the Bank of Japan
 May 2009 General Manager, Kitakyushu Branch
 Jul. 2011 Deputy General Manager, Osaka Branch
 Jun. 2014 Deputy Director-General, Financial System and Bank Examination Department
 Aug. 2017 Senior Research Fellow, Institute for Monetary and Economic Studies
 Mar. 2018 Attorney-at-law, Uryu & Itoga (current position)
 Jun. 2018 Outside Director, Suruga Bank Ltd.
 May 2019 Outside Director, SK JAPAN Co., LTD.
 Apr. 2020 Registered as a patent attorney
 Jun. 2020 Outside Director (Audit and Supervisory Committee Member, Part-time), The Toho Bank, Ltd. (current position)
 Jun. 2020 Outside Corporate Auditor, NAITO Securities Co., Ltd. (current position)
 Jan. 2022 External Board Director, LONGLIFE HOLDING Co., Ltd. (current position)

Outside Director (Audit and Supervisory Committee Member)
Ichiro Kawano
 Apr. 1985 Joined Ministry of the Treasury (current Ministry of Finance)
 Jul. 2013 Director-General of the Chugoku Local Finance Bureau, Ministry of Finance
 Jul. 2014 Deputy Secretary-General, Executive Bureau, Securities and Exchange Surveillance Commission, Financial Services Agency
 Jul. 2015 Director-General of the Tohoku Local Finance Bureau, Ministry of Finance
 Jun. 2016 Executive Managing Director and Member of the Board, Regional Economy Vitalization Corporation of Japan
 Jun. 2018 Director & Managing Executive Officer, the Shoko Chukin Bank, Ltd.
 Nov. 2021 Advisor, Aioi Nissay Dowa Insurance Co., Ltd.
 Jun. 2022 Outside Director (Audit and Supervisory Committee Member, Part-time), The Toho Bank, Ltd. (current position)

Skill matrix of Directors

Name	Positions and responsibilities	Management strategy and sustainability	Corporate management	Sales/Consulting	Corporate review/Revitalization support	Human resources/Diversity	Market operation/International businesses	IT/DX
Minoru Sato	President (Representative Director)	●	●	●	●	●	●	●
Katsutoshi Endo	Senior Managing Director (Representative Director)	●	●	●	●	●	●	●
Shigeki Nanaumi	Managing Director	●	●	●	●	●	●	●
Toshiki Soeta	Managing Director	●	●	●	●	●	●	●
Masako Konishi	Director (Part-time)	●	●	●	●	●	●	●
Hideya Takashima	Director (Part-time)	●	●	●	●	●	●	●
Takayuki Ishii	Director, Audit and Supervisory Committee Member	●	●	●	●	●	●	●
Hayao Watanabe	Director, Audit and Supervisory Committee Member (Part-time)	●	●	●	●	●	●	●
Satoshi Nagano	Director, Audit and Supervisory Committee Member (Part-time)	●	●	●	●	●	●	●
Ichiro Kawano	Director, Audit and Supervisory Committee Member (Part-time)	●	●	●	●	●	●	●

* The table above does not cover all knowledge and experience the Directors have.

Details of each item

Management strategy and sustainability	Knowledge, experience, and abilities related to corporate management and organizational operation, as well as ESG management (environmental, social, governance, etc.) that supports corporate sustainability
Corporate management	Knowledge, experience, and abilities related to business administration, including compliance, risk management, accounting, and taxation
Sales/Consulting	Knowledge, experience, and abilities related to sales, such as providing solutions to revitalize local economies, and knowledge, experience, and abilities related to sales planning and marketing
Corporate review/Revitalization support	Knowledge, experience, and abilities related to corporate screening, corporate growth support, and revitalization support
Human resources/Diversity	Knowledge, experience, and abilities related to human resource management, human resource development, diversity promotion, and other human resource-related operations
Market operation/International businesses	Knowledge, experience, and abilities related to securities management and international operations
IT/DX	Knowledge, experience, and skills related to the use and promotion of digital technology to improve productivity and add value to companies

Basic Policy and Specific Initiative Policy for Customer-Oriented Business Operations

The Toho Bank, Ltd., and Toho Securities Co., Ltd., have established the Basic Policy and Specific Initiative Policy for Customer-Oriented Business Operations to further practice customer-oriented business operations to improve customer satisfaction in operations related to asset formation and asset management.

All officers and employees will strive for customer-oriented business operations based on this basic policy.

In addition, we will regularly publish indicators (KPIs) that customers can easily understand about the status of specific initiatives based on the basic policy.

Furthermore, to realize more customer-oriented business operations, we will monitor our efforts and conduct reviews of the basic policy.

Basic Policy and Specific Initiative Policy for Customer-Oriented Business Operations

1. Customer-oriented business operations

- (1) We will maintain a high level of expertise and ethics, provide products and services to customers in good faith and fairness, and carry out customer-oriented business appropriately in accordance with laws and regulations.

2. Appropriate management of conflicts of interest to protect the interests of customers

- (1) We will appropriately manage conflicts of interest in accordance with the Conflicts of Interest Management Policy established by the Bank so that the interests of our customers are not unfairly impaired.

3. Enhancement of provision of information to customers

- (1) We will explain the structure and characteristics of the proposed products and services in clear and plain language in an easy-to-understand manner from the customer's standpoint, taking into consideration matters such as the customer's financial knowledge.
- (2) When explaining products and services, we will endeavor to use easy-to-understand materials that contain key information.

4. Improving the transparency of consideration for customer service

- (1) We will increase transparency about fees paid by customers, and explain carefully in an easy-to-understand manner to gain customer understanding.

5. Provision of products and services in line with customer preferences

- (1) We will provide appropriate and suitable products and services promptly in line with the customer's preferences for asset formation and asset management, comprehensively taking into account the customer's asset status and the purpose of the transaction.
- (2) We will strive to enhance our lineup of offerings to be able to accurately meet the diverse needs of our customers by selecting and reviewing products based on market trends.
- (3) For our customers to continue transacting with peace of mind, we will regularly and continuously provide information on the assets entrusted to us, and strive to enhance after-sales follow-up.

6. Establish a system that can provide services suitable for customers

- (1) We will strive to develop highly specialized talent with advanced product knowledge and financial knowledge through training and encouragement for acquiring external professional qualifications.
- (2) To motivate employees, we will establish a performance evaluation system that can appropriately evaluate customer-oriented efforts.

Product lineup

Investment trusts

Category	Number of products	(Ratio)	Of which, no-load
Japanese bonds	3	3%	2
Foreign Bonds	17	16%	10
Developed countries	11		6
Emerging countries	6		4
Japanese equities	12	11%	7
Non-Japanese equities	30	28%	10
Developed countries	15		6
Emerging countries	6		3
Developed and emerging countries, etc.	9		1
REIT	11	10%	5
Balanced	28	26%	9
Other	5	5%	3
Total	106		46

(Including online-only investment trusts)

Life insurance (lump-sum payment)

Product type	Number of products	(Ratio)
Yen-denominated	13	43%
Fixed pension	2	7%
Variable pension	0	0%
Fixed premium whole life insurance	9	30%
Variable premium whole life insurance	1	3%
Non-yen denominated	17	57%
Fixed pension	3	10%
Variable pension	1	3%
Fixed premium whole life insurance	12	40%
Variable premium whole life insurance	1	3%
Total	30	

Life insurance (level-premium, counter sales only)

Product type	Number of products	(Ratio)
Whole life	5	33%
Term	2	13%
Medical/cancer	5	33%
Security when unable to work	0	0%
Income security	0	0%
Educational funds	0	0%
Pension/endowment	3	20%
Nursing care	0	0%
Other	0	0%
Total	15	

Life insurance (level-premium, including Toho Insurance Plaza)

Product type	Number of products	(Ratio)
Whole life	13	20%
Term	3	5%
Medical/cancer	28	43%
Security when unable to work	4	6%
Income security	6	9%
Educational funds	2	3%
Pension	3	5%
Nursing care	4	6%
Other	2	3%
Total	65	

By selecting and reviewing products based on market trends, we will continue to strive to enhance our lineup of offering to be able to accurately meet the diverse needs of our customers.

Key Performance Indicators (KPIs) for the Basic Policy and Specific Initiative Policy for Customer-Oriented Business Operations

- The Bank publishes key performance indicators (KPIs) related to the Basic Policy and Specific Initiative Policy for Customer-Oriented Business Operations on its website.

URL: <https://www.tohobank.co.jp/fiduciary.html>

The status of comparable common KPIs (investment trusts and non-yen denominated insurance) at sales companies is also disclosed.

Comparable common KPIs (investment trusts and non-yen denominated insurance) at sales companies



- We also provide a variety of other information on our website.

Investment trust website



<https://www.tohobank.co.jp/kojin/fund/index.html>

Life planning simulation



<https://www.tohobank.co.jp/kojin/lifeplan/index.html>

Compliance

Compliance System (Compliance with Laws and Regulations)

Banks are highly publicized to a degree exceeding private companies, and bear a large responsibility to contribute broadly to society. To that end, it is necessary not only to ensure thorough compliance (compliance with laws and regulations, ethics, social norms, etc.) but also to always act with propriety.

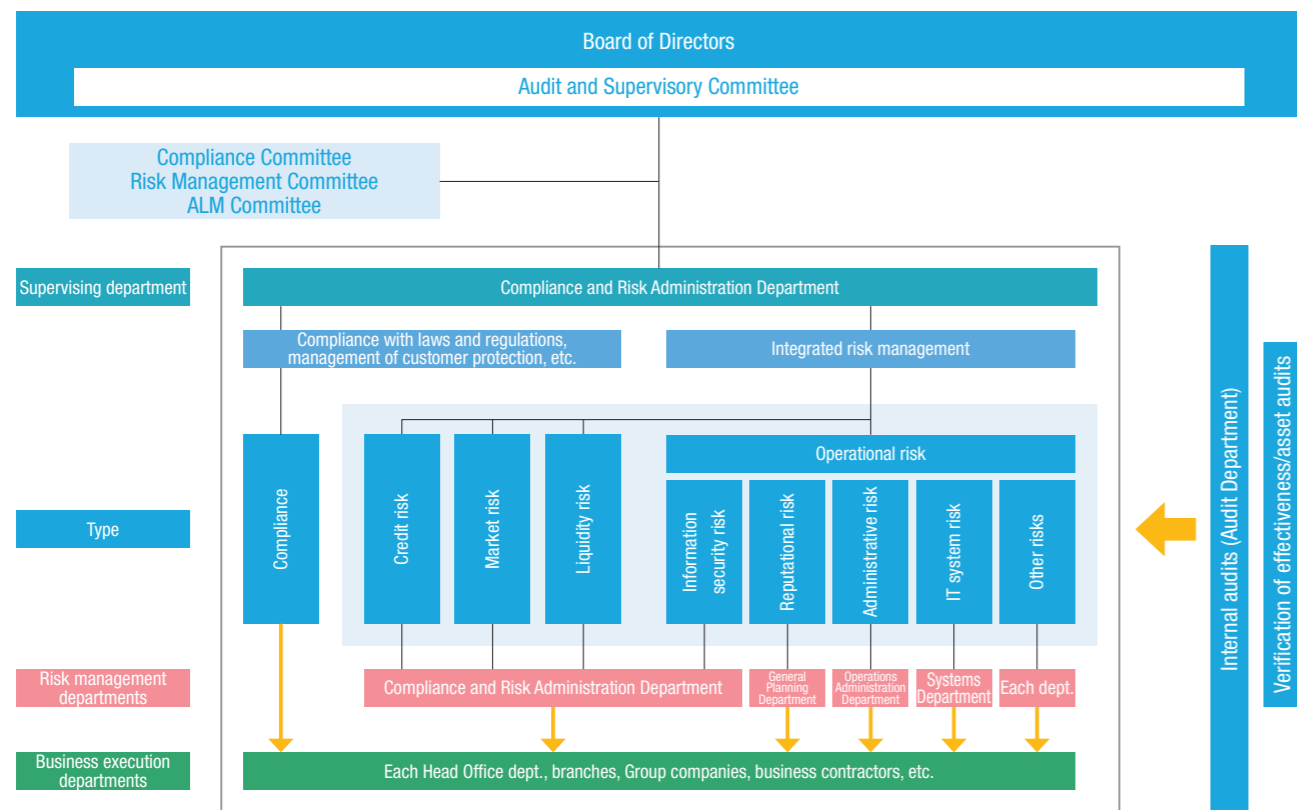
We have traditionally taken a strict stance on compliance with laws and regulations, and in addition to having established a Compliance/Legal/Financial Crimes Prevention Administration Section in the Compliance and Risk Administration Department, we have assigned a person in charge of legal and regulatory compliance at each Head Office department and each branch, thus strengthening cooperation between Head Office and branches. Also, in addition to regularly holding meetings of the Compliance Committee to formulate and review compliance programs and manage their implementation status, we have created a Compliance Manual which incorporates major laws and regulations, response rules, organizational structure, etc., and also conduct compliance-related training.

Management legal affairs are checked and audited by the Board of Directors and Audit and Supervisory Committee, and we also partner with legal advisers, public accountants, and other experts as necessary to ensure objectivity.

Based on the importance of compliance with laws and regulations, we will continue to improve the systems within the Bank.

● Compliance/risk management system

(As of the end of June 2023)



Initiatives to Protect Personal Information

As a business that handles personal information, the Bank considers the protection of customers' personal information to be our most important duty to uphold the trust of customers, and we have established and published the Personal Information Protection Declaration (Privacy Policy) as an initiative policy on the appropriate and strict handling of personal information.

We will continue to review and improve our efforts to protect personal information so that we can continue to properly protect and use customers' personal information and ensure thorough safety management, thereby providing unchanging peace of mind to our customers.

Solicitation Policy Based on the Act on the Provision of Financial Services

We comply with laws and regulations and conduct customer-oriented solicitation, upholding the trust of our customers as our first priority.

- (1) We recommend products suitable for our customers based on their knowledge, experience, financial status, and investment objectives.
- (2) We will sufficiently explain important matters such as product details and risks so that customers can make transactions at their discretion.
- (3) We endeavor to provide proper information. We do not provide explanations that mislead customers, such as providing assertive judgments or information that is not factual.
- (4) We will not solicit customers at times or places that are inconvenient for them. In addition, we do not conduct one-sided solicitations.
- (5) We work to acquire product knowledge and achieve self-improvement so that we can solicit customers properly.

Regarding our solicitation policy as an operation management organization for the defined contribution pension system, the solicitation policy shall apply to both the "selection of investment methods and presentation to enrollees of operation management work related to corporate pensions" and "designation or change of operation management organization for individual pensions" under the Defined Contribution Pension Act.

Initiatives for the Alternative Dispute Resolution System

When a customer makes a complaint, consultation, etc., or files a dispute against the Bank, the Bank will work to promptly, sincerely, fairly, and appropriately resolve it, taking into account the alternative dispute resolution system in the financial sector (financial ADR system).

The Bank is working to improve its internal systems and has contracted with the following designated dispute resolution organizations to resolve disputes based on the agreement of the parties in mediation, conciliation, arbitration, etc.

- (1) Designated dispute resolution organizations under the Banking Act with which the Bank has a contract
Japanese Bankers Association (Contact: JBA Customer Relations Center, Phone: 0570-017109 or +81-3-5252-3772)
- (2) Designated dispute resolution organizations under the Trust Business Act and Act on Engagement in Trust Business by Financial Institutions with which the Bank has a contract
Trust Companies Association of Japan (Contact: Trust Consultation Center, Phone: 0120-817335 or +81-3-6206-3988)

Initiatives to Prevent Money Laundering and Counteract Financial Crimes

The Bank considers countering money laundering and terrorist financing to be a key management issue and is working to build an appropriate management system based on a risk-based approach. In addition, we are making various efforts to protect our customers from financial crimes such as counterfeiting or theft of ATM cards and bank transfer fraud.

Efforts to Cut Ties with Antisocial Forces

The Bank will always take a strict attitude toward antisocial forces, devote itself to proper administrative processing daily, strive to prevent trouble before it occurs, and in the unlikely event that antisocial forces attempt to intervene in some way the Bank shall handle matters appropriately, including legal measures, under a cooperative and collaborative system with the relevant departments, police authorities, and others.

In addition, we are actively promoting efforts to cut ties with antisocial forces by utilizing the organized crime exclusion clauses in various contracts and account deposit regulations.

Explanation

ALM (Asset Liability Management)
ALM is an approach to comprehensively managing assets and liabilities to maximize and stabilize profits while analyzing and predicting market trends, such as interest rates and exchange rates, and appropriately controlling various risks.

Financial ADR (Alternative Dispute Resolution) system
ADR is a dispute resolution method based on the agreement of the parties in mediation, conciliation, arbitration, etc., and is expected to resolve disputes quickly, easily, and flexibly according to the nature of the case and the circumstances of the parties. Corporations and organizations that meet the requirements for designation in the Banking Act and other laws are designated as designated dispute resolution organizations, and conduct dispute resolution procedures based on the agreement of the parties in mediation, conciliation, arbitration, etc.

Risk Management

Risk Management System

As financial services and operations become more diverse, the risks faced by banks are also becoming more complex.

To improve the soundness of management and ensure appropriate business operations, the Bank has established a Basic Policy on Risk Management and strives to enhance and strengthen risk management based on the principle of self-responsibility.

Specifically, targeting all risks arising from business operations, we establish management rules regarding the management method and management system for each risk category and operate this system appropriately. In particular, for risks that can be quantified we have established the Integrated Risk Management Policy to measure and aggregate quantitative risks using a common methodology, and strive to control risks in a way that is commensurate with our management strength, such as equity capital, to ensure the soundness of management.

In addition, in terms of organization, mutual limitation functions are ensured through measures such as separating the revenue-producing departments and management departments and the establishment of an audit department independent of the rest of the organization. Also, the Risk Management Committee meets periodically to build a comprehensive risk management system that includes the risks of related groups.

Credit Risk

Credit risk is the risk of the Bank suffering losses when the bankruptcy or financial deterioration of business partners makes it difficult to collect the principal and interest of loans and bills discounted.

Screenings based on strict screening standards are conducted primarily by the Credit Department in the management of loans and bills discounted.

Also, in addition to objectively ascertaining the risks of individual borrowers through internal ratings and self-assessments, we aim to build an optimal credit portfolio by measuring the amount of credit risk and monitoring credit concentration risks.

Market Risk

Market risk is the risk of suffering losses due to fluctuations in the value of held assets as a result of fluctuations in market prices such as interest rates, exchange rates, stock prices, etc.

The Bank determines a market trading policy every fiscal year based on its management policy, and its basic approach is to increase stable profits while taking a certain amount of risk.

In terms of organization, in addition to clearly separating the market trading departments and the administrative departments, the risk management department measures the amount of risk and monitors transaction limits and loss limits, etc., to ensure mutual limitation functions.

Liquidity Risk

Liquidity risk includes cash flow risk, in which cash flow is lost due to deterioration of the market environment, etc., or a significant increase in procurement costs, etc.; and market liquidity risk, in which losses are incurred when a market participant is forced to execute a trade at a price that is significantly more disadvantageous than usual due to factors such as market turmoil, etc.

To provide stable cash flows in line with interest rates and the Bank's fund-raising and management structure, the Bank has established management methods according to the status of cash flow and strives to appropriately manage liquidity reserves, etc. It has also established the Crisis Management Response Manual for responding to liquidity crises to ensure business continuity.



Internal credit rating system

Toho Bank has adopted an internal credit rating system to accurately ascertain the creditworthiness of borrowers and strengthen credit risk management. In this system, the creditworthiness of borrowers is classified in 14 levels based on self-assessment results and the borrower's financial status, performance, and other factors. The system serves as the foundation for credit risk management such as portfolio management and is used effectively to ascertain the credit status of borrowers and to make loan decisions efficiently.

Operational Risk

Operational risk is the risk of suffering losses due to improper business processes, improper activities of our officers and employees, improper IT systems, or as a result of external events.

At Toho Bank, the Operational Risk Management Committee meets regularly to centrally ascertain operational risk and manage them appropriately.

Furthermore, separate management regulations are established for administrative risk, IT system risk, information security risk, and reputational risk, which are subject to priority management.

Administrative Risk

Administrative risk refers to the risk of suffering losses due to accidents caused by failure to process in a timely and appropriate manner administrative work which occurs for various banking transactions.

In managing administrative risk, the Head Office and each branch maintain a system of checks in their daily operations based on the principle of self-responsibility. In addition, by ascertaining and analyzing the location and impact of the risk through in-house inspections and the results of internal audits, we are striving to develop an administrative management system and improve the level of administrative risk management.

We are also striving to improve our business processing capabilities through training and administrative guidance.

IT System Risk

IT system risk refers to the risk of suffering losses due to computer system downtime, malfunctions, etc.

The Bank regards the stable operation of computer systems as the most important topic in IT system risk management and is working to ensure the safety and reliability of these systems.

The Business Center, where the most important online systems are operated, is built using a seismic isolation design and is equipped with an uninterruptible power supply in preparation for unforeseen disasters. It also boasts a thorough security system as we strive to ensure safety.

Information Security Risk

Information security risk refers to the risk of suffering losses due to leakage, loss, falsification, unauthorized use, etc., of information assets held by the Bank.

At Toho Bank, we have established the Security Policy, which lays out our basic stance of complying with relevant laws and regulations starting with the Act on the Protection of Personal Information and striving for the safe management of information assets, and this policy is a standard of conduct for all officers and employees.

In managing information security risk, we recognize the importance of information assets and the possibility of serious damage to information assets and ensure the safe management of information assets through the establishment of regulations in each business and strict management.

Reputational Risk

Reputation risk is the risk of a negative reputation or rumors against the Bank or other entity spreading, regardless of the truth or falseness of such matters, and affecting the Bank's management status, resulting in losses.

To prevent or minimize losses caused by inaccurate information, the Bank strives to ensure smooth business relationships with customers by actively disclosing accurate information and establishing systems for the occurrence of crises.

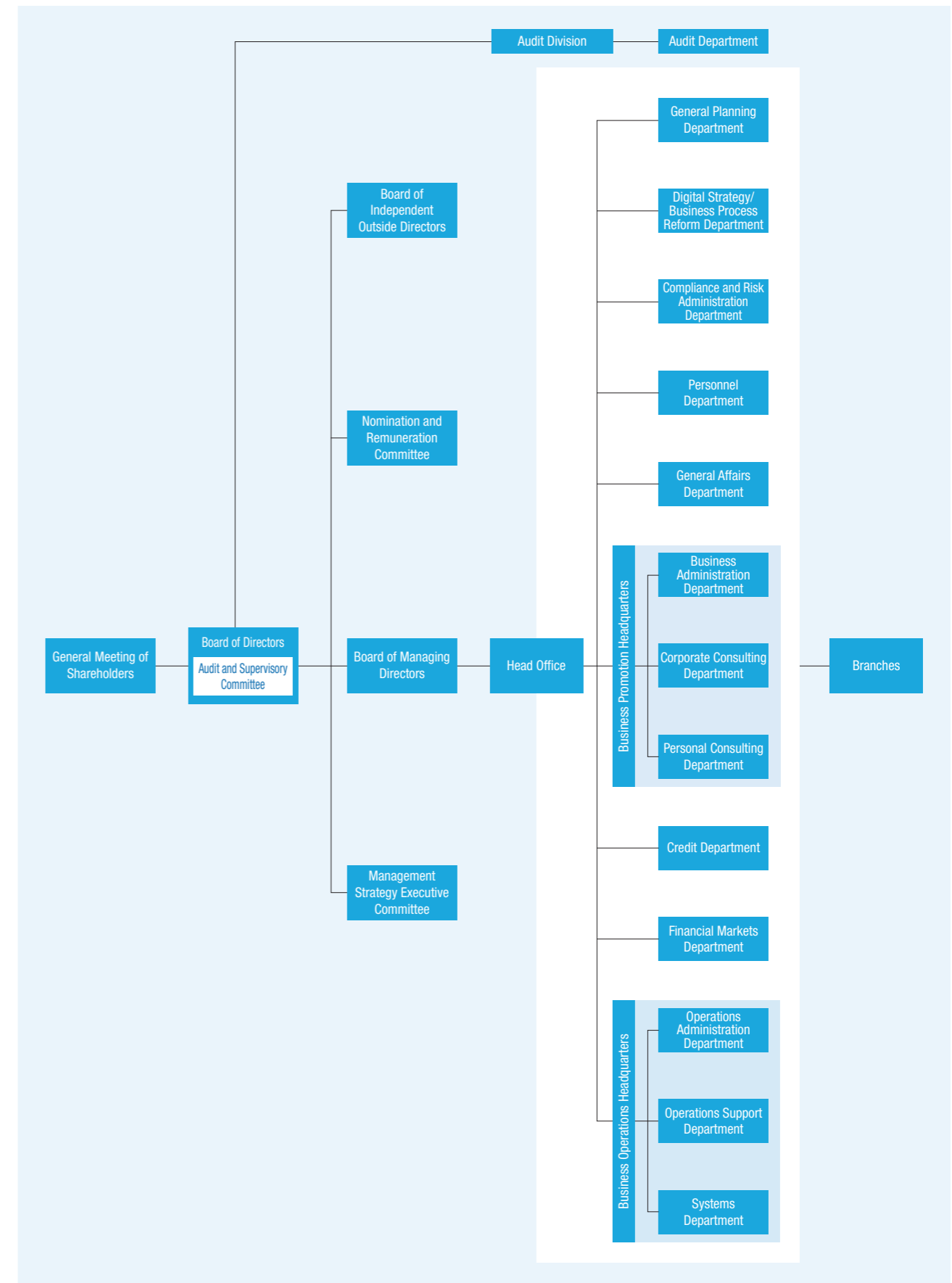
List of Group Companies

Organization



Organization

(As of the end of June 2023)



Status of subsidiaries, etc.

(As of the end of June 2023)

Company name	Location	Primary business	Date established	Capital (Millions of yen)	Ratio of voting rights of the Bank (%)	Ratio of voting rights of subsidiaries, etc. (%)
Toho Securities Co., Ltd.	3-25, Ohmachi, Fukushima	Securities	August 28, 2015	3,000	100	0
Toho Consulting Partners Co., Ltd.	4-4, Ohmachi, Fukushima	Business succession and M&A support services	August 2, 2022	100	100	100
The Toho Lease Co., Ltd.	3F, Uwamachi Terrace, 5-6, Uwamachi, Fukushima	Leasing	March 20, 1985	60	50	50
The Toho Card Co., Ltd.	4-4, Ohmachi, Fukushima	Credit card business and credit guarantee business	April 15, 1985	30	50	50
The Toho Credit Service Co., Ltd.	4-4, Ohmachi, Fukushima	Credit card business and credit guarantee business	July 12, 1990	30	50	50
The Toho Credit Guarantee Co., Ltd.	4-4, Ohmachi, Fukushima	Credit guaranteeing	March 20, 1985	110	50	50
The Toho Information System Co., Ltd.	3-4, Aza Sakurada, Hirano, Iizakamachi, Fukushima	Planning and development for IT implementation	October 14, 1983	60	39.6	60.3
Toho Smile, Co., Ltd.	3-4, Aza Sakurada, Hirano, Iizakamachi, Fukushima	Printing and binding of business forms and other documents	March 1, 2012	30	100	0
Limited Liability Partnership for Regional Industries Promotion Investment	1-6-35, Chuo, Aoba-ku, Sendai	Investment in companies in growth, maturity, and renewal stages	September 14, 2018	1,563	—	—

Related institutions

(As of the end of June 2023)

Institution name	Location	Date established
TOHO AREA RESEARCH INSTITUTE	4-4, Ohmachi, Fukushima	July 1, 1982
Toho Bank Foundation for Education and Culture	3-183, Aza Yokozuka, Arai, Fukushima	April 1, 1993



Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2023	2022	2023
Assets:			
Cash and due from banks (Notes 16 and 21).....	¥1,986,222	¥2,797,310	\$14,874,731
Monetary claims bought.....	12,741	12,205	95,423
Trading account securities (Notes 21 and 22).....	17	524	130
Money held in trust (Note 23).....	8,750	7,850	65,528
Securities (Notes 4, 7, 10, 21 and 22).....	563,428	522,325	4,219,492
Loans and bills discounted (Notes 5, 7, 8, 21 and 28).....	3,908,036	3,667,632	29,267,101
Foreign exchanges (Note 21).....	2,445	1,407	18,313
Lease receivables and investment assets (Note 20).....	12,309	12,521	92,185
Other assets (Notes 7, 21 and 24).....	72,546	75,751	543,299
Tangible fixed assets (Note 9).....	36,111	34,621	270,437
Intangible fixed assets.....	12,302	9,147	92,132
Net defined benefit assets (Note 18).....	2,692	1,124	20,160
Deferred tax assets (Note 17).....	14,249	12,055	106,712
Customers' liabilities for acceptances and guarantees (Note 6).....	7,748	8,323	58,028
Allowance for loan losses (Note 21).....	(26,482)	(27,388)	(198,329)
Total assets	¥6,613,120	¥7,135,413	\$49,525,350
Liabilities:			
Deposits (Notes 7 and 21).....	¥6,189,638	¥6,208,176	\$46,353,915
Borrowed money (Notes 7, 21 and 30).....	176,571	685,497	1,322,338
Foreign exchanges (Note 21).....	154	132	1,154
Borrowed money from trust account (Note 11).....	5,895	4,555	44,147
Other liabilities (Notes 21, 24 and 30).....	38,341	31,997	287,134
Net defined benefit liability (Note 18).....	141	288	1,060
Provision for reimbursement of deposits.....	353	413	2,646
Provision for contingent loss.....	434	370	3,256
Provision for customer point program.....	213	210	1,599
Reserve under special laws.....	0	0	4
Deferred tax liabilities (Note 17).....	572	510	4,289
Deferred tax liabilities for land revaluation (Note 17).....	2,041	2,193	15,289
Acceptances and guarantees (Note 6).....	7,748	8,323	58,028
Total liabilities	6,422,107	6,942,672	48,094,865
Commitments and contingent liabilities (Note 8)			
Net Assets (Note 15):			
Capital stock.....	23,519	23,519	176,134
Capital surplus.....	13,653	13,653	102,250
Retained earnings.....	155,160	152,204	1,161,987
Treasury stock.....	(145)	(145)	(1,092)
Shareholders' equity.....	192,187	189,231	1,439,279
Valuation difference on available-for-sale securities (Note 22).....	(1,283)	3,842	(9,608)
Revaluation reserve for land (Note 2(f)).....	(775)	(422)	(5,806)
Remeasurements of defined benefit plans (Note 18).....	884	88	6,620
Total accumulated other comprehensive income.....	(1,174)	3,509	(8,795)
Total net assets (Note 19).....	191,012	192,740	1,430,484
Total liabilities and net assets	¥6,613,120	¥7,135,413	\$49,525,350

See notes to consolidated financial statements.

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2023	2022	2023
Income:			
Interest income:			
Interest on loans and discounts.....	¥25,966	¥26,767	\$194,464
Interest and dividends on securities.....	4,088	4,016	30,620
Other interest income.....	2,777	2,687	20,798
Fees and commissions income.....	14,142	15,112	105,915
Other operating income.....	8,774	9,746	65,715
Other income (Note 13).....	3,648	1,964	27,322
Total income	59,398	60,295	444,836
Expenses:			
Interest expenses:			
Interest on deposits.....	239	252	1,790
Interest on borrowings and rediscounts.....	(16)	4	(120)
Other interest expenses.....	411	1	3,079
Fees and commissions expenses.....	5,158	5,188	38,629
Other operating expenses.....	8,597	7,071	64,384
General and administrative expenses (Note 12).....	32,831	34,084	245,873
Other expenses (Note 14).....	5,114	3,969	38,302
Total expenses	52,335	50,572	391,938
Profit before income taxes	7,063	9,722	52,897
Income taxes (Note 17):			
Current.....	2,993	2,649	22,417
Deferred.....	(423)	319	(3,169)
Total	2,570	2,969	19,247
Profit	4,493	6,753	33,650
Profit attributable to owners of parent (Note 19)	¥ 4,493	¥ 6,753	\$ 33,650

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2023	2022	2023
Profit.....	¥ 4,493	¥ 6,753	\$ 33,650
Other comprehensive income (Note 25):			
Valuation difference on available-for-sale securities.....	(5,126)	(4,978)	(38,388)
Remeasurements of defined benefit plans, net of tax (Note 18).....	795	1,520	5,953
Total other comprehensive loss.....	(4,331)	(3,458)	(32,434)
Comprehensive income	¥ 162	¥ 3,295	\$ 1,215
Total comprehensive income attributable to:			
Owners of parent.....	¥ 162	¥ 3,295	\$ 1,215
	¥ 162	¥ 3,295	\$ 1,215

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2023 and 2022

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2021	¥23,519	¥13,653	¥147,089	¥(145)	¥184,116
Cumulative effects of changes in accounting policies			(680)		(680)
Restated balance	23,519	13,653	146,408	(145)	183,435
Changes of items during the year					
Dividends from retained earnings			(1,260)		(1,260)
Profit attributable to owners of parent			6,753		6,753
Acquisition of treasury stock				(0)	(0)
Reversal of land revaluation excess, net of tax			302		302
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	5,795	(0)	5,795
BALANCE, April 1, 2022	¥23,519	¥13,653	¥152,204	¥(145)	¥189,231
Cumulative effects of changes in accounting policies					
Restated balance	23,519	13,653	152,204	(145)	189,231
Changes of items during the year					
Dividends from retained earnings			(1,890)		(1,890)
Profit attributable to owners of parent			4,493		4,493
Acquisition of treasury stock				(0)	(0)
Reversal of land revaluation excess, net of tax			352		352
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	2,955	(0)	2,955
BALANCE, March 31, 2023	¥23,519	¥13,653	¥155,160	¥(145)	¥192,187

	Millions of Yen				
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
BALANCE, April 1, 2021	¥8,821	¥(119)	¥(1,431)	¥7,270	¥191,386
Cumulative effects of changes in accounting policies					(680)
Restated balance	8,821	(119)	(1,431)	7,270	190,706
Changes of items during the year					
Dividends from retained earnings					(1,260)
Profit attributable to owners of parent					6,753
Acquisition of treasury stock					(0)
Reversal of land revaluation excess, net of tax					302
Net changes of items other than stockholders' equity during year	(4,978)	(302)	1,520	(3,760)	(3,760)
Total changes of items during the year	(4,978)	(302)	1,520	(3,760)	2,034
BALANCE, April 1, 2022	¥3,842	¥(422)	¥88	¥3,509	¥192,740
Cumulative effects of changes in accounting policies					
Restated balance	3,842	(422)	88	3,509	192,740
Changes of items during the year					
Dividends from retained earnings					(1,890)
Profit attributable to owners of parent					4,493
Acquisition of treasury stock					(0)
Reversal of land revaluation excess, net of tax					352
Net changes of items other than stockholders' equity during year	(5,126)	(352)	795	(4,683)	(4,683)
Total changes of items during the year	(5,126)	(352)	795	(4,683)	(1,728)
BALANCE, March 31, 2023	¥(1,283)	¥(775)	¥ 884	¥(1,174)	¥191,012

	Thousands of U.S. Dollars (Note 3)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2022	\$176,134	\$102,250	\$1,139,852	\$(1,092)	\$1,417,144
Cumulative effects of changes in accounting policies					—
Restated balance	176,134	102,250	1,139,852	(1,092)	1,417,144
Changes of items during the year					
Dividends from retained earnings			(14,157)		(14,157)
Profit attributable to owners of parent			33,650		33,650
Acquisition of treasury stock				(0)	(0)
Reversal of land revaluation excess, net of tax			2,642		2,642
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	22,135	(0)	22,134
BALANCE, March 31, 2023	\$176,134	\$102,250	\$1,161,987	\$(1,092)	\$1,439,279

	Thousands of U.S. Dollars (Note 3)				
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
BALANCE, April 1, 2022	\$ 28,779	\$(3,164)	\$ 666	\$ 26,282	\$1,443,426
Cumulative effects of changes in accounting policies					—
Restated balance	28,779	(3,164)	666	26,282	1,443,426
Changes of items during the year					
Dividends from retained earnings					(14,157)
Profit attributable to owners of parent					33,650
Acquisition of treasury stock					(0)
Reversal of land revaluation excess, net of tax					2,642
Net changes of items other than stockholders' equity during year	(38,388)	(2,642)	5,953	(35,077)	(35,077)
Total changes of items during the year	(38,388)	(2,642)	5,953	(35,077)	(12,942)
BALANCE, March 31, 2023	\$ (9,608)	\$(5,806)	\$6,620	\$ (8,795)	\$1,430,484

Introduction

About the Toho Bank Group

Strategies for Sustainable Growth

Social Issue Initiatives Toward Sustainable Growth

The Basis Supporting Sustainable Growth

Corporate Data

Consolidated Statements of Cash Flows

For the years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2023	2022	2023
Cash flows from operating activities			
Profit before income taxes.....	¥ 7,063	¥ 9,722	\$ 52,897
Depreciation expense.....	2,454	2,290	18,382
Impairment loss.....	155	398	1,162
Decrease in allowance for loan losses.....	(905)	(898)	(6,781)
Decrease in net defined benefit liability.....	(1,714)	(3,894)	(12,838)
Decrease in provision for reimbursement of deposits.....	(60)	(124)	(451)
Increase in provision for contingent loss.....	64	55	480
Increase in provision for customer point program.....	3	16	22
Interest income.....	(32,832)	(33,471)	(245,883)
Interest expenses.....	634	258	4,748
(Gain) loss on securities.....	1,189	(188)	8,910
Gain on money held in trust.....	(1)	(1)	(13)
Gain on foreign exchange.....	(1,258)	(835)	(9,425)
(Gain) loss on sale of fixed assets.....	(628)	0	(4,708)
Net (increase) decrease in trading account securities.....	506	(506)	3,796
Net (increase) decrease in loans and bills discounted.....	(240,403)	113,499	(1,800,368)
Net increase (decrease) in deposits.....	28,784	(43,940)	215,569
Net increase (decrease) in negotiable certificates of deposit.....	(47,323)	126,866	(354,401)
Net increase (decrease) in borrowed money (excluding subordinated borrowings).....	(508,926)	262,229	(3,811,323)
Net (increase) decrease in due from banks other than BOJ.....	(323)	268	(2,421)
Net increase in call loans and bills bought.....	(536)	(240)	(4,017)
Net (increase) decrease in foreign exchange assets.....	(1,037)	158	(7,771)
Net increase (decrease) in foreign exchange liabilities.....	21	(92)	158
Net decrease in lease receivables and investment assets.....	211	488	1,583
Net increase in borrowed money from trust account.....	1,339	1,016	10,031
Interest received.....	33,368	34,129	249,894
Interest paid.....	(655)	(292)	(4,909)
All other operating activities.....	3,705	37,920	27,753
Sub-total.....	(757,104)	504,830	(5,669,922)
Income taxes paid, net.....	(2,741)	(2,732)	(20,530)
Net cash provided by (used in) operating activities.....	(759,846)	502,097	(5,690,453)
Cash flows from investing activities			
Purchase of equity and other securities.....	(171,762)	(234,712)	(1,286,320)
Proceeds from sales of equity and other securities.....	63,613	107,282	476,398
Proceeds from maturities of securities.....	65,847	85,484	493,130
Increase in money held in trust.....	(2,100)	(2,200)	(15,726)
Decrease in money held in trust.....	1,700	5,100	12,731
Expenditures for tangible fixed assets.....	(4,180)	(2,678)	(31,306)
Proceeds from sales of tangible fixed assets.....	1,196	745	8,962
Expenditures for intangible fixed assets.....	(3,976)	(3,389)	(29,780)
Net cash used in investing activities.....	(49,661)	(44,368)	(371,910)
Cash flows from financing activities			
Dividends paid.....	(1,890)	(1,260)	(14,157)
Repayment of lease obligations.....	(13)	(13)	(101)
Purchase of treasury stock.....	(0)	(0)	(0)
Net cash used in financing activities.....	(1,903)	(1,273)	(14,258)
Effect of exchange rate changes in cash and cash equivalents.....	0	7	3
Net increase (decrease) in cash and cash equivalents.....	(811,410)	456,462	(6,076,619)
Cash and cash equivalents at beginning of fiscal year.....	2,796,371	2,339,909	20,941,898
Cash and cash equivalents at end of fiscal year (Note 16).....	¥1,984,960	¥2,796,371	\$14,865,279

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by the Group in accordance with accounting principles generally accepted in Japan which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan.

For the convenience of readers outside Japan, certain items presented in the Japanese original financial statements have been reclassified and rearranged. In addition, certain prior year amounts have been reclassified for consistency with the current year presentation.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

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

(1) Scope of consolidation

The number of consolidated subsidiaries and unconsolidated subsidiaries as of March 31, 2023 and 2022 is as follows:

	2023	2022
Number of consolidated subsidiaries.....	8	7
Number of unconsolidated subsidiaries.....	2	2

From the fiscal year ended March 31, 2023, Toho Consulting Partners Co., Ltd., which was newly established on August 2, 2022, has been included in the scope of consolidation.

The unconsolidated subsidiaries are excluded from the scope of consolidation since their exclusions do not preclude reasonable judgment on the Group's financial position and financial performance in terms of their assets, net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiaries and affiliates not accounted for by the equity method as of March 31, 2023 and 2022 is as follows:

	2023	2022
Number of affiliates accounted for by the equity method.....	1	1
Number of unconsolidated subsidiaries not accounted for by the equity method.....	2	2
Number of affiliates not accounted for by the equity method.....	—	—

The unconsolidated subsidiaries not accounted for by the equity method are excluded from the scope of equity method since their exclusions do not have material effects on the consolidated financial statements in terms of their net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(3) Closing date of the consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are stated at fair value. However, shares, etc. with no market price are stated at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect. For foreign currency-denominated bonds under available-for-sale securities denominated in foreign currencies, of the fair value in foreign currency translated at the year-end exchange rate, the valuation difference due to the change in fair value in foreign currency (valuation difference in foreign currency translated at the spot exchange rate at year-end) is presented as valuation difference, while the remaining difference is presented as other operating income or expenses.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value. The Bank holds groups of financial assets and financial liabilities that are exposed to market risks and to credit risk. The Bank manages those instruments on the basis of its net exposure to a particular market risk (or risks) or to a particular credit risk.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except leased assets) is computed under the straight-line method. The estimated useful lives of assets are as follows:

Buildings: 6–50 years
Others: 3–20 years

(2) Depreciation of leased assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(3) Depreciation of leased assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

In accordance with the Act on Revaluation of Land enacted on March 31, 1998 (the "Act"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation."

The amount of excess of the revalued carrying amount over the fair value of the lands revalued as of March 31, 2023 and 2022 pursuant to Article 10 of the Act was ¥4,645 million and ¥4,602 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided as described below.

For loans to borrowers which are classified as substantially bankrupt (hereafter referred to as "effectively bankrupt") or which are bankrupt in the formal legal sense (hereafter referred to as "bankrupt"), a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible (hereafter referred to as "potentially bankrupt"), a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For loans to potentially bankrupt and for restructured loans, if the remaining amount after deducting the estimated recoverable amount through collateral or guarantees from loans exceeds a specific amount, and the cash flow from the collection of the principal and the interest can be reasonably estimated, the discounted cash flow method is applied to calculate allowance for loan losses. Under this method, the amount of allowance for loan losses is determined as the difference between the book value of the loan and the present value of future cash flows, which are discounted by the contractual interest rate prior to the restructuring of the loan.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Audit Department.

The allowance for loan losses of consolidated subsidiaries is made as follows: for general loans, a reserve is provided in the amount deemed necessary based on historical loan loss experience and for doubtful loans and other specified loans, a reserve is provided based on the individual collectability of specific claims.

(h) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(i) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(j) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward points which are granted when they use co-branded credit cards issued by the Group.

(k) Reserve under special laws

The reserve under special laws is provided by a consolidated subsidiary which engages in the securities business. The reserve is calculated in accordance with the provisions set forth in Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business, etc., to compensate for a loss incurred in a securities-related accident.

(l) Method for accounting for retirement benefits

The retirement benefit obligation is attributed to each period on a benefit formula basis. Amortization of prior service cost and actuarial gain or loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years from the year when incurred which is within the average remaining service period of active employees.

Actuarial gain or loss is amortized using the straight-line method over a period of 10 years from the year following the year when incurred which is within the average remaining service period of active employees.

For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries apply the simplified method (the "simplified method") where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

(m) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date. In addition, assets and liabilities of certain consolidated subsidiaries are translated at the exchange rates prevailing at the respective balance sheet dates of these subsidiaries.

(n) Leases

(Lessor)

The total amount equivalent to interest over the remaining term after the application of this accounting standard is allocated over the lease terms by the straight-line method.

(o) Income and expenses

- (1) Income and expenses associated with finance lease transactions are recognized as revenue and cost of sales when the lease fee should be received.
- (2) Primary performance obligations of the main businesses related to revenue arising from contracts with customers of the Bank and its consolidated subsidiaries include the provision of financial services. For domestic exchange services, deposits and loans, revenue is recognized at the time of the completion of provision of services as performance obligations are deemed to be satisfied at that point of time. Also, for safety deposit box services, credit card membership fees, and other services for which performance obligations are satisfied over the period of service provision, revenue is recognized over such period.

(p) Method of hedge accounting

(1) Interest rate risks

Deferred hedge accounting is adopted for hedges carried out to control interest rate risk arising from financial assets and liabilities, as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guidelines No. 24, March 17, 2022). Regarding the hedge which is intended to offset the effects of market fluctuations, hedge effectiveness between hedged items (such as deposits and loans and bills discounted) and hedging instruments (such as interest rate swaps) are assessed individually. Hedge effectiveness is considered to be high as the major terms between designated hedged items and hedging instruments are almost the same, thus substituting for evaluation of hedge effectiveness. The effectiveness is also assessed by verifying the correlation of the interest rates.

The Bank applies the special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets (the "special treatment") and liabilities whereby interest is recognized on an accrual basis.

(2) Currency risks

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

In addition, in order to hedge the risk of currency fluctuations arising from available-for-sale securities denominated in foreign currencies (excluding bonds), the securities subject to hedging are designated in advance, and on the condition that a spot or future liability exists to cover the acquisition cost denominated in foreign currency for the respective securities, fair value hedge is applied as comprehensive hedge.

(q) Statements of cash flows

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(r) Accounting treatment of interim revenue distribution from securities investment trusts

Interim revenue distribution from securities investment trusts (including gains or losses arising at cancellation or redemption) are recorded as interest and dividends on securities. However, in case the interim revenue distribution results in a net loss, the amount is recorded as other operating expenses.

(s) Significant accounting estimates

- (1) The Bank recorded an allowance for loan losses of ¥26,482 million in the consolidated balance sheets as of the fiscal year ended March 31, 2023.
- (2) Information to facilitate understanding of details of the significant accounting estimates relating to identified items
 - (i) Method for calculation

The method for calculating allowance for loan losses is described in "2. Summary of Significant Accounting Policies, (g) Allowance for loan losses."

(ii) Key assumptions

A key assumption made is the "outlook for the future performance of the borrowers in determining borrower category." The outlook is determined based on an individual evaluation of each borrower's ability to earn income, considering its financial condition, cash flows, sustainability of its business in light of the characteristics of the segment/industry, rationale and feasibility of its management improvement plan, support from financial institutions and other aspects.

Due to the spread of the novel coronavirus pandemic, certain industries have experienced suppressed economic activity. Based on the real GDP outlook of the Government and the Bank of Japan, the Bank expects that the economy will continue to take a path to recovery, boosted by the effects of the Government's economic measures, but companies in certain industries are expected to experience suppressed economic activity, which are considered upon preparation of the outlook for the future performance. No changes have been made to the assumption previously made.

(iii) Impact on the consolidated financial statements for the following year

Any changes in the assumptions used in the initial estimates due to changes in the performance of individual borrowers or further spread of the novel coronavirus pandemic may significantly impact allowance for loan losses in the consolidated financial statements for the following year.

(t) Change in accounting policies

Adoption of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

The Bank has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereafter referred to as the "Fair Value Measurement Guidance") from the beginning of the fiscal year ended March 31, 2023. The Bank will prospectively apply the new accounting policies provided in the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. Accordingly, investment trusts whose investment trust assets with no market price are real estate are measured at fair value.

The Bank does not present notes pertaining to the previous fiscal year on investment trusts in the breakdown of financial instruments by fair value hierarchy in the notes on "Financial Instruments and Related Disclosure," in accordance with Paragraph 27-3 of the Fair Value Measurement Guidance.

In addition, in the said notes, "Foreign securities" were presented as "Others" under securities in the fiscal year ended March 31, 2022. However, in order to present financial instruments in a more detailed classification, "Foreign securities" have been presented separately from the fiscal year ended March 31, 2023. "Foreign securities" for the fiscal year ended March 31, 2022 are likewise presented separately in this report.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥133.53 = U.S. \$1.00, the exchange rate prevailing on March 31, 2023. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Securities Lent under Unsecured Loan-for-Consumption Contracts

Securities lent under unsecured loan-for-consumption contracts (securities lent) are included in national government bonds in "Securities," and the amount is as follows:

March 31	Millions of Yen	
	2023	2022
Securities lent under unsecured loan-for-consumption contracts	¥26,086	¥—

5. Loans and Bills Discounted

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

March 31	Millions of Yen	
	2023	2022
Loans to bankrupt or substantially bankrupt borrowers	¥ 19,141	¥ 18,072
Doubtful loans	25,293	24,824
Loans subject to monitoring	5,750	6,881
Loans past due 3 months or more	1,076	165
Restructured loans	4,674	6,715
Subtotal	50,185	49,778
Normal loans	3,945,582	3,714,806
Total	¥3,995,767	¥3,764,584

Loans to bankrupt or substantially bankrupt borrowers represent loans to borrowers that are bankrupt due to the declaration of bankruptcy proceedings, restructuring proceedings, etc., as well as loans equivalent thereto.

Doubtful loans represent loans to borrowers whose financial conditions and operating results are deteriorating and for which the principal and the interest of the loans are highly unlikely to be collected that are not loans to bankrupt or substantially bankrupt borrowers.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to bankrupt or substantially bankrupt borrowers or doubtful loans.

Restructured loans are loans, other than loans to bankrupt or substantially bankrupt borrowers, doubtful loans or loans past due 3 months or more, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Normal loans are loans other than loans to bankrupt or substantially bankrupt borrowers, doubtful loans, loans past due 3 months or more or restructured loans, with no problems found in the borrowers' financial conditions or operating results.

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥3,877 million and ¥3,070 million as of March 31, 2023 and 2022, respectively.

6. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account "Customers' liabilities for acceptances and guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

7. Pledged Assets

Assets pledged as collateral as of March 31, 2023 and 2022 were as follows:

March 31	Millions of Yen	
	2023	2022
Pledged assets:		
Securities	¥ 34,766	¥ 37,043
Loans and bills discounted	310,142	1,041,814
Total pledged assets	¥344,908	¥1,078,858
Liabilities covered by pledged assets:		
Deposits	¥ 20,988	¥ 44,407
Borrowed money	174,300	682,600
Total liabilities covered by pledged assets	¥195,288	¥ 727,007

In addition to the above, Other assets in the amount of ¥50,292 million and ¥50,305 million were pledged as collateral in connection with exchange settlements and derivatives, etc. as of March 31, 2023 and 2022, respectively.

Security deposits in the amount of ¥856 million and ¥869 million, and cash collateral for financial products transactions in the amount of ¥214 million and ¥817 million, were included in Other assets as of March 31, 2023 and 2022 respectively.

8. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiaries are required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiaries. The unused amount related to such facilities/contracts stood at ¥855,240 million and ¥895,599 million as of March 31, 2023 and 2022, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥788,129 million and ¥828,828 million as of March 31, 2023 and 2022, respectively.

Most of these agreements expire without the clients having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiaries demand collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiaries regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

9. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets was ¥47,670 million and ¥50,113 million, and advanced depreciation on Tangible fixed assets was ¥799 million and ¥902 million as of March 31, 2023 and 2022, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act totaled ¥57,879 million and ¥67,414 million as of March 31, 2023 and 2022, respectively.

11. Borrowed Money from Trust Account

Borrowed money from trust account totaled ¥5,895 million and ¥4,555 million as of March 31, 2023 and 2022, respectively.

12. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2023 and 2022 principally consisted of the following:

March 31	Millions of Yen	
	2023	2022
Salaries and allowances	¥14,471	¥14,400
Net pension cost	617	900

13. Other Income

Other income for the years ended March 31, 2023 and 2022 principally consisted of the following:

March 31	Millions of Yen	
	2023	2022
Gain on sales of stocks and other securities	¥1,791	¥656
Gain on disposal of fixed assets	659	67
Compensation for forced relocation due to expropriation of land	36	—
Gain on recoveries of written off loans	0	0

14. Other Expenses

Other expenses for the years ended March 31, 2023 and 2022 principally consisted of the following:

March 31	Millions of Yen	
	2023	2022
Loss on disposal of fixed assets	¥ 176	¥ 164
Loss on impairment of fixed assets	155	398
Provision of allowance for loan losses	1,856	2,123
Provision to reserve for financial product transactions	0	0
Write-off of loans	48	96
Loss on devaluation of equity securities	1,278	245
Loss on sales of equity securities	651	307

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the years ended March 31, 2023 and 2022:

Area	Purpose of use	Type	(Millions of Yen)	
			Losses	
			2023	2022
Fukushima Area	Branch premises	Land	¥ 2	¥266
		Building	10	31
		Other tangible fixed assets	12	12
		Software	3	—
	Idle assets	Land	113	60
Outside Fukushima Area	Branch premises	Building	2	—
		Other tangible fixed assets	0	2
		Land	9	—
		Building	—	24
	Other tangible fixed assets	0	0	
			¥155	¥398

The Bank uses for recognition of loss on impairment the estimated unrecoverable amount in its branch premises, company housings and idle assets, grouped based on individual branch unit (however, group of branches where the connection between income and expenditure is mutually complementary are identified as a group unit), which is the smallest unit of grouping used in revenue management.

In addition, each idle asset is treated as independent unit.

The recoverable amount of an asset group is calculated based on net realizable value. The net realizable value is principally based on real estate appraisals where net realizable value of immaterial real estate is determined by deducting the estimated costs of disposal from the amount calculated based on the index appropriately reflecting the market price such as land tax assessment.

15. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2023 and 2022 were summarized as follows:

	(Thousand Shares)			
	Number of Shares as of April 1, 2022	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2023
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	443	0	—	443

(*) Increase by 0 thousand shares in the number of Treasury stock is due to acquisition of odd-lot shares and additional purchase of odd-lot shares.

(Thousand Shares)

	Number of Shares as of April 1, 2021	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2022
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	443	0	—	443

(*) Increase by 0 thousand shares in the number of Treasury stock is due to acquisition of odd-lot shares and additional purchase of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2023 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 23, 2022	Common Stock	1,008	¥4.00	March 31, 2022	June 24, 2022
Board of Directors on November 11, 2022	Common Stock	882	¥3.50	September 30, 2022	December 5, 2022

Detailed information about cash dividends paid during the year ended March 31, 2022 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 23, 2021	Common Stock	504	¥2.00	March 31, 2021	June 24, 2021
Board of Directors on November 12, 2021	Common Stock	756	¥3.00	September 30, 2021	December 3, 2021

Dividends with record dates on or before March 31, 2023 and effective dates on or after April 1, 2023 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2023	Common Stock	882	Retained Earnings	¥3.50	March 31, 2023	June 27, 2023

Dividends with record dates on or before March 31, 2022 and effective dates on or after April 1, 2022 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 23, 2022	Common Stock	1,008	Retained Earnings	¥4.00	March 31, 2022	June 24, 2022

16. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets as of March 31, 2023 and 2022, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

March 31	Millions of Yen	
	2023	2022
Cash and due from banks	¥1,986,222	¥2,797,310
Ordinary due from banks	(524)	(439)
Other	(737)	(499)
Cash and cash equivalents	¥1,984,960	¥2,796,371

17. Deferred Income Taxes

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

March 31	Millions of Yen	
	2023	2022
Deferred tax assets:		
Allowance for loan losses	¥ 6,717	¥ 6,941
Net defined benefit liability	2,151	2,774
Valuation difference on available-for-sale securities	1,044	7
Depreciation	779	835
Others	5,396	4,187
Subtotal deferred tax assets	16,089	14,747
Valuation allowance for future deductible temporary difference	(1,776)	(1,399)
Subtotal valuation allowance	(1,776)	(1,399)
Total deferred tax assets	14,312	13,347
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(609)	(1,775)
Others	(26)	(27)
Total deferred tax liabilities	(635)	1,802
Net deferred tax assets (liabilities)	¥13,676	¥11,544

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheets as of March 31, 2023 and 2022.

March 31	Millions of Yen	
	2023	2022
Deferred tax assets	¥14,249	¥12,055
Deferred tax liabilities	572	510

The following summarizes the significant difference between the statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2023. Differences between the statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2022 is 5% or less of the statutory tax rate, therefore description is omitted.

Year ended March 31	2023
Statutory tax rate	30.1%
Non-deductible expenses	0.8
Elimination of dividends received from consolidated subsidiaries	10.3
Non-taxable income	(11.6)
Per capita inhabitant taxes	0.5
Valuation allowance	5.3
Others	0.9
Effective tax rate	36.3%

18. Retirement Benefits

The Bank and its consolidated subsidiaries have a corporate pension fund plan and a lump-sum retirement payment plan (transferred from the welfare pension fund system on October 1, 2004) as defined benefit plans. For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries have adopted the simplified method where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

Retirement benefits in the corporate pension fund plan and the lump-sum retirement payment plan are calculated based on points.

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans.

The Bank has set up retirement benefit trusts for the lump-sum retirement payment plan from the end of year ended March 31, 2015, and for the pension fund plan from the end of year ended March 31, 2022.

A. Defined benefit plans (including those of the consolidated subsidiaries applying the simplified method)

(i) Change in retirement benefit obligation

March 31	Millions of Yen	
	2023	2022
Balance at beginning of the year	¥35,290	¥37,723
Service cost	693	834
Interest cost	270	243
Actuarial gain	(1,776)	(1,894)
Benefit paid	(1,392)	(1,612)
Others	(10)	(4)
Balance at end of the year	¥33,074	¥35,290

(ii) Change in plan assets

March 31	Millions of Yen	
	2023	2022
Balance at beginning of the year	¥36,126	¥34,665
Expected return on plan assets	722	693
Actuarial loss	(1,101)	(320)
Employer contributions	661	1,920
Benefit paid	(832)	(902)
Others	49	69
Balance at end of the year	¥35,625	¥36,126

(iii) Retirement benefit obligation and plan assets at end of the year and reconciliation to net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheets

March 31	Millions of Yen	
	2023	2022
Funded retirement benefit obligation	¥ 32,933	¥ 35,155
Plan assets	(35,625)	(36,126)
	(2,692)	(970)
Unfunded retirement benefit obligation	141	134
Amount of liability, net of asset, recognized in consolidated balance sheets	(2,550)	(836)
Net defined benefit liability	141	288
Net defined benefit asset	(2,692)	(1,124)
Amount of liability, net of asset, recognized in consolidated balance sheets	¥ (2,550)	¥ (836)

(iv) Net pension cost and its breakdown

March 31	Millions of Yen	
	2023	2022
Service cost	¥ 693	¥ 834
Interest cost	270	243
Expected return on plan assets	(722)	(693)
Amortization of actuarial loss	462	601
Others	(86)	(85)
Net pension cost	¥ 617	¥ 900

(v) Remeasurements of defined benefit plans in other comprehensive income
The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2023	2022
Actuarial gain	¥1,137	¥2,175
Total	¥1,137	¥2,175

(vi) Remeasurements of defined benefit plans in accumulated other comprehensive income

The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2023	2022
Unrecognized actuarial loss	¥(1,264)	¥(127)
Total	¥(1,264)	¥(127)

(vii) Plan assets
(a) Percentage by major category of plans assets was as follows:

	2023	2022
Bonds	30%	35%
General account of life insurance companies	27%	27%
Equities	23%	24%
Cash and due from banks	9%	1%
Others	9%	13%
Total	100%	100%

Retirement benefit trusts established for lump-sum retirement payment plan account for 27% of total plan assets for both the years ended March 31, 2023 and 2022.

(b) Basis of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Group considers the current and projected plan asset allocations, as well as current and future long-term rate of returns expected from various categories of the plan assets.

(viii) Actuarial assumptions
Actuarial assumptions as of March 31, 2023 and 2022 were as follows:

	2023	2022
Discount rate	0.0%–1.7%	0.1%–0.9%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate of corporate pension fund plan	1.0%–1.9%	1.0%–1.9%
Expected salary increase rate of lump-sum retirement payment plan	1.0%–3.6%	1.0%–3.6%

B. Defined contribution pension plans

Contributions to be paid to defined contribution pension plans were ¥164 million and ¥162 million for the years ended March 31, 2023 and 2022, respectively.

19. Per Share Information

Net assets per share as of March 31, 2023 and 2022 and basic earnings per share for the years ended March 31, 2023 and 2022 were as follows:

As of March 31	Yen	
	2023	2022
Net assets per share	¥757.81	¥764.67
Basic earnings per share	17.82	26.79

Note 1: The bases for the computation of net assets per share are set out below.

As of or year ended March 31	Millions of Yen / Thousands of Shares	
	2023	2022
Total net assets	¥191,012	¥192,740
Net assets related to common stock	191,012	192,740
Number of common stock used to calculate net assets per share	252,056	252,056

Note 2: The bases for the computation of basic earnings per share are set out below.

Year ended March 31	Millions of Yen / Thousands of Shares	
	2023	2022
Profit attributable to owners of parent	¥ 4,493	¥ 6,753
Profit attributable to common shareholders of parent	4,493	6,753
Weighted average number of common stock during the year	252,056	252,056

20. Leases Transactions

(Lessee)

(a) Finance lease transactions not subject to transfer of ownership

- (1) Description of leased assets
Fixed assets used as branch premises and vehicles.
- (2) Depreciation method for the leased assets
Depreciation method for the leased assets is described in "2. Summary of Significant Accounting Policies, (e) Depreciation of fixed assets."

(Lessor)

(a) Breakdown of lease investment assets

As of March 31	Millions of Yen	
	2023	2022
Lease receivables	¥12,834	¥13,127
Residual value	651	661
Equivalent amount of maintenance cost	(402)	(436)
Unearned interest income	(773)	(831)
Lease investment assets	¥12,309	¥12,521

The scheduled collection of lease receivables related to lease investment assets subsequent to March 31, 2023 and 2022

As of March 31	Millions of Yen	
	2023	2022
Due within 1 year or less	¥ 4,101	¥ 4,112
Due in 1 year to 2 years	3,260	3,333
Due in 2 years to 3 years	2,302	2,488
Due in 3 years to 4 years	1,581	1,566
Due in 4 years to 5 years	893	906
Due after 5 years	694	718
Total	¥12,834	¥13,127

21. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. In addition, the Group engages in interest rate-, currency-, and bond- related transactions as derivative transactions which include transactions for the purpose of hedging and transactions for the purpose other than hedging.

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

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Derivative transactions include interest rate and currency swaps traded directly with customers. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM policies are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. As of March 31, 2023, and 2022, the Group's market risk quantity (estimated loss) in total is ¥44,539 million and ¥29,037 million, respectively. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts a backtest to compare the actual income to VaR calculated by the model in order to verify the model. As a result of the backtest conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments
The computation of fair value of financial instruments is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2023 and 2022 for each financial instrument category were provided below. It should be noted that shares with no market price and investments in associations are not included in the following tables (see Note 1). Also, cash and due from banks and foreign exchanges are omitted from the following tables as they are settled in a short period of time and their fair value approximates the book value.

March 31, 2023	Millions of Yen		
	Book value	Fair value	Difference
(1) Trading account securities	¥ 17	¥ 17	¥ —
(2) Securities:			
Held-to-maturity securities	6,700	6,763	63
Available-for-sale securities (*1)	536,792	536,792	—
(3) Loans and bills discounted	3,908,036		
Allowance for loan losses (*2)	(26,210)		
	3,881,826	3,897,236	15,410
Total assets	¥4,425,336	¥4,440,810	¥15,473
(1) Deposits	¥5,769,321	¥5,769,331	¥ 10
(2) Negotiable certificates of deposit	420,317	420,317	0
(3) Borrowed money	176,571	176,571	—
Total liabilities	¥6,366,210	¥6,366,220	¥ 10
Derivative transactions (*3):			
Hedge accounting is not applied	¥ 2,047	¥ 2,047	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ 2,047	¥ 2,047	¥ —

(*1) Available-for-sale securities include investment trusts which use their unit price as fair value pursuant to Paragraph 24-9 of the Fair Value Measurement Guidance.

(*2) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*3) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.
Net credit/debit arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

March 31, 2022	Millions of Yen		
	Book value	Fair value	Difference
(1) Trading account securities	¥ 524	¥ 524	¥ —
(2) Securities:			
Available-for-sale securities	489,140	489,140	—
(3) Loans and bills discounted	3,667,632		
Allowance for loan losses (*1)	(27,145)		
	3,640,487	3,675,786	35,299
Total assets	¥4,130,152	¥4,165,451	¥35,299
(1) Deposits	¥5,740,536	¥5,740,556	¥ 20
(2) Negotiable certificates of deposit	467,640	467,640	—
(3) Borrowed money	685,497	685,497	—
Total liabilities	¥6,893,674	¥6,893,694	¥ 20
Derivative transactions (*2):			
Hedge accounting is not applied	¥ 2,320	¥ 2,320	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ 2,320	¥ 2,320	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.
Net credit/debit arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

(Note 1) Consolidated balance sheet amounts of shares with no market price and investment in associations, which are not included in "available-for-sale securities" in the information on the fair value of financial instruments, are as follows.

March 31	Millions of Yen	
	2023	2022
(i) Non-listed shares (*1) (*2)	¥ 1,967	¥ 1,910
(ii) Investments in associations (*3)	17,968	31,273

(*1) Non-listed shares are not subject to fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) Impairment loss on non-listed shares in the amount of ¥3 million and ¥11 million were posted for the years ended March 31, 2023 and 2022, respectively.

(*3) Investments to associations are not subject to fair value disclosure in accordance with Paragraph 24-16 of the Fair Value Measurement Guidance.

(Note 2) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2023 and 2022

March 31, 2023	Millions of Yen						
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years	
Securities:	¥ 42,674	¥ 46,553	¥ 59,848	¥ 22,719	¥ 177,198	¥ 91,436	
Held-to-maturity securities	—	—	—	—	3,700	3,000	
Local government bonds thereof	—	—	—	—	3,700	—	
Corporate bonds thereof	—	—	—	—	—	3,000	
Available-for-sale securities with maturity	42,674	46,553	59,848	22,719	173,498	88,436	
National government bonds thereof	—	—	—	—	81,763	32,744	
Local government bonds thereof	4,999	10,134	14,816	14,302	70,706	27,106	
Corporate bonds thereof	36,265	33,766	32,099	4,082	3,217	25,543	
Loans (*1)	1,235,312	541,728	473,054	351,226	424,190	814,064	
Total	¥1,277,987	¥588,281	¥532,903	¥373,945	¥601,388	¥905,500	

(*1) Loans that are unlikely to be redeemed, such as to borrowers that are bankrupt, effectively bankrupt, and potentially bankrupt of ¥44,343 million, loans with no stated maturities of ¥24,115 million were not included.

March 31, 2022	Millions of Yen						
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years	
Securities:	¥ 34,138	¥ 63,497	¥ 34,598	¥ 21,536	¥ 154,638	¥ 65,613	
Available-for-sale securities with maturity	34,138	63,497	34,598	21,536	154,638	65,613	
National government bonds thereof	—	—	—	—	82,509	24,009	
Local government bonds thereof	6,015	8,830	13,198	11,153	58,440	23,479	
Corporate bonds thereof	26,957	53,260	16,498	5,417	3,261	18,124	
Loans (*1)	1,061,736	555,303	448,017	306,202	397,726	810,856	
Total	¥1,095,875	¥618,800	¥482,615	¥327,739	¥552,365	¥876,469	

(*1) Loans that are unlikely to be redeemed, such as to borrowers that are bankrupt, effectively bankrupt, and potentially bankrupt of ¥42,724 million, loans with no stated maturities of ¥45,065 million were not included.

(Note 3) Maturity analysis for interest bearing liabilities subsequent to March 31, 2023 and 2022

March 31, 2023	Millions of Yen						
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years	
Deposits (*1)	¥5,614,622	¥134,622	¥20,076	¥—	¥—	¥—	
Negotiable certificates of deposit	420,286	30	—	—	—	—	
Borrowed money	175,266	1,070	235	—	—	—	
Total	¥6,210,174	¥135,724	¥20,311	¥—	¥—	¥—	

(*1) Demand deposits are disclosed under "Due within 1 year or less."

March 31, 2022	Millions of Yen						
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years	
Deposits (*1)	¥5,575,083	¥143,385	¥22,066	¥0	¥—	¥—	
Negotiable certificates of deposit	467,570	70	—	—	—	—	
Borrowed money	683,606	1,456	435	—	—	—	
Total	¥6,726,260	¥144,912	¥22,501	¥0	¥—	¥—	

(*1) Demand deposits are disclosed under "Due within 1 year or less."

(c) Breakdown of financial instruments by fair value hierarchy

The fair value of financial instruments has been classified into the following three levels based on the observability and significance of the input used for fair value measurement.

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

(1) Financial instruments carried at fair value on the consolidated balance sheets

March 31, 2023	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities				
Trading account securities				
National government bonds/Local government bonds	¥ —	¥ 17	¥ —	¥ 17
Available-for-sale securities				
National government bonds/Local government bonds	114,508	142,066	—	256,574
Corporate bonds	—	77,095	57,879	134,975
Corporate stocks	29,130	—	—	29,130
Investment trusts (*1)	6,951	72,463	—	79,414
Foreign securities	12,131	—	7,255	19,386
Total assets	¥162,721	¥291,643	¥65,134	¥519,499
Derivatives				
Interest rate related	¥ —	¥ 2,153	¥ —	¥ 2,153
Currency related	—	(106)	—	(106)
Others (*2)	—	—	—	—
Total derivatives	¥ —	¥ 2,047	¥ —	¥ 2,047

(*1) Securities do not include investment trusts which use their unit price as fair value pursuant to Paragraph 24-9 of the Fair Value Measurement Guidance. The amount on the consolidated balance sheets of investment trusts to which the treatment of Paragraph 24-9 is applied was ¥17,311 million.

(*2) Earthquake derivatives are recorded as nil balance, since the fair value of buy position and sell position is equal.

March 31, 2022	Fair Value			
	Level 1	Level 2	Level 3	Total
Trading account securities and securities				
Trading account securities				
National government bonds/Local government bonds	¥ —	¥ 524	¥ —	¥ 524
Available-for-sale securities				
National government bonds/Local government bonds	106,518	121,118	—	227,636
Corporate bonds	—	56,104	67,414	123,518
Corporate stocks	32,627	—	—	32,627
Others (*1)	8,362	—	203	8,566
Total assets	¥147,509	¥177,746	¥67,618	¥392,874
Derivatives				
Interest rate related	¥ —	¥ 2,224	¥ —	¥ 2,224
Currency related	—	96	—	96
Others (*2)	—	—	—	—
Total derivatives	¥ —	¥ 2,320	¥ —	¥ 2,320

(*1) Certain securities investment trusts are omitted from the above table in accordance with the transitional treatment as per the Cabinet Office Ordinance Partially Amending the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements, etc. The securities investment trusts balance on the consolidated balance sheets was ¥96,790 million.

(*2) Earthquake derivatives are recorded as nil balance, since the fair value of buy position and sell position is equal.

(2) Financial instruments other than those carried at fair value on the consolidated balance sheets

March 31, 2023	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity securities				
National government bonds/Local government bonds	¥—	¥ 3,726	¥ —	¥ 3,726
Corporate bonds	—	3,037	—	3,037
Loans and bills discounted	—	—	3,897,236	3,897,236
Total assets	¥—	¥ 6,763	¥3,897,236	¥3,903,999
Deposits	¥—	¥5,769,331	¥ —	¥5,769,331
Negotiable certificates of deposit	—	420,317	—	420,317
Borrowed money	—	176,571	—	176,571
Total liabilities	¥—	¥6,366,220	¥ —	¥6,366,220

March 31, 2022	Fair Value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥—	¥ —	¥3,675,786	¥3,675,786
Total assets	¥—	¥ —	¥3,675,786	¥3,675,786
Deposits	¥—	¥5,740,556	¥ —	¥5,740,556
Negotiable certificates of deposit	—	467,640	—	467,640
Borrowed money	—	685,497	—	685,497
Total liabilities	¥—	¥6,893,694	¥ —	¥6,893,694

Note 1: A description of the valuation technique(s) and inputs used in the fair value measurements

Assets

Trading account securities and securities

The fair value of securities for which unadjusted market prices in active markets are available is classified as level 1 fair value. Such securities include listed stocks and national government bonds.

The fair value of securities for which published market prices in inactive markets are available is classified as level 2 fair value. Such securities include local government bonds and corporate bonds.

For investment trusts which do not have trading prices in markets, if there are no material restrictions that would cause market participants to demand compensation for risks with respect to cancellation or repurchase requests, their unit price is used as fair value. Such investment trusts are classified as level 2 fair value.

For privately placed bonds guaranteed by the Bank, the fair value is calculated by discounting the total amount of principal and interest at a discount rate computed by reflecting the probability of bankruptcy, which is an estimate of the possibility of failing to receive contractual payment, on market interest rates for each category based on internal rating. However, with regard to privately placed bonds guaranteed by the Bank issued by bankrupt, effectively bankrupt, and potentially bankrupt borrowers, the fair value is based on the book value of the bonds after deducting estimated loan losses, as in the case of loans. These transactions are classified as level 3 fair value.

Some other bonds are valued at market value obtained from brokers, etc., and significant unobservable inputs are used. The fair value is therefore classified as level 3 fair value.

Loans and bills discounted

For loans, the market value is calculated by discounting the total amount of principal and interest at a discount rate computed by reflecting the probability of bankruptcy, which is an estimate of the possibility of failing to receive contractual payment, as well as the recovery rate at the time of bankruptcy, on market interest rates for each category based on the type of loan and internal rating. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

With regard to loans extended to bankrupt, effectively bankrupt and potentially bankrupt borrowers, estimated loan losses are calculated based on the estimated amount of collateral and guarantees or the present value of estimated future cash flows. Therefore, their fair values are presumed to approximate the amounts derived by subtracting allowance for loan losses from the carrying amounts of loans as of the consolidated balance sheet date, and the calculated amounts are the fair value. These transactions are classified as level 3 fair value.

Liabilities

Deposits and negotiable certificates of deposit

The fair value of demand deposits that are paid immediately upon request on the consolidated fiscal year end date shall be the payment amount. The fair value of time deposits and others is calculated based on the discounted present value obtained by discounting the total amount of principal and interest for each type of deposit. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposit due within one year, they are stated at their book values, which are presumed to approximate the fair values. The fair value is classified as level 2 fair value.

Borrowed money

For transactions due within one year, the fair value approximates the book value, and therefore the book value is used as the fair value. For transactions due over one year, the book value is set as the fair value because the balance is small and not significant. These transactions are classified as level 2 fair value.

Derivative transactions

Since derivatives transactions are over-the-counter transactions and there is no published market price, the fair value is calculated using valuation techniques such as the present value technique and the Black Scholes model according to the type of the transaction and the period until maturity. Main inputs used in these valuation techniques include interest rates, exchange rates and volatility. In addition, the fair value is adjusted based on the credit risk of the counterparty and the credit risk of the Bank. If unobservable inputs are not used or their effects are not significant, they are classified as level 2 fair value. Such derivative transactions include interest rate swap transactions and foreign exchange forward transactions. If significant non-observable inputs are used, they are classified as level 3 fair value and include earthquake derivatives.

Note 2: Information on the level 3 fair value of the financial instruments carried at fair value in the consolidated balance sheets

(1) Quantitative information on important unobservable inputs

Year ended March 31, 2023

Category	Evaluation Techniques	Important unobservable inputs	Range of inputs	Weighted average of inputs
Securities Available-for-sale securities				
Corporate bond	Present-value technique	Probability of bankruptcy	0.100%-8.600%	0.246%

Year ended March 31, 2022

Category	Evaluation Techniques	Important unobservable inputs	Range of inputs	Weighted average of inputs
Securities				
Corporate bond	Present-value technique	Probability of bankruptcy	0.042%-10.998%	0.269%

(2) Reconciliation table from the beginning balance to the ending balance, gain or loss on valuation recognized in profit and loss of the current period

Year ended March 31, 2023

	Beginning balance	Profit/loss or other comprehensive income for the current period		Net value of purchase, sale, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Of the amount recorded in profit or loss in the current period, gain or loss on valuation of financial assets and liabilities held on the consolidated balance sheet date (*1)
		Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)					
Securities								
Available-for-sale securities								
Corporate bonds	¥67,414	¥(32)	¥ 23	¥(9,526)	¥—	¥—	¥57,879	¥—
Foreign securities	203	2	129	6,920	—	—	7,255	2
Derivatives transactions								
Earthquake derivatives (*3)	—	—	—	—	—	—	—	—

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

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

(*3) Earthquake derivatives are recorded as nil balance, since the fair value of buy position and sell position is equal.

Year ended March 31, 2022

	Beginning balance	Profit/loss or other comprehensive income for the current period		Net value of purchase, sale, issuance and settlement	Transfer to level 3 fair value	Transfer from level 3 fair value	Ending balance	Of the amount recorded in profit or loss in the current period, gain or loss on valuation of financial assets and liabilities held on the consolidated balance sheet date (*1)
		Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)					
Securities								
Corporate bonds	¥75,072	¥(49)	¥(6)	¥(7,601)	¥—	¥—	¥67,414	¥—
Others	339	(6)	—	(130)	—	—	203	(5)
Derivatives transactions								
Earthquake derivatives (*3)	—	—	—	—	—	—	—	—

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

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

(*3) Earthquake derivatives are recorded as nil balance, since the fair value of buy position and sell position is equal.

(3) Explanation of the fair value evaluation process

The Risk Management Division of the Bank has established policies and procedures for calculating fair value. The Risk Management Division verifies the validity of the market valuation model and inputs used in the fair value calculation and the appropriateness of the fair value level.

When market prices obtained from third parties are used as fair value, the validity of prices is verified by appropriate methods such as confirmation of valuation techniques and inputs used, and comparison with the fair value of similar financial instruments.

(4) Explanation of the impact on fair value of changing important unobservable inputs

An important unobservable input used in the calculation of the fair value of corporate bonds is the probability of bankruptcy. A significant increase (decrease) in the probability of bankruptcy causes a significant decline (rise) in fair value.

Note 3: Reconciliation table from the beginning balance to the ending balance of investment trusts to which the treatment of Paragraph 24-9 is applied

Year ended March 31, 2023

	Beginning balance	Profit/loss or other comprehensive income for the current period		Net value of purchase, sale and redemption	Amount of investment trusts that use unit price as fair value	Amount of investment trusts that do not use unit price as fair value	Ending balance	Of the amount recorded in profit or loss in the current period, gain or loss on valuation of investment trusts held on the consolidated balance sheet date (*1)
		Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)					
Securities	¥14,663	¥122	¥2,220	¥304	¥—	¥—	¥17,311	¥—

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

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

22. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

March 31	Millions of Yen	
	2023	2022
Realized gain included in earnings.....	¥0	¥(1)

(b) Held-to-maturity securities

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Securities with their fair value over their carrying amount:			
Local government bonds.....	¥3,700	¥3,726	¥26
Corporate bonds.....	3,000	3,037	37
Sub-total.....	6,700	6,763	63
Securities with their fair value below their carrying amount:			
Local government bonds.....	—	—	—
Corporate bonds.....	—	—	—
Sub-total.....	—	—	—
Total.....	¥6,700	¥6,763	¥63

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Securities with their fair value over their carrying amount:			
Local government bonds.....	¥—	¥—	¥—
Corporate bonds.....	—	—	—
Sub-total.....	—	—	—
Securities with their fair value below their carrying amount:			
Local government bonds.....	—	—	—
Corporate bonds.....	—	—	—
Sub-total.....	—	—	—
Total.....	¥—	¥—	¥—

(c) Available-for-sale securities

March 31, 2023	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock.....	¥ 21,230	¥ 10,697	¥ 10,533
Bonds:.....	89,768	89,350	417
National government.....	9,815	9,738	76
Local government.....	8,780	8,699	81
Corporate.....	71,172	70,912	259
Other.....	31,143	27,418	3,725
Sub-total.....	142,143	127,467	14,675
Securities with their carrying amount below their acquisition cost:			
Corporate stock.....	7,900	9,021	(1,120)
Bonds:.....	301,781	309,814	(8,032)
National government.....	104,693	108,392	(3,699)
Local government.....	133,285	136,659	(3,373)
Corporate.....	63,802	64,762	(959)
Other.....	84,968	92,531	(7,563)
Sub-total.....	394,649	411,367	(16,717)
Total.....	¥536,792	¥538,834	¥ (2,041)

	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
March 31, 2022			
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 23,082	¥ 10,282	¥ 12,800
Bonds:	99,866	99,406	459
National government.....			
Local government.....	16,581	16,449	132
Corporate.....	83,284	82,956	327
Other.....	33,002	30,897	2,104
Sub-total	155,951	140,586	15,364
Securities with their carrying amount below their acquisition cost:			
Corporate stock	9,545	12,660	(3,115)
Bonds:	251,289	254,895	(3,605)
National government.....	106,518	108,398	(1,879)
Local government.....	104,536	105,869	(1,333)
Corporate.....	40,234	40,627	(393)
Other.....	72,354	75,789	(3,434)
Sub-total	333,189	343,345	(10,156)
Total	¥489,140	¥483,932	¥ 5,208

(d) Available-for-sale securities sold

	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
March 31, 2023			
Corporate stock	¥ 3,762	¥1,783	¥ 651
Bonds:.....	37,266	44	—
National government.....	36,876	44	—
Corporate.....	390	0	—
Other.....	17,598	122	458
Total	¥58,627	¥1,950	¥1,110

	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
March 31, 2022			
Corporate stock.....	¥ 3,020	¥ 656	¥307
Bonds:.....	82,431	269	107
National government.....	81,756	269	107
Corporate.....	675	0	—
Other.....	26,510	261	234
Total	¥111,962	¥1,188	¥649

(e) Securities for which the holding-purpose category has changed

None

(f) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

Impairment loss in the amount of ¥1,307 million (Corporate stock of ¥1,274 million and Corporate bonds of ¥32 million) was posted for the year ended March 31, 2023.

Impairment loss in the amount of ¥383 million (Corporate stock of ¥233 million and Corporate bonds of ¥149 million) was posted for the year ended March 31, 2022.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated year, or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair values.

(g) Valuation difference on available-for-sale securities

March 31, 2023		Millions of Yen
Unrealized gain before income tax effect.....		¥(1,860)
Available-for-sale securities.....		(1,860)
Less: deferred tax liabilities		(577)
Unrealized gain before adjustment.....		(1,283)
Equity of unrealized gain on available-for-sale securities:		
Owned by affiliates that are accounted for by the equity method		—
Valuation difference on available-for-sale securities.....		¥(1,283)

March 31, 2022		Millions of Yen
Unrealized gain before income tax effect.....		¥5,468
Available-for-sale securities.....		5,468
Less: deferred tax liabilities		1,625
Unrealized gain before adjustment.....		3,842
Equity of unrealized gain on available-for-sale securities:		
Owned by affiliates that are accounted for by the equity method		—
Valuation difference on available-for-sale securities.....		¥3,842

(h) Investments in unconsolidated subsidiaries and affiliates

Securities in the Assets section included investments in unconsolidated subsidiaries and affiliates of ¥943 million and ¥971 million as of March 31, 2023 and 2022, respectively.

23. Money Held in Trust

Money held in trust as of March 31, 2023 and 2022 consisted of the following:

(a) Money held in trust for trading purpose

None

(b) Money held in trust for held-to-maturity

None

(c) Other money held in trust

	Millions of Yen	
	2023	2022
March 31		
Carrying amount	¥8,750	¥7,850
Acquisition cost.....	8,750	7,850
Net unrealized gain/(loss).....	—	—
Gross unrealized gain	—	—
Gross unrealized loss.....	—	—

24. Derivatives**(a) Derivatives transactions to which hedge accounting is not applied**

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31	Millions of Yen			
	2023		2022	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
Total	Over 1 Year	Total	Over 1 Year	
Over-the-counter transactions:				
Interest-rate swaps:				
Receiveable fixed/payable floating	¥162,591	¥154,917	¥(1,865)	¥167,100
Receiveable floating/payable fixed	162,591	154,917	4,019	167,100
Receiveable floating/payable floating	—	—	—	—
		¥2,153		¥2,224

Currency derivatives

March 31	Millions of Yen			
	2023		2022	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
Total	Over 1 Year	Total	Over 1 Year	
Over-the-counter transactions:				
Currency swap	¥19,996	¥14,389	¥ 18	¥24,558
Forward exchange contracts:				
Sold	42,337	27,217	(2,030)	39,665
Bought	28,426	26,966	1,904	34,042
Currency option:				
Sold	320	—	(4)	2,281
Bought	320	—	4	2,281
		¥ (106)		¥ 95

Others

March 31	Millions of Yen			
	2023		2022	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
Total	Over 1 Year	Total	Over 1 Year	
Over-the-counter transactions:				
Earthquake derivatives				
Sold	¥2,590	¥—	¥(22)	¥2,670
Bought	2,590	—	22	2,670
		—		—

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

Not applicable.

Currency derivatives

Not applicable.

25. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

March 31	Millions of Yen	
	2023	2022
Valuation difference on available-for-sale securities:		
Losses recognized during the year	¥(9,646)	¥(7,728)
Reclassification adjustment to net income	2,318	624
Amount before tax effect	(7,328)	(7,104)
Tax effect	2,202	2,125
Valuation difference on available-for-sale securities	(5,126)	(4,978)
Remeasurements of defined benefit plans:		
Losses recognized during the year	675	1,573
Reclassification adjustment to net income	462	601
Amount before tax effect	1,137	2,175
Tax effect	(342)	(654)
Remeasurements of defined benefit plans	795	1,520
Total other comprehensive income	¥(4,331)	¥(3,458)

26. Revenue Recognition

Year ended March 31, 2023

	Reportable segment					Other (*1)	Total
	Banking	Securities	Leasing	Credit guaranteeing			
	Ordinary income	¥48,907	¥727	¥6,922	¥821		
Fees and commissions income	11,872	423	—	—	53	12,350	
Deposit and lending business	1,866	—	—	—	—	1,866	
Foreign exchange business	3,342	—	—	—	—	3,342	
Securities-related business	207	423	—	—	—	631	
Agency business	257	—	—	—	—	257	
Custody and safety deposit box business	96	—	—	—	—	96	
Investment trust business	811	—	—	—	—	811	
Insurance-related business	1,243	—	—	—	—	1,243	
Other business	4,048	—	—	—	53	4,101	
Other ordinary income	—	0	0	2	1,167	1,171	
Ordinary income from contracts with customers	11,872	423	0	2	1,221	13,522	
Ordinary income other than those listed above (*2)	37,034	304	6,921	818	102	45,181	
Lending business	25,847	—	—	—	71	25,918	
Securities investment business	6,035	—	1	5	30	6,072	
Other business	5,150	304	6,919	813	1	13,189	
Ordinary income from external customers	48,907	727	6,922	821	1,324	58,703	

(*1) "Other" is a business segment that is not included in the reportable segment, which consists of credit card business.

(*2) Ordinary income other than those listed above mainly includes the following transactions.

- Transactions related to financial instruments that fall within the scope of ASBJ Statement No. 10 "Accounting Standard for Financial Instruments"
- Lease transactions that fall within the scope of ASBJ Statement No. 13 "Accounting Standard for Lease Transactions"
- Fees received for the formation or acquisition of financial instruments

Year ended March 31, 2022

(Millions of Yen)

	Reportable segment				Other (*1)	Total
	Banking	Securities	Leasing	Credit guaranteeing		
Ordinary income	¥50,285	¥1,510	¥6,568	¥778	¥1,085	¥60,227
Fees and commissions income	12,038	633	—	—	—	12,671
Deposit and lending business	1,846	—	—	—	—	1,846
Foreign exchange business	3,618	—	—	—	—	3,618
Securities-related business	189	633	—	—	—	822
Agency business	267	—	—	—	—	267
Custody and safety deposit box business	97	—	—	—	—	97
Investment trust business	1,038	—	—	—	—	1,038
Insurance-related business	1,134	—	—	—	—	1,134
Other business	3,844	—	—	—	—	3,844
Other ordinary income	—	0	1	2	979	983
Ordinary income from contracts with customers	12,038	633	1	2	979	13,654
Ordinary income other than those listed above (*2)	38,246	876	6,567	775	106	46,572
Lending business	26,648	—	—	—	79	26,727
Securities investment business	3,983	—	4	12	26	4,026
Other business	7,615	876	6,563	762	0	15,818
Ordinary income from external customers	50,285	1,510	6,568	778	1,085	60,227

(*1) "Other" is a business segment that is not included in the reportable segment, which consists of credit card business.

(*2) Ordinary income other than those listed above mainly includes the following transactions.

- Transactions related to financial instruments that fall within the scope of ASBJ Statement No. 10 "Accounting Standard for Financial Instruments"
- Lease transactions that fall within the scope of ASBJ Statement No. 13 "Accounting Standard for Lease Transactions"
- Fees received for the formation or acquisition of financial instruments

27. Segment Information

(a) Segment information

1. Outline of reportable segments

The reportable segments of the Group are those units for which discrete financial information can be obtained and which are regularly examined by the Board of Directors in order to decide how to allocate management resources and to evaluate the operating results.

The Group, comprised of the Bank and its eight subsidiaries, provides financing services with a focus on banking, leasing, credit card and credit guaranteeing.

"Banking" consists of deposit business, lending business, foreign exchange business and their associated businesses.

"Securities" primarily consists of securities business.

"Leasing" consists of leasing of equipment and installment sales.

"Credit guaranteeing" consists of credit guaranteeing business as a finance associated business.

2. Calculation method for the amount of ordinary income, segment profit or loss, assets, liabilities and other items by the reportable segment

Accounting treatment for reportable segments is consistent with those described in "2. Summary of Significant Accounting Policies."

Segment profit is based on ordinary profit.

Ordinary income from internal transactions is based on transaction prices between third parties.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

Year ended March 31, 2023	Millions of Yen						
	Reportable segment					Other	Total
	Banking	Securities	Leasing	Credit guaranteeing	Other		
Ordinary income:							
From external customers.....	¥ 48,907	¥ 727	¥ 6,922	¥ 842	¥ 1,328	¥ 58,729	¥ (25) ¥ 58,703
From internal transactions ...	1,386	0	600	974	1,530	4,492	(4,492) —
Total	¥ 50,293	¥ 728	¥ 7,523	¥ 1,816	¥ 2,859	¥ 63,221	¥ (4,517) ¥ 58,703
Segment profit (loss)	¥ 6,104	¥ (242)	¥ 661	¥ 1,645	¥ 965	¥ 9,134	¥ (2,435) ¥ 6,699
Segment assets	¥6,596,917	¥5,811	¥18,204	¥12,258	¥12,402	¥6,645,594	¥(32,474) ¥6,613,120
Segment liabilities	¥6,417,680	¥2,591	¥14,102	¥ 7,567	¥ 5,448	¥6,447,390	¥(25,282) ¥6,422,107
Other:							
Depreciation expense	¥ 2,247	¥ 7	¥ 114	¥ 0	¥ 48	¥ 2,418	¥ 36 ¥ 2,454
Interest income	33,964	1	397	288	673	35,324	(2,491) 32,832
Interest expense	626	—	40	—	0	667	(33) 634
Impairment loss	139	15	—	—	—	155	— 155
Increase in tangible and intangible fixed assets...	7,955	0	29	—	1	7,987	197 8,184

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of credit card business.

3. Toho Consulting Partners Co., Ltd., which was newly established on August 2, 2022 as a consolidated subsidiary, is included in "Other" as the consulting business.

4. Adjustments are as follows:

(a) Adjustments in segment profit (loss) of ¥(2,435) million include elimination of intersegment transactions.

(b) Adjustments in segment assets of ¥(32,474) million include elimination of intersegment transactions.

(c) Adjustments in segment liabilities of ¥(25,282) million include elimination of intersegment transactions.

(d) Adjustments in depreciation expense of ¥36 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.

(e) Adjustments in interest income of ¥(2,491) million are elimination of intersegment transactions.

(f) Adjustments in interest expense of ¥(33) million are elimination of intersegment transactions.

(g) Adjustments in increase in tangible and intangible fixed assets of ¥197 million are the acquisition cost of the leased assets acquired in the leasing segment under the contract with other segments.

5. Segment profit (loss) is adjusted to ordinary profit in the consolidated statements of income.

Year ended March 31, 2022	Millions of Yen						
	Reportable segment					Other	Total
	Banking	Securities	Leasing	Credit guaranteeing	Other		
Ordinary income:							
From external customers.....	¥ 50,285	¥1,510	¥ 6,568	¥ 836	¥ 1,130	¥ 60,331	¥ (103) ¥ 60,227
From internal transactions ...	1,313	(2)	561	973	1,530	4,376	(4,376) —
Total	¥ 51,598	¥1,507	¥ 7,130	¥ 1,810	¥ 2,661	¥ 64,707	¥ (4,479) ¥ 60,227
Segment profit (loss)	¥ 8,950	¥ 470	¥ 512	¥ 1,580	¥ 814	¥ 12,328	¥ (2,110) ¥ 10,217
Segment assets	¥7,121,676	¥5,851	¥18,084	¥11,789	¥11,242	¥7,168,844	¥(33,431) ¥7,135,413
Segment liabilities	¥6,940,110	¥2,354	¥14,051	¥ 7,148	¥ 4,647	¥6,968,312	¥(25,639) ¥6,942,672
Other:							
Depreciation expense	¥ 2,089	¥ 8	¥ 118	¥ 0	¥ 40	¥ 2,257	¥ 33 ¥ 2,290
Interest income	34,417	0	360	250	613	35,642	(2,171) 33,471
Interest expense	249	—	42	—	0	292	(33) 258
Increase in tangible and intangible fixed assets...	5,868	3	89	—	52	6,013	54 6,068

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of credit card business.

3. Adjustments are as follows:

(a) Adjustments in segment profit (loss) of ¥(2,110) million include elimination of intersegment transactions.

(b) Adjustments in segment assets of ¥(33,431) million include elimination of intersegment transactions.

(c) Adjustments in segment liabilities of ¥(25,639) million include elimination of intersegment transactions.

(d) Adjustments in depreciation expense of ¥33 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.

(e) Adjustments in interest income of ¥(2,171) million are elimination of intersegment transactions.

(f) Adjustments in interest expense of ¥(33) million are elimination of intersegment transactions.

(g) Adjustments in increase in tangible and intangible fixed assets of ¥54 million are the acquisition cost of the leased assets acquired in the leasing segment under the contract with other segments.

4. Segment profit (loss) is adjusted to ordinary profit in the consolidated statements of income.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2023 and 2022 was as follows:

Year ended March 31, 2023	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥25,918	¥6,047	¥14,142	¥12,594	¥58,703

Year ended March 31, 2022	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥26,726	¥5,204	¥15,112	¥13,183	¥60,227

Note: Ordinary income is stated in lieu of sales of general enterprises.

2. Geographical information

(i) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2023 and 2022, therefore geographical income information is not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2023 and 2022, therefore geographical tangible fixed assets information is not disclosed.

3. Major customer information

Ordinary income from no customer exceeded 10% of total income on the consolidated statements of income for the years ended March 31, 2023 and 2022, therefore major customer information is not disclosed.

(c) Information on impairment of fixed assets for each reportable segment:

Year ended March 31, 2023	Millions of Yen						
	Reportable segment					Other	Total
	Banking	Securities	Leasing	Credit guaranteeing	Other		
Impairment loss	¥139	¥15	¥—	¥—	¥—	¥155	

Year ended March 31, 2022	Millions of Yen						
	Reportable segment					Other	Total
	Banking	Securities	Leasing	Credit guaranteeing	Other		
Impairment loss	¥398	¥—	¥—	¥—	¥—	¥398	

(d) Information on amortization of goodwill and its remaining balance for each reportable segment:

None

(e) Information related to gain on negative goodwill for each reportable segment:

None

28. Related Party Transactions

Related party transactions for the year ended March 31, 2023

(a) Transactions between the Bank and related parties

Type	Name	Location	Capital stock (¥million)	Nature of business or occupation	Voting share owner-ship (%)
Executive officer and close family members	Nobuaki Takamiya	—	¥—	Company employee	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2023 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥37	Loans and bills discounted	¥37	
Executive officer and close family members	Naoto Endo	—	¥—	Company employee	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2023 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥12	Loans and bills discounted	¥—	
Companies, etc. in which the majority of voting rights are held by executive officer and close family members	Tohoku Thermo K.K.	—	¥30	Manufacturing business	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2023 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥76	Loans and bills discounted	¥130	

Notes: 1. Mr. Nobuaki Takamiya is a son in law of the Bank's Senior Managing Executive Officer, Hideho Suto.

2. Mr. Naoto Endo is the brother of the Bank's Managing Executive Officer, Katsutoshi Endo.

3. A brother in law of the Bank's Director, Hideya Takashima, holds the majority of voting rights of Tohoku Thermo K.K.

4. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transactions for the year ended March 31, 2022**(a) Transactions between the Bank and related parties**

Type	Name	Location	Capital stock (¥million)	Nature of business or occupation	Voting share ownership (%)
Executive officer and close family members	Nobuaki Takamiya	—	¥—	Company employee	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2022 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥37	Loans and bills discounted	¥38	
Executive officer and close family members	Kenji Sasaki	—	¥—	Self employed	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2022 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥41	Loans and bills discounted	¥40	
Executive officer and close family members	Naoto Endo	—	¥—	Company employee	—
Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2022 (¥million)	
Customer with credit limit	Funding of loans	(Average balance) ¥15	Loans and bills discounted	¥14	

Notes: 1. Mr. Nobuaki Takamiya is a son in law of the Bank's Senior Managing Executive Officer, Hideho Suto.
2. Mr. Kenji Sasaki is a son in law of the Bank's Director and Full-time Audit and Supervisory Committee Member, Masayuki Sakaji.
3. Mr. Naoto Endo is the brother of the Bank's Managing Executive Officer, Katsutoshi Endo.
4. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

29. Subsequent Events**Introduction of restricted stock remuneration system**

The Bank resolved to introduce a restricted stock remuneration system (the "System") at the Board of Directors meeting held on May 12, 2023, after reviewing its executive remuneration system.

(a) The objective of introducing the System

The System is introduced for the Bank's Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors; hereafter referred to as the "Eligible Director(s)"), in an effort to provide an incentive to the Eligible Directors to strive for the sustained improvement of corporate value of the Bank, while at the same time encourage them to share further value with the shareholders.

(b) Overview of the System

Under the System, the remuneration to be paid to the Eligible Directors for granting restricted stock shall be monetary receivables for the total maximum amount of ¥70 million per annum (however, not including the employee salary portion of Directors who concurrently serve as employees). The total maximum number of the common stock of the Bank to be issued or disposed of shall be not more than 350,000 shares per annum (however, if a stock split (including the allotment of common stock of the Bank without consideration) or a reverse stock split, or an event that would otherwise require the total number of common stock of the Bank to be issued

or disposed of as restricted stock to be adjusted, takes place after the date of the resolution of the Annual General Meeting of Shareholders regarding the System, such total number of shares shall be adjusted to a reasonable extent according to the split ratio, reverse split ratio, etc. after the effective date).

The Eligible Directors shall pay all monetary receivables to be paid to them in the form of property contributed in kind, and shall, in return, receive the issue or disposal of the common stock of the Bank. The amount to be paid per share shall be determined by the Board of Directors based on the closing price of common stock of the Bank on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors (or the closing price on the trading day immediately preceding thereto if there is no trading on such business day) to the extent that it is not particularly advantageous to the Eligible Directors receiving such common stock. The specific timing of payment and allocation to each Eligible Director will be determined by the Board of Directors after deliberation by the Nomination and Remuneration Committee.

In addition, this issuance or disposal of the common stock of the Bank (the "Shares") shall be conditional upon the conclusion of an agreement for the allotment of restricted stock that includes the following terms and conditions between the Bank and the Eligible Directors; 1) an Eligible Director shall not transfer, pledge, or otherwise dispose of the Shares of the Bank for a certain period (the "Transfer Restriction Period"); and 2) in the event that certain events occur, the Bank shall automatically acquire the Shares without consideration. The Shares will be managed in a dedicated account to be opened by the Eligible Directors at Nomura Securities Co., Ltd. during the Transfer Restriction Period so that the Shares may not be transferred, pledged, or otherwise disposed of during the Transfer Restriction Period.

The Bank intends to adopt a similar restricted stock remuneration system for Managing Executive Officers of the Bank.

30. Supplementary Schedule**(a) Schedule of bonds**

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2022 (Millions of Yen)	Balance as of March 31, 2023 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥685,497	¥176,571	0.003	—
Loans payable	685,497	176,571	0.003	From May 2023 to December 2027
Lease obligation:				
Due within 1 year or less	13	13	—	
Due after 1 year	317	303	—	June 2048

Notes: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2023.
2. The average interest rates of lease obligations are not stated because lease obligations are recorded in the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease fee.
3. The repayment schedule of loans payable and lease obligation for five years subsequent to March 31, 2023, is summarized as follows:

	Millions of Yen				
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Loans payable	¥175,266	¥650	¥420	¥175	¥60
Lease obligation	¥ 13	¥ 13	¥ 13	¥ 13	¥13

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of borrowing and similar instruments includes only "Borrowed money" and "Other liabilities" in "Liabilities" of the consolidated balance sheets.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the year ended March 31, 2023 are equal to or less than one percent of the total of liabilities and net assets as of then.

Issued July 2023

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URL <https://www.tohobank.co.jp/english.html>

The symbol “TOHO Square”



The four squares represent a square or plaza. The symbol expresses our desire to be a plaza for the heart of the community, which realizes warm human contact and interaction between people. Each of the five colors in the symbol represents the characteristics of the local Fukushima. Blue represents the blue sky and sea. It is the color of lakes and rivers. Green is a beautiful natural color. Yellow is the color of rich culture and fruitful life. Red is the color of the passion of people who grew up in Fukushima. Pink is the color of a vibrant mind.

We, Toho Bank, fulfill our mission as a community-based financial institution and contribute to the enrichment of the lives of local residents.



Toho Bank and the TSUBASA Alliance have established the SDGs Declaration.



Toho Bank is a signatory to the Principles for Financial Action for the 21st Century.