



Annual Securities Report

“Yukashoken Hokokusho”

(Excerpt)

For the fiscal years ended March 31, 2022 and 2021

**FIDEA Holdings Co. Ltd.
and Subsidiaries**

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets:			
Cash and due from banks (Notes 12, 21 and 25)	¥ 725,949	¥ 612,331	\$ 5,930,471
Monetary claims bought (Note 25)	3,811	3,775	31,133
Trading account securities (Notes 5 and 25)	589	553	4,811
Money held in trust (Note 25)	51,717	47,358	422,489
Securities (Notes 5, 6, 8, 12, 14 and 25)	680,385	729,245	5,558,246
Loans and bills discounted (Notes 7, 8, 12, 24 and 25)	1,712,140	1,731,224	13,986,929
Foreign exchange assets (Note 8)	1,963	1,604	16,036
Lease receivables and investments in leases	5,091	4,249	41,589
Tangible fixed assets (Notes 4 and 9):			
Buildings	12,951	13,502	105,800
Land	8,290	8,558	67,723
Lease assets	21	41	171
Construction in progress	-	237	-
Other tangible fixed assets	2,254	1,827	18,413
Intangible fixed assets:			
Software	2,090	2,288	17,073
Goodwill	44	74	359
Other intangible fixed assets	145	153	1,184
Defined benefit asset (Note 13)	1,081	734	8,830
Deferred tax assets (Notes 4 and 22)	2,662	1,293	21,746
Customers' liabilities for acceptances and guarantees (Notes 8 and 24)	17,958	19,401	146,703
Other assets (Notes 8 and 12)	49,641	56,553	405,530
Allowance for loan losses (Notes 4 and 25)	(13,593)	(13,549)	(111,044)
Total assets	<u>¥ 3,265,199</u>	<u>¥ 3,221,460</u>	<u>\$ 26,674,283</u>

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Liabilities:			
Deposits (Note 25)	¥ 2,656,962	¥ 2,593,356	\$ 21,705,432
Negotiable certificates of deposit (Note 25)	54,867	57,152	448,223
Payables under securities lending transactions (Notes 12 and 25)	52,825	75,999	431,541
Borrowed money (Notes 11, 12 and 25)	343,800	323,700	2,808,594
Foreign exchange liabilities	58	16	473
Provision for bonuses for directors and other officers	45	30	367
Defined benefit liability (Note 13)	645	614	5,269
Provision for reimbursement of deposits	126	239	1,029
Provision for contingent loss	459	443	3,749
Deferred tax liabilities (Notes 4, 6 and 22)	2,040	3,424	16,665
Deferred tax liabilities for land revaluation (Note 10)	416	454	3,398
Acceptances and guarantees	17,958	19,401	146,703
Other liabilities (Note 11)	25,758	26,554	210,423
Total liabilities	3,155,965	3,101,387	25,781,921
Net assets (Note 15):			
Common stock	18,000	18,000	147,046
Capital surplus	23,550	29,197	192,386
Retained earnings	55,942	53,564	457,005
Treasury stock	(24)	(6)	(196)
Total shareholders' equity	97,468	100,756	796,242
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 6)	10,317	18,255	84,282
Deferred loss on hedges	(203)	(387)	(1,658)
Revaluation reserve for land (Note 10)	914	1,000	7,466
Remeasurements of defined benefit plans	421	154	3,439
Total accumulated other comprehensive income	11,449	19,023	93,529
Non-controlling interests	314	293	2,565
Total net assets	109,233	120,073	892,353
Total liabilities and net assets	¥ 3,265,199	¥ 3,221,460	\$ 26,674,283

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income (Note 16):			
Interest income:			
Interest on loans and discounts	¥ 18,450	¥ 19,477	\$ 150,722
Interest and dividends on securities	11,366	12,961	92,851
Other	688	136	5,620
Fees and commissions	8,500	8,328	69,438
Other operating income	7,641	7,737	62,421
Other income	4,452	4,691	36,369
Total income	<u>51,100</u>	<u>53,332</u>	<u>417,449</u>
Expenses:			
Interest expenses:			
Interest on deposits	139	366	1,135
Interest on payables under securities lending transactions	42	52	343
Interest on borrowings and rediscounts	0	0	0
Other	(18)	78	(147)
Fees and commissions	3,457	3,615	28,241
Other operating expenses	9,842	11,222	80,401
General and administrative expenses (Note 17)	25,702	26,781	209,966
Provision of allowance for loan losses (Note 4)	2,116	1,755	17,286
Other expenses (Notes 4, 18 and 19)	4,187	4,144	34,204
Total expenses	<u>45,471</u>	<u>48,017</u>	<u>371,464</u>
Income before income taxes	<u>5,628</u>	<u>5,314</u>	<u>45,976</u>
Income taxes (Note 22):			
Current	1,579	1,913	12,899
Deferred	517	84	4,223
Total income taxes	<u>2,097</u>	<u>1,998</u>	<u>17,130</u>
Net income	<u>3,531</u>	<u>3,315</u>	<u>28,845</u>
Net income attributable to non-controlling interests	<u>25</u>	<u>1</u>	<u>204</u>
Net income attributable to owners of parent	<u>¥ 3,506</u>	<u>¥ 3,314</u>	<u>\$ 28,641</u>
		Yen	U.S. dollars
Per share of common stock (Note 27):			
Basic net income	¥ 190.15	¥ 176.41	\$ 1.5533
Diluted net income	148.59	132.89	1.2138
Cash dividends applicable to the year	75.00	60.00	0.6126

Note: Effective October 1, 2021, the Company implemented the stock consolidation, whereby 10 shares of its common stock and preferred stock class B were consolidated to one share. The information on per share, attributable to common stock shareholders shown above, are calculated on the assumption that the stock consolidation had been implemented at the beginning of the year ended March 31, 2021.

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥ 3,531	¥ 3,315	\$ 28,845
Other comprehensive income (Note 20):			
Unrealized gain (loss) on available-for-sale securities	(7,943)	6,399	(64,888)
Deferred gain (loss) on hedges	184	(561)	1,503
Remeasurements of defined benefit plans	267	321	2,181
Total other comprehensive income	<u>(7,491)</u>	<u>6,159</u>	<u>(61,195)</u>
Comprehensive income	<u>¥ (3,959)</u>	<u>¥ 9,475</u>	<u>\$ (32,342)</u>
Total comprehensive income attributable to:			
Owners of parent	¥ (3,981)	¥ 9,465	\$ (32,521)
Non-controlling interests	21	9	171

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries
**Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2022 and 2021**

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred loss on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2020	¥ 18,000	¥ 29,197	¥ 51,398	¥ (5)	¥ 98,590	¥ 11,865	¥ 173	¥ 1,054	¥ (167)	¥ 12,926	¥ 283	¥ 111,800
Cash dividends			(1,202)		(1,202)							(1,202)
Net income attributable to owners of parent			3,314		3,314							3,314
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		(0)		0	0							0
Reversal of revaluation reserve for land			54		54							54
Net changes of items other than shareholders' equity						6,390	(561)	(54)	321	6,096	9	6,106
Balance as of March 31, 2021	18,000	29,197	53,564	(6)	100,756	18,255	(387)	1,000	154	19,023	293	120,073
Cumulative effects of changes in accounting policies			96		96							96
Restated balance	18,000	29,197	53,660	(6)	100,852	18,255	(387)	1,000	154	19,023	293	120,169
Cash dividends			(1,310)		(1,310)							(1,310)
Net income attributable to owners of parent			3,506		3,506							3,506
Acquisition of treasury stock				(5,665)	(5,665)							(5,665)
Sale of treasury stock		(0)		0	0							0
Cancellation of treasury stock		(5,647)		5,647	-							-
Reversal of revaluation reserve for land			86		86							86
Net changes of items other than shareholders' equity						(7,938)	184	(86)	267	(7,573)	21	(7,552)
Balance as of March 31, 2022	¥ 18,000	¥ 23,550	¥ 55,942	¥ (24)	¥ 97,468	¥ 10,317	¥ (203)	¥ 914	¥ 421	¥ 11,449	¥ 314	¥ 109,233

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred loss on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2021	\$ 147,046	\$ 238,518	\$ 437,578	\$ (49)	\$ 823,102	\$ 149,129	\$ (3,161)	\$ 8,169	\$ 1,258	\$ 155,403	\$ 2,393	\$ 980,908
Cumulative effects of changes in accounting policies			784		784							784
Restated balance	147,046	238,518	438,362	(49)	823,886	149,129	(3,161)	8,169	1,258	155,403	2,393	981,692
Cash dividends			(10,701)		(10,701)							(10,701)
Net income attributable to owners of parent			28,641		28,641							28,641
Acquisition of treasury stock				(46,278)	(46,278)							(46,278)
Sale of treasury stock		(0)		0	0							0
Cancellation of treasury stock		(46,131)		46,131	-							-
Reversal of revaluation reserve for land			702		702							702
Net changes of items other than shareholders' equity						(64,847)	1,503	(702)	2,181	(61,865)	171	(61,694)
Balance as of March 31, 2022	\$ 147,046	\$ 192,386	\$ 457,005	\$ (196)	\$ 796,242	\$ 84,282	\$ (1,658)	\$ 7,466	\$ 3,439	\$ 93,529	\$ 2,565	\$ 892,353

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Operating activities:			
Income before income taxes	¥ 5,628	¥ 5,314	\$ 45,976
Adjustments for:			
Income taxes—paid	(1,849)	(1,087)	(15,104)
Depreciation and amortization	1,925	1,953	15,725
Loss on impairment—fixed assets	659	891	5,383
Amortization of goodwill	29	29	236
Change in allowance for loan losses	44	1,087	359
Change in provision for bonuses for directors and other officers	15	30	122
Change in defined benefit asset	(37)	(72)	(302)
Change in defined benefit liability	60	(1,219)	490
Change in provision for reimbursement of deposits	(112)	(154)	(914)
Change in provision for contingent loss	16	34	130
Change in other provisions	-	(14)	-
Interest income	(30,504)	(32,574)	(249,195)
Interest expenses	164	498	1,339
Loss on securities—net	2,019	1,301	16,493
Gain on money held in trust—net	(297)	(41)	(2,426)
Foreign exchange gain—net	(9)	(3)	(73)
Loss on sale and disposal of fixed assets—net	284	688	2,320
Loss on reduction of fixed assets	3	5	24
Subsidy income	(3)	(5)	(24)
Net change in loans and bills discounted	19,084	(33,277)	155,902
Net change in deposits	63,606	203,059	519,614
Net change in negotiable certificates of deposit	(2,285)	(16,886)	(18,666)
Net change in trading account securities	(36)	(322)	(294)
Net change in borrowed money, excluding subordinated borrowings	20,100	309,800	164,202
Net change in due from banks, excluding due from Bank of Japan	(27)	1,257	(220)
Net change in call loans and bills bought	(35)	369	(285)
Net change in call money and bills sold	-	(11,427)	-
Net change in payables under securities lending transactions	(23,174)	9,893	(189,314)
Net change in foreign exchange assets	(358)	234	(2,924)
Net change in foreign exchange liabilities	42	7	343
Net change in lease receivables and investments in leases	(842)	(467)	(6,878)
Interest received	30,785	32,825	251,490
Interest paid	(211)	(621)	(1,723)
Other—net	1,218	(1,474)	9,950
Total adjustments	80,274	464,315	655,779
Net cash provided by operating activities —(Forward)	¥ 85,902	¥ 469,629	\$ 701,756

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net cash provided by operating activities —(Forward)	¥ 85,902	¥ 469,629	\$ 701,756
Investing activities:			
Purchase of securities	(478,619)	(499,093)	(3,909,966)
Proceeds from sale of securities	410,524	396,288	3,353,680
Proceeds from maturity of securities	108,551	126,831	886,782
Increase in money held in trust	(4,000)	(31,568)	(32,677)
Decrease in money held in trust	105	5,344	857
Purchase of tangible fixed assets	(1,384)	(786)	(11,306)
Proceeds from sale of tangible fixed assets	46	607	375
Purchase of intangible fixed assets	(528)	(771)	(4,313)
Proceeds from sale of intangible fixed assets	0	-	0
Subsidy income	3	5	24
Net cash provided by (used in) investing activities	<u>34,700</u>	<u>(3,141)</u>	<u>283,473</u>
Financing activities:			
Repayment of lease obligations	(47)	(60)	(383)
Dividends paid	(1,308)	(1,200)	(10,685)
Purchase of treasury stock	(5,665)	(0)	(46,278)
Proceeds from sale of treasury stock	0	0	0
Net cash used in financing activities	<u>(7,021)</u>	<u>(1,260)</u>	<u>(57,356)</u>
Effect of exchange rate change on cash and cash equivalents	9	3	73
Net increase in cash and cash equivalents	113,590	465,230	927,947
Cash and cash equivalents at the beginning of year	609,301	144,070	4,977,542
Cash and cash equivalents at the end of year (Note 21)	<u>¥ 722,891</u>	<u>¥ 609,301</u>	<u>\$ 5,905,489</u>

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2022 and 2021

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the “Company”) is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. (“Shonai”) and The Hokuto Bank, Ltd. (“Hokuto”) on October 1, 2009 by way of a transfer of shares.

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures to the nearest million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥122.41 = U.S.\$1.00, the exchange rate prevailing on March 31, 2022. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 6 subsidiaries (collectively the “Group”) as of March 31, 2022 and 2021.

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The Company has 4 unconsolidated subsidiaries as of March 31, 2022 and 2021.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The excess of the acquisition cost over the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as “goodwill” and is amortized by the straight-line method over a period of five years. Insignificant amounts of goodwill are fully charged to income in the fiscal year when it is incurred.

The balance sheet dates of all 6 subsidiaries are March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control are accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date, and cost of trading account securities sold is determined principally using the moving-average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving-average method. Available-for-sale securities are stated at fair value. Cost of sale of these available-for-sale securities is principally determined using the moving-average method. Equity securities without market prices are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Securities held in money trusts

Securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Group, except for lease assets, is calculated by the straight-line method. The principal useful lives are as follows:

Buildings	5 to 50 years
Others	4 to 20 years

The Group leases automated teller machines, etc. under finance lease arrangements as a lessee.

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise with no residual value.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally five years) determined by the Group.

(7) Allowance for loan losses

Allowance for loan losses is provided by the consolidated banking subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards.

- (i) For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings (the “bankrupt borrowers”), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation (the “virtually bankrupt borrowers”), an allowance is generally provided based on the carrying amount of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For collateralized and guaranteed claims on the bankrupt borrowers or virtually bankrupt borrowers of Hokuto and its certain consolidated subsidiaries, the amount of claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of outstanding claims. These write-offs amounted to ¥13,007 million (\$106,257 thousand) and ¥12,621 million for the years ended March 31, 2022 and 2021, respectively.

- (ii) For claims on borrowers who are not currently bankrupt but are likely to become bankrupt (the “potentially bankrupt borrowers”), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees (hereinafter the “unsecured amount”). In particular,
 - a. For the unsecured amount, an allowance is provided based on the expected loan loss over the next three years. The expected loan loss amount is determined based on the loan loss ratio, which is

estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over three years, with necessary adjustments such as future projections.

- b. Of claims on above borrowers, as to claims on borrowers with certain amounts or more of the unsecured amount, the allowance estimated based on the expected loan loss as described in the preceding paragraph is individually reviewed if the allowance is sufficient. Then as necessary, a collectible amount reasonably estimated based on the borrower's financial status is deducted from the unsecured amount to provide the amount of the allowance.
- (iii) For claims on borrowers with restructured loans, etc., an allowance is provided based on the expected loan loss over the next three years. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over three years, with necessary adjustments such as future projections.
- (iv) For other claims, an allowance is provided based on the expected loan loss over the next one year. The expected loan loss amount is determined based on the loan loss ratio, which is estimated by taking the average of historical loan loss ratio over a certain period of time based on their past loan loss experience over one year, with necessary adjustments such as future projections.
- (v) Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment, and then the assessment results are audited by the Asset Audit Department which is independent from the Asset Assessment Department.

(8) Provision for bonuses for directors and other officers

Provision for bonuses for directors and other officers is provided for the payment of bonuses to directors and other officers at an estimated amount attributed to the current fiscal year.

(9) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(10) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a

(11) Retirement benefits

The benefit formula method is used as a method of attributing expected retirement benefits to each period in calculating retirement benefit obligation.

Past service costs are amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees when such past service costs occur.

Actuarial gains and losses are amortized from the year following the year in which the gains and losses occur by the straight-line method over a certain period of 10 to 13 years within the average remaining years of service of the eligible employees when such actuarial gains and losses occur.

Certain consolidated subsidiaries adopt the simplified method in calculating defined benefit liability and retirement benefit expenses. Under this method, the severance payment amount required at the fiscal year-end for voluntary termination is deemed as retirement benefit obligations.

(12) Recognition of significant revenue and expenses

Major performance obligations in major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries are providing services through deposits and loans operations, foreign exchange operations, securities-related operations, agency operations, custody/safe deposits operations and other.

As to fees and commissions from ATM services, direct debit services (deposits and loans operations), domestic and overseas remittance services (foreign exchange operations), underwriting public and corporate bonds (securities-related operations) and sale of investment trusts and insurances (agency operations), a performance obligation is satisfied and the revenue is recognized at a point in time when a transaction occurs or a related service is provided. As to fees and commissions from services, such as safe-deposit box fees (custody/safe deposit operations), for which a performance obligation is satisfied over the period in which the related service is provided, the revenue is recognized over the relevant period.

(13) Foreign currency translation

The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

For the translation difference of debt securities out of available-for-sale securities denominated in foreign currencies, the translation difference related to changes in fair value is recognized as unrealized gain or loss and other differences are recognized as foreign exchange gain or loss under other operating income or expenses.

(14) Hedge accounting

Interest rate risk hedging

With respect to the hedge accounting for the interest rate risk arising from financial assets and liabilities of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gain or loss on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Committee Practical Guideline No. 24 (March 17, 2022).

With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and bills discounted and hedging instruments such as interest rate swaps after grouping these items by definite remaining maturity.

With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange risk hedging

With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gain or loss on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Committee Practical Guideline No. 25 (October 8, 2020). Hedge effectiveness is assessed by comparing the amount of monetary assets and liabilities denominated in foreign currencies as underlying hedged items with the corresponding foreign-currency amount of the respective hedging instruments such as currency swaps and foreign exchange swaps entered into in order to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies.

In addition, in order to hedge foreign exchange risk of available-for-sale securities denominated in foreign currencies except for debt securities, the fair value hedge is applied as portfolio hedging on the condition that liabilities of spot and forward foreign exchange contracts exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

Equity price fluctuation risk hedging

With respect to hedge accounting for the equity price fluctuation risk arising from equity securities out of available-for-sale securities held by the consolidated banking subsidiaries, the Group applies deferral hedge accounting for equity forward contracts and others as hedging instruments.

Hedge effectiveness is assessed by periodically comparing the aggregate amounts of price fluctuations or changes in cash flows of underlying hedged items with those of corresponding hedging instruments, in principle, for the period from the beginning of the hedge and the point in time of evaluating hedge effectiveness. However, if the material conditions of the hedged item and the hedging instrument are consistent and it is obvious that the hedge is highly effective, the assessment for the effectiveness is omitted.

(15) Cash and cash equivalents

In preparing the consolidated statements of cash flows, of cash and due from banks in the consolidated balance sheets, cash and due from Bank of Japan (“BoJ”) are considered to be cash and cash equivalents.

(16) Accounting treatments and procedures applied in cases where relevant accounting standards are unclear

Regarding gain or loss on cancellation or redemption of investment trusts, when an aggregate amount on investment trusts as a whole including interim distributions is a gain, the gain is recognized as interest and dividends on securities under interest income, and when it is a loss, the loss is recognized as loss on redemption of bonds under other operating expenses.

(17) Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition)

Applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Accounting Standards for Revenue Recognition”), etc. effective from the beginning of the year ended March 31, 2022, the Group recognizes revenue at the amount assumed to be received in exchange for a promised good or service at the point in time when a control of the said good or service is transferred to a customer.

In accordance with the transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the Group adjusted the beginning balance of retained earnings for the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the year ended March 31, 2022, and then has applied the new accounting policy.

As a result, the beginning balance of retained earnings in the consolidated statement of changes in net assets for the year ended March 31, 2022 increased by ¥96 million (\$784 thousand). There is no significant impact on the consolidated financial statements and per share information from the changes.

Furthermore, in accordance with the transitional treatment prescribed in the proviso to paragraph 89-3 of the Accounting Standard for Revenue Recognition, the previous fiscal year’s disclosure is not stated in Note “16. Revenue Recognition.”

(Application of Accounting Standard for Fair Value Measurement)

Effective from the beginning of the year ended March 31, 2022, the Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter, the “Accounting Standard for FVM”), etc. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for FVM and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Group has applied this new accounting policy prospectively.

As a result, of available-for-sale securities, equity securities with market prices are stated at fair value determined based on their market prices as of the balance sheet date, although they were previously stated at fair value determined based on average market prices during one month before the balance sheet date.

In addition, the fair value hierarchy of financial instruments is disclosed in Note “25. Financial Instruments and Related Disclosures.” In accordance with the transitional treatment prescribed in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), relevant information for the year ended March 31, 2021 is not stated.

(18) Accounting standards and guidance issued but not yet applied

(Accounting standards and guidance for fair value measurement)

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(i) Overview

When the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) was originally issued on July 4, 2019, it was considered necessary to spend a certain period of time to complete discussions among parties concerned with regard to the “fair value measurement of investment trusts.” It was also considered necessary to discuss how fair value of the “investments in partnerships, etc., which are presented in a balance sheet at the net amount equivalent to the holding equity interest” should be disclosed. Those discussions were to be carried out for approximately one year after the issuance of the “Accounting Standard for Fair Value Measurement,” and finally the relevant amendment was issued on June 17, 2021.

- (ii) Scheduled date of application
The Company and its consolidated subsidiaries will apply the new implementation guidance effective from the beginning of the year ending March 31, 2023.
- (iii) Effect from the application of the new accounting standards and implementation guidance
The effect from the application of the new implementation guidance on the Company's consolidated financial statements is under evaluation.

4. Significant Accounting Estimates

The following summarizes items that are recognized in the current fiscal year's consolidated financial statements based on the accounting estimates and such estimates may give significant impacts on the consolidated financial statements in the following fiscal year.

(1) Allowance for loan losses

- (i) Amount recognized in the consolidated financial statements in the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Allowance for loan losses	¥ 13,593	¥ 13,549	\$ 111,044

- (ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

- a. Estimation method

It is described in Note "3. Significant Accounting Policies, (7) Allowance for loan losses."

- b. Major assumptions

For estimating the allowance, it is particularly important to determine the borrower classification. Major assumptions used for determining the borrower classification are "outlook for future performance of borrowers," which the Company assesses by each individual borrower based on the evaluation of each borrower's ability to earn income, after comprehensively evaluating the qualitative and quantitative information collected, including each borrower's management performance, financial status, lending terms, repayment status, and formulation and progress of a management improvement plan.

In addition, the COVID-19 pandemic may have a certain impact, mainly on the credit risk of loans and bills discounted. While assuming the economic impact of the COVID-19 pandemic would continue over a few years or so, the Company determines the allowance for loan losses based on assumptions that the risk would be controlled to some extent by economic stimulus measures taken by the government and local governments and supports from financial institutions.

- c. Impact on the consolidated financial statements in the following fiscal year

Since the major assumptions: "outlook for future performance of borrowers" involve uncertainty, there is a risk to have a significant impact on determining the borrower classification if any changes occur in the status of borrowers or the future economic environment including the impact of the COVID-19 pandemic. When the borrower classification changes, there is a possibility that the allowance for loan losses in the consolidated financial statements in the following fiscal year may increase or decrease. Although the Company estimates the impact of the COVID-19 pandemic by taking all possible events into account based on information available as of March 31, 2022, there is a high degree of uncertainty in the assumptions used in the estimate under the current economic environment. If the status of the pandemic, its duration, and the impact on the economy and other factors would change, the amounts of allowance for loan losses in the consolidated financial statements of the following year may increase or decrease.

(2) Deferred tax assets

(i) Amount recognized in the consolidated financial statements in the current fiscal year

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Deferred tax assets	¥ 2,662	¥ 1,293	\$ 21,746
Deferred tax liabilities	2,040	3,424	16,665

(ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

a. Estimation method

A deferred tax asset is an asset allowed to recognize to the extent that the taxable income will be reduced, thereby the tax burden will be reduced, for the fiscal period when the tax loss carryforward and the temporary differences, which are the differences between the carrying amount of an asset or liability in the consolidated balance sheet and its tax base, are reversed. Accordingly, deferred tax assets are recognized at the amount expected to be recovered based on the assessment of recoverability of the assets to reduce future tax burden. In addition, the Company reviews the future recoverability of the assets every fiscal year.

In particular, the Company estimates deferred tax assets using the scheduling of temporary differences for the future reasonable estimable period of five years based on the estimates of taxable income before deductible or taxable temporary differences for the estimable period. For the preparation of the scheduling, it is especially important to project a future deductible temporary difference for an individual allowance for loan losses; thus, the Company prepares the scheduling after a detailed analysis of timing and compliance with requirements for the use of tax loss carryforward for an individual allowance for loan losses over certain amounts.

b. Major assumptions

For determining the recoverability of deferred tax assets, it is particularly important to estimate future taxable income.

Future taxable income is estimated based on the Group's profit plan, which is established by taking into account past performance, prevailing market yields and the future economic environment including the impact of the COVID-19 pandemic. The major assumptions used for the establishment of the plan are: "outlook for income from assets under management and corporate-related fees and commissions" and "outlook of general and administrative expenses such as personnel expenses," which are projected based on the Group's management policy of "strengthening of top-line profitability including income from assets under management and corporate-related fees and commissions, and further reduction of general and administrative expenses." Considering the uncertainty of achieving the profit plan, the Company determines the recoverability of deferred tax assets with a certain stress scenario to the plan.

c. Impact on the consolidated financial statements in the following fiscal year

Although the Company determines the recoverability of deferred tax assets at every fiscal year-end, the major assumptions: "outlook for income from assets under management and corporate-related fees and commissions" and "outlook of general and administrative expenses such as personnel expenses" involve high uncertainty. When the future economic environment including the impact of the COVID-19 pandemic changes, the estimates of future taxable income based on the profit plan may change, and it may result in a risk of having a significant impact on the recoverability of deferred tax assets. When the Company determines that a part or all of the deferred tax assets recognized in the last fiscal year cannot be recovered since estimated future taxable income may be insufficient to offset the future deductible temporary differences, the deferred tax assets will be reversed and the same amount will be recognized as income tax-deferred.

(3) Impairment of fixed assets

(i) Amount included in “Other expenses” in the consolidated financial statements in the current fiscal year

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Impairment loss	¥ 659	¥ 891	\$ 5,383

(ii) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

a. Estimation method

It is described in Note “19. Impairment Loss.”

b. Major assumptions

It is necessary to estimate the future cash flows, used for the purposes of measuring the value in use and determining the recognition of impairment loss, based on reasonable and explainable assumptions and predictions reflecting unique circumstances of an entity. These future cash flows are estimated based on the profit plan with a certain stress scenario, for determining the recoverability of deferred tax assets as stated in aforementioned “(2) Deferred tax assets.”

c. Impact on the consolidated financial statements in the following fiscal year

The major assumptions used to establish the profit plan as stated in aforementioned “(2) Deferred tax assets” involve high uncertainty. When the future economic environment including the impact of the COVID-19 pandemic changes, the estimates of future cash flows based on the profit plan may change, and it may result in a risk of having significant impact on determining the recognition of impairment loss and measuring the value in use. When the estimates of future cash flows decrease, it may become necessary to recognize additional impairment loss.

5. Securities

Gain and loss from revaluation of trading account securities included in the consolidated statements of income was ¥0 million (\$0 thousand) and ¥0 million for the years ended March 31, 2022 and 2021, respectively.

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

	Millions of yen		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
March 31, 2022			
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 11,956	¥ 6,027	¥ 5,928
Debt securities:	194,891	190,331	4,559
Japanese government bonds	39,724	38,969	754
Municipal bonds	103,611	100,876	2,735
Corporate bonds	51,554	50,485	1,068
Other	133,418	120,604	12,813
Subtotal	¥ 340,266	¥ 316,964	¥ 23,302
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 4,309	¥ 4,626	¥ (317)
Debt securities:	264,831	268,245	(3,414)
Japanese government bonds	67,803	68,854	(1,050)
Municipal bonds	122,664	124,163	(1,499)
Corporate bonds	74,363	75,228	(864)
Other	67,427	72,152	(4,724)
Subtotal	¥ 336,568	¥ 345,024	¥ (8,456)
Total	¥ 676,834	¥ 661,988	¥ 14,845

March 31, 2021	Millions of yen		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 16,642	¥ 8,878	¥ 7,763
Debt securities:	286,270	279,402	6,868
Japanese government bonds	49,016	47,775	1,241
Municipal bonds	163,568	159,534	4,034
Corporate bonds	73,685	72,093	1,592
Other	164,296	145,623	18,673
Subtotal	¥ 467,209	¥ 433,904	¥ 33,305
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 2,356	¥ 2,533	¥ (176)
Debt securities:	173,383	175,123	(1,739)
Japanese government bonds	68,063	68,912	(849)
Municipal bonds	60,691	61,240	(549)
Corporate bonds	44,629	44,970	(341)
Other	82,446	87,586	(5,139)
Subtotal	¥ 258,186	¥ 265,243	¥ (7,056)
Total	¥ 725,396	¥ 699,147	¥ 26,249

March 31, 2022	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	\$ -	\$ -	\$ -
Available-for-sale securities:			
Equity securities	\$ 97,671	\$ 49,236	\$ 48,427
Debt securities:	1,592,116	1,554,864	37,243
Japanese government bonds	324,515	318,348	6,159
Municipal bonds	846,425	824,082	22,342
Corporate bonds	421,158	412,425	8,724
Other	1,089,927	985,246	104,672
Subtotal	\$ 2,779,723	\$ 2,589,363	\$ 190,360
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	\$ -	\$ -	\$ -
Available-for-sale securities:			
Equity securities	\$ 35,201	\$ 37,791	\$ (2,589)
Debt securities:	2,163,475	2,191,365	(27,889)
Japanese government bonds	553,900	562,486	(8,577)
Municipal bonds	1,002,074	1,014,320	(12,245)
Corporate bonds	607,491	614,557	(7,058)
Other	550,829	589,428	(38,591)
Subtotal	\$ 2,749,513	\$ 2,818,593	\$ (69,079)
Total	\$ 5,529,237	\$ 5,407,956	\$ 121,272

As of March 31, 2022 and 2021, ¥371 million (\$3,030 thousand) and ¥383 million of capital investment in unconsolidated subsidiaries were included in the balance of securities, respectively.

Available-for-sale securities sold for the years ended March 31, 2022 and 2021 were as follows:

March 31, 2022	Millions of yen		
	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 20,994	¥ 2,953	¥ 1,309
Debt securities:	143,204	324	807
Japanese government bonds	129,687	239	804
Municipal bonds	12,934	83	1
Corporate bonds	582	1	2
Other	249,190	3,340	6,516
Total	¥ 413,389	¥ 6,618	¥ 8,633

March 31, 2021	Millions of yen		
	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 13,809	¥ 2,997	¥ 471
Debt securities:	132,122	672	569
Japanese government bonds	87,732	201	560
Municipal bonds	44,322	469	8
Corporate bonds	66	0	-
Other	250,352	3,895	7,714
Total	¥ 396,284	¥ 7,564	¥ 8,754

March 31, 2022	Thousands of U.S. dollars		
	Sales proceeds	Realized gain	Realized loss
Equity securities	\$ 171,505	\$ 24,123	\$ 10,693
Debt securities:	1,169,871	2,646	6,592
Japanese government bonds	1,059,447	1,952	6,568
Municipal bonds	105,661	678	8
Corporate bonds	4,754	8	16
Other	2,035,699	27,285	53,230
Total	\$ 3,377,085	\$ 54,064	\$ 70,525

Write-down of securities

Non-trading securities, with the exception of equity securities without market prices or investments in partnerships, whose fair value significantly declined compared with their acquisition cost and is not considered to be able to recover their acquisition cost, are written down to their respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

For the years ended March 31, 2022 and 2021, no available-for sale securities were written down.

The criteria for determining whether the fair value is “significantly declined” are as follows:

- (1) If the fair value as of the balance sheet date declines 50% or more compared to the acquisition cost, the difference is recognized as write-down of securities.
- (2) If the fair value as of the balance sheet date declines by 30% or more but less than 50% compared to the acquisition cost, write-down of securities is recognized for the securities which meets criteria of the Group after considering the financial condition of the issuer and past trend of the market value for a certain period.

6. Unrealized Gain on Available-for-Sale Securities

Unrealized gain on available-for-sale securities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gain:			
Available-for-sale securities	¥ 14,845	¥ 26,249	\$ 121,272
Deferred tax liabilities	(4,514)	(7,974)	(36,876)
Unrealized gain on available-for-sale securities before adjustments by equity interest:	10,331	18,274	84,396
Non-controlling interests	(14)	(18)	(114)
Unrealized gain on available-for-sale securities	¥ 10,317	¥ 18,255	\$ 84,282

7. Bills Discounted

Bills discounted are accounted for as financial transactions rather than as purchased bills in accordance with JICPA Industry Committee Practical Guideline No. 24 (March 17, 2022). The Group has the right to sell or pledge (repledge) such bills without any restrictions. These include commercial bills discounted and foreign bills bought etc. The total face value of such financial transactions at March 31, 2022 and 2021 amounted to ¥2,414 million (\$19,720 thousand) and ¥2,912 million, respectively.

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥294,339 million (\$2,404,533 thousand) and ¥287,946 million at March 31, 2022 and 2021, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥280,057 million (\$2,287,860 thousand) and ¥280,808 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments of the consolidated subsidiaries. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, such as a change in financial situation and preservation of claims. At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms and conditions of the contracts and/or requiring additional collateral or guarantees.

8. Claims to Be Disclosed Under the Financial Revitalization Act and the Banking Act

With the "Cabinet Office Order to Partially Amend the Ordinance for Enforcement of the Banking Act" (Cabinet Office Order No. 3, January 24, 2020) coming into effect on March 31, 2022, the Group has changed the asset categories to be disclosed as "risk monitored loans" under the Banking Act to those to be disclosed as claims under the Act on Emergency Measures for the Revitalization of the Financial Functions (the "Financial Revitalization Act").

Claims to be disclosed under the Financial Revitalization Act and the Banking Act are included in:

- corporate bonds (limited to those principal and interest are fully or partially secured and issued under private placements as permitted in Article 2, paragraph 3 of the Financial Instruments and Exchange Act) under "Securities,"
- "Loans and bills discounted,"
- "Foreign exchange assets,"
- Accrued interest and suspense payments under "Other assets,"
- "Customers' liabilities for acceptances and guarantees" and
- securities when such securities are lending (limited to those under loan for use contracts or lease contracts).

The following table summarizes claims to be disclosed under the Financial Revitalization Act and the Banking Act.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Claims against bankrupt or quasi-bankrupt obligors	¥ 8,615	¥ 10,771	\$ 70,378
Doubtful claims	23,896	19,834	195,212
Claims past due for three months or more	-	-	-
Restructured claims	1,441	1,024	11,771
Total	¥ 33,953	¥ 31,630	\$ 277,371

Claims against bankrupt or quasi-bankrupt obligors present loans to obligors in bankruptcy procedures, including commencement of bankruptcy proceedings, reorganization proceedings and rehabilitation proceedings, and other relevant claims.

Doubtful claims present loans, other than claims against bankrupt or quasi-bankrupt obligors, for which the obligors have not yet entered into bankruptcy, but their financial conditions and business performance have deteriorated, and therefore, it is highly probable that the principal and interest cannot be collected in accordance with contracts. Claims past due for three months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the day after the due date, and which are not classified as “claims against bankrupt or quasi-bankrupt obligors” or “doubtful claims.”

Restructured claims are loans which have been restructured to facilitate or support the reconstruction of obligors who are experiencing financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the obligors (such as reducing the rate of interest, suspending the payment of principal/interest, forgiving debt, etc.) and loans which are not classified in any of the above categories.

The amounts of claims are before deducting allowance for loan losses.

9. Tangible Fixed Assets

At March 31, 2022 and 2021, accumulated depreciation of tangible fixed assets was ¥29,347 million (\$239,743 thousand) and ¥30,183 million, respectively.

The amounts of advanced depreciation by reduction of carrying amount of assets as of and for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance as of the fiscal year-end	¥ 1,010	¥ 1,010	\$ 8,250
Amount applicable for the year	-	-	-

10. Revaluation of Land

In accordance with the “Act on Revaluation of Land” (Act No. 34 of March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying amount at the time of revaluation, net of income taxes corresponding to the excess which are recognized as “Deferred tax liabilities for land revaluation,” is stated as “Revaluation reserve for land” under net assets.

Date of revaluation: September 30, 1999

The method of revaluation of asset set forth in Article 3, paragraph 3 of the “Act on Revaluation of Land”:

Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3 of the “Order for Enforcement of Act on Revaluation of Land” (the “Ordinance”) (Cabinet Order No. 119 of March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent real estate appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair value of land used for business operations revalued pursuant to Article 10 of the “Act on Revaluation of Land” and carrying amount after revaluation of the relevant land at March 31, 2022 and 2021 was ¥1,169 million (\$9,549 thousand) and ¥1,230 million, respectively.

11. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	Maturity
	2022	2021	2022	(%)	
Borrowed money	¥ 343,800	¥ 323,700	\$ 2,808,594	0.00	Apr. 2022 through Jun. 2025
Current portion of lease obligations	23	44	187	1.24	-
Lease obligations, less current portion	27	35	220	1.39	Apr. 2023 through Dec. 2026

Note: Average interest rate is calculated based on the interests and the balances as of the balance sheet date by the weighted average method.

Annual maturities of borrowed money and lease obligations within five years at March 31, 2022 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 326,800	¥ 12,100	¥ -	¥ 4,900	¥ -
Lease obligations	23	14	6	5	1

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	\$ 2,669,716	\$ 98,848	\$ -	\$ 40,029	\$ -
Lease obligations	187	114	49	40	8

Note: Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheet.

12. Assets Pledged

Assets pledged as collateral at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Securities	¥ 157,238	¥ 145,927	\$ 1,284,519
Loans and bills discounted	239,959	256,845	1,960,289
Total	¥ 397,197	¥ 402,773	\$ 3,244,808

The liabilities secured by the above pledged assets at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Payables under securities lending transactions	¥ 52,825	¥ 75,999	\$ 431,541
Borrowed money	343,800	323,700	2,808,594

In addition to the pledged assets listed above, the following assets are pledged as collateral of domestic exchange transactions or as margins on futures contracts at March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Securities	¥ 159,533	¥ 175,186	\$ 1,303,267
Cash and due from banks	8	8	65
Other assets	35,078	43,711	286,561

Note: Other assets include guarantee deposits in the amount of ¥366 million (\$2,989 thousand) and ¥470 million at March 31, 2022 and 2021, respectively.

13. Retirement Benefit Plans

The Company and its consolidated banking subsidiaries have a defined contribution plan as well as a corporate pension plan and a lump-sum payment plan, as defined benefit plans. In addition, additional retirement allowance may be paid to employees when they retire. Further, a retirement benefit trust is established for the lump-sum payment plan of consolidated banking subsidiaries of the Company.

On April 1, 2020, the Company and its consolidated banking subsidiaries unified the comprehensive retirement plan and adopted the point system under which certain points are given based on the functional classes and titles and employees are entitled to lump-sum payments based on the accumulated points at the time of the termination multiplied by unit price by point.

Certain consolidated subsidiaries other than the consolidated banking subsidiaries have lump-sum payment plans as defined benefit pension plans, and adopt the simplified method in calculating defined benefit liability and retirement benefit expenses.

Defined benefit pension plans

(1) Reconciliation between retirement benefit obligations at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligations at beginning of year	¥ 11,788	¥ 11,902	\$ 96,299
Service costs	394	387	3,218
Interest costs	14	16	114
Actuarial gains and losses arising during year	(119)	295	(972)
Retirement benefits paid	(813)	(814)	(6,641)
Retirement benefit obligations at end of year	¥ 11,264	¥ 11,788	\$ 92,018

(2) Reconciliation between plan assets at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Plan assets at beginning of year	¥ 11,908	¥ 10,346	\$ 97,279
Expected return on plan assets	178	155	1,454
Actuarial gains and losses	230	709	1,878
Contribution from employer	94	1,396	767
Retirement benefits paid	(711)	(699)	(5,808)
Plan assets at end of year	¥ 11,700	¥ 11,908	\$ 95,580

Note: Retirement benefit trust is included in plan assets.

- (3) Reconciliation between retirement benefit obligations and plan assets at end of year and defined benefit liability and defined benefit asset on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligation	¥ 11,043	¥ 11,572	\$ 90,213
Plan assets	(11,700)	(11,908)	(95,580)
	(657)	(335)	(5,367)
Unfunded retirement benefit obligation	221	215	1,805
Net balance of liability and asset recorded on the consolidated balance sheets	¥ (436)	¥ (119)	\$ (3,561)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Defined benefit liability	¥ 645	¥ 614	\$ 5,269
Defined benefit asset	(1,081)	(734)	(8,830)
Net balance of liability and asset recorded on the consolidated balance sheets	¥ (436)	¥ (119)	\$ (3,561)

Note: Retirement benefit trust is included in plan assets.

- (4) Retirement benefit expenses and components thereof

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service costs	¥ 394	¥ 387	\$ 3,218
Interest costs	14	16	114
Expected return on plan assets	(178)	(155)	(1,454)
Amortization of actuarial gains and losses	206	187	1,682
Amortization of past service costs	(217)	(217)	(1,772)
Other	12	8	98
Retirement benefit expenses on defined benefit plans	¥ 232	¥ 226	\$ 1,895

Note: Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively included in "Service costs."

- (5) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Past service costs	¥ (217)	¥ (217)	\$ (1,772)
Actuarial gains and losses	556	601	4,542
Total	¥ 339	¥ 383	\$ 2,769

- (6) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized past service costs	¥ (652)	¥ (870)	\$ (5,326)
Unrecognized actuarial gains and losses	38	595	310
Total	¥ (614)	¥ (274)	\$ (5,015)

(7) Components of plan assets

(i) Percentages to total plan by major category are as follows:

	<u>2022</u>	<u>2021</u>
Debt securities	35.6%	32.2%
Equity securities	26.5	27.0
Cash and deposits	4.7	20.4
Call loans	0.0	0.1
General account	6.2	6.3
Other	27.0	14.0
Total	<u>100.0%</u>	<u>100.0%</u>

Note: 37.8% and 38.0% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan as of March 31, 2022 and 2021, respectively.

(ii) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(8) Actuarial assumptions at end of year

	<u>2022</u>	<u>2021</u>
Discount rate	0.16% - 0.38%	0.05% - 0.25%
Expected long-term rate of return on plan assets	1.50%	1.50%
Expected rate of salary increase	2.20% - 2.30%	2.20% - 2.30%

Defined contribution pension plans

The amounts to be contributed to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥165 million (\$1,347 thousand) and ¥171 million as of March 31, 2022 and 2021, respectively.

14. Contingent Liabilities

Guarantee liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in “Securities” amounted to ¥25,969 million (\$212,147 thousand) and ¥20,445 million at March 31, 2022 and 2021, respectively.

15. Shareholders' Equity

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

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

Movements in common stock, preferred stock and treasury stock during the years ended March 31, 2022 and 2021 are summarized as follows:

	Number of shares (in thousands)				Ref.
	April 1, 2021	Increase	Decrease	March 31, 2022	
Issued shares:					
Common stock	181,421	-	163,279	18,142	(1), (2)
Preferred stock class B	25,000	-	23,750	1,250	
Total	206,421	-	187,029	19,392	
Treasury stock:					
Common stock	31	15	29	17	(1), (4), (5)
Preferred stock class B	-	12,500	12,500	-	
Total	31	12,515	12,529	17	

Notes: (1) Effective October 1, 2021, the Company implemented the stock consolidation, whereby 10 shares of its common stock and preferred stock class B were consolidated to one share.

(2) Decrease in number of issued shares of common stock is due to the stock consolidation.

(3) Decrease in number of issued shares of preferred stock class B is due to 12,500 thousand shares of cancellation and 11,250 thousand shares of the stock consolidation.

(4) Increase in number of treasury stock of common stock is due to 2 thousand shares of purchase and 12 thousand shares of request for purchase of less than one unit.

(5) Decrease in number of treasury stock of common stock is due to 28 thousand shares of the stock consolidation and 0 thousand shares of request for sale of less than one unit.

(6) Increase in number of treasury stock of preferred stock class B is due to 12,500 thousand shares of acquisition based on the resolution at the Board of Directors' meeting held on September 28, 2021. Decrease of 12,500 thousand shares is due to cancellation.

	Number of shares (in thousands)				Ref.
	April 1, 2020	Increase	Decrease	March 31, 2021	
Issued shares:					
Common stock	181,421	-	-	181,421	
Preferred stock class B	25,000	-	-	25,000	
Total	206,421	-	-	206,421	
Treasury stock:					
Common stock	30	1	0	31	Note
Total	30	1	0	31	

Note: Increase in number of shares is due to request for purchase of less than one unit. Decrease in number of shares is due to request for sale of less than one unit.

16. Revenue Recognition

(1) Information on disaggregated revenue from contracts with customers

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Fees and commissions:		
Deposits and loans operations	¥ 1,712	\$ 13,985
Foreign exchange operations	1,541	12,588
Securities-related operations	75	612
Agency operations	3,215	26,264
Custody/safe deposits operations	61	498
Other operations	1,152	9,410
Total	7,759	63,385
Other ordinary income	2,595	21,199
Ordinary income from contracts with customers	10,355	84,592
Ordinary income other than above (Note 1)	40,738	332,799
Ordinary income (Note 2)	¥ 51,094	\$ 417,400

Notes: (1) It mainly consists of transactions related to financial instruments included in the scope of ASBJ Statement No. 10 “Accounting Standard for Financial Instruments,” lease transactions included in the scope of ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” and fees and commissions received on origination or acquisition of financial instruments.

(2) “Ordinary income” is defined as income less certain special income included in the accompanying consolidated statements of income.

(2) Information on basis of revenue from contracts with customers

Information on basis of revenue from contracts with customers is omitted since it is described in Note “3. Significant Accounting Policies, (12) Recognition of significant revenue and expenses.”

17. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2022 and 2021 included the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Salaries and allowances	¥ 11,089	¥ 11,678	\$ 90,589
Retirement benefit expenses	398	398	3,251
Outsourcing expenses	2,792	2,801	22,808

18. Other Expenses

Other expenses for the years ended March 31, 2022 and 2021 included the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loss on sale of equity securities, etc.	¥ 2,232	¥ 595	\$ 18,233

19. Impairment Loss

For the years ended March 31, 2022 and 2021, with regard to assets from which cash flows declined due to decrease in income from operating activities, idle properties and assets which were determined to be sold, the Company recognized the impairment loss by writing off the carrying amount of each asset to its respective recoverable amount.

March 31, 2022

Category	Area	Main use	Description	Impairment loss	
				Millions of yen	Thousands of U.S. dollars
Business assets	Within Yamagata Prefecture	Banking office – eight locations	Land and buildings	¥ 398	\$ 3,251
Business assets	Within Akita Prefecture	Banking office – four locations	Land and buildings	233	1,903
Business assets	Within Fukushima Prefecture	Banking office – one location	Land	26	212
Total				¥ 659	\$ 5,383

March 31, 2021

Category	Area	Main use	Description	Impairment loss	
				Millions of yen	
Business assets	Within Akita Prefecture	Banking office – 10 locations	Land and buildings	¥ 444	
Business assets	Within Miyagi Prefecture	Banking office – three locations	Buildings	201	
Business assets	Within Yamagata Prefecture	Banking office – six locations	Land and buildings	199	
Business assets	Within Tokyo Metropolitan Area	Banking office – one location	Buildings	14	
Idle assets	Within Akita Prefecture	Idle assets – four locations	Land and buildings	30	
Total				¥ 891	

Banking offices of consolidated subsidiaries in the banking business are grouped by office which is the minimum unit for management accounting purposes. Certain banking office group which operates in cooperation is considered as one unit, and banking offices located in the same building are also considered as one unit. For idle assets and assets held for sale, each asset is considered as the minimum unit. Head office, administrative centers and others are considered as corporate assets since they contribute to generate future cash flows of multiple assets or asset groups.

The Company and consolidated subsidiaries in other than the banking business are grouped by entity as a general rule.

The recoverable amount of relevant asset group is measured at net selling price and calculated by deducting estimated costs to sell from the amount which properly reflects the fair market value such as real estate appraisal value or roadside land prices.

20. Other Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income (loss) for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Unrealized gain (loss) on available-for-sale securities:			2022
Gain (loss) arising during the year	¥ (13,425)	¥ 7,989	\$ (109,672)
Reclassification adjustments	2,022	1,191	16,518
Before income tax effect	(11,403)	9,181	(93,154)
Income tax effect	3,460	(2,782)	28,265
Unrealized gain (loss) on available-for-sale securities	(7,943)	6,399	(64,888)
Deferred gain (loss) on hedges:			
Adjustments arising during the year	264	(807)	2,156
Reclassification adjustments	-	-	-
Before income tax effect	264	(807)	2,156
Income tax effect	(80)	245	(653)
Deferred gain (loss) on hedges	184	(561)	1,503
Remeasurements of defined benefit plans:			
Adjustments arising during the year	349	413	2,851
Reclassification adjustments	(10)	(30)	(81)
Before income tax effect	339	383	2,769
Income tax effect	(72)	(62)	(588)
Remeasurements of defined benefit plans	267	321	2,181
Total other comprehensive income	¥ (7,491)	¥ 6,159	\$ (61,195)

21. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2022 and 2021 is summarized as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Cash and due from banks	¥ 725,949	¥ 612,331	\$5,930,471
Due from banks (excluding due from BoJ)	(3,057)	(3,029)	(24,973)
Cash and cash equivalents	¥ 722,891	¥ 609,301	\$5,905,489

22. Income Taxes

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥ 7,529	¥ 7,374	\$ 61,506
Defined benefit liability	1,699	1,727	13,879
Tax loss carryforwards	756	1,078	6,175
Depreciation	606	663	4,950
Write-down of securities	138	138	1,127
Other	1,318	1,452	10,767
Gross deferred tax assets	12,048	12,435	98,423
Valuation allowance	(6,159)	(5,945)	(50,314)
Total deferred tax assets	¥ 5,889	¥ 6,490	\$ 48,108
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (4,514)	¥ (7,974)	\$ (36,876)
Other	(753)	(646)	(6,151)
Total deferred tax liabilities	(5,267)	(8,621)	(43,027)
Net deferred tax assets (liabilities)	¥ 621	¥ (2,130)	\$ 5,073

Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2022 and 2021 is shown as below.

	2022	2021
Normal effective statutory tax rate	30.58%	30.58%
Non-deductible expenses such as entertainment expenses	0.26	0.36
Non-taxable income such as dividend income	(11.15)	(7.26)
Per capita inhabitant tax	0.87	0.95
Valuation allowance	4.56	4.59
Consolidation adjustments	10.54	6.36
Other	1.59	2.03
Actual effective tax rate	37.25%	37.61%

23. Segment Information

(1) Segment information

The Group has a single segment of banking business. Accordingly, segment information by reportable segment is omitted.

(2) Related information

Information by service

	Millions of yen			
March 31, 2022	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 18,587	¥ 17,985	¥ 14,521	¥ 51,094

	Millions of yen			
March 31, 2021	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 19,534	¥ 20,526	¥ 13,130	¥ 53,191

	Thousands of U.S. dollars			
March 31, 2022	Lending	Securities investment	Other	Total
Ordinary income from external customers	\$ 151,842	\$ 146,924	\$ 118,625	\$ 417,400

Note: "Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

Geographic information

(i) Ordinary income

Information about ordinary income by geographic area for the years ended March 31, 2022 and 2021 is omitted as ordinary income from external customers in Japan was more than 90% of ordinary income in the consolidated statements of income.

(ii) Tangible fixed assets

Information about tangible fixed assets by geographic area as of March 31, 2022 and 2021 is omitted as tangible fixed assets in Japan was more than 90% of "Tangible fixed assets" in the consolidated balance sheets.

Information by major customer

Information by major customer for the years ended March 31, 2022 and 2021 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

24. Related Party Transactions

Transactions between the Company's consolidated subsidiaries and their directors and major shareholders as of March 31, 2022 and 2021 and for the years then ended are as follows:

2022									
Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2022
Companies, etc. whose voting rights are owned by the director (including the director of the consolidated subsidiaries) or his/her relatives	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥195 million (\$1,593 thousand)	Loans and bills discounted	¥156 million (\$1,274 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥1,029 million (\$8,406 thousand)	Loans and bills discounted	¥1,380 million (\$11,273 thousand)
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥540 million (\$4,411 thousand)	Loans and bills discounted	¥540 million (\$4,411 thousand)
	Okuyama Boring Co., Ltd. Note (3)	Yokote city, Akita Pref.	¥40	Construction	-	Lending	¥1,029 million (\$8,406 thousand)	Loans and bills discounted	¥1,085 million (\$8,863 thousand)
						Guarantee for liabilities	¥245 million (\$2,001 thousand)	Customers' liabilities for acceptances and guarantees	¥293 million (\$2,393 thousand)
2021									
Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2021
Relative of the director	Yuki Fukuoka Note (6)	-	-	Doctor	-	Lending	¥88 million	Loans and bills discounted	¥121 million
Companies, etc. whose voting rights are owned by the director (including the director of the consolidated subsidiaries) or his/her relatives	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥223 million	Loans and bills discounted	¥196 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥950 million	Loans and bills discounted	¥1,080 million
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥526 million	Loans and bills discounted	¥540 million
	Okuyama Boring Co., Ltd. Note (3)	Yokote city, Akita Pref.	¥40	Construction	-	Lending	¥1,164 million	Loans and bills discounted	¥1,139 million
						Guarantee for liabilities	¥225 million	Customers' liabilities for acceptances and guarantees	¥259 million

- Notes: (1) Akita Kubota Co., Ltd. is a subsidiary of Ishii Shoji Co., Ltd. Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ishii Shoji Co., Ltd.
- (2) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, his relatives and Ishii Shoji Co., Ltd. own the majority of voting rights of Netz Toyota Akita Co., Ltd. Toyota Renta Lease Akita Co., Ltd. is a subsidiary of Netz Toyota Akita Co., Ltd.
- (3) Kazuhiko Okuyama, a director and audit & supervisory board member of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Okuyama Boring Co., Ltd.
- (4) The transactions are with Hokuto, which is a significant consolidated subsidiary of the Company, and the trading conditions and policies are the same as those of the transactions with general parties.
- (5) The transaction amount is shown by the average balance.
- (6) Yuki Fukuoka is a relative of Eikichi Saito who is a director of Hokuto which is a significant consolidated subsidiary of the Company.

There is no other related party transaction to be disclosed for the years ended March 31, 2022 and 2021.

25. Financial Instruments and Related Disclosures

(1) Status of Financial Instruments

(i) Policy on financial instruments

The Group is engaged in financial information services centering on banking business such as deposit-taking and lending services for domestic corporate and individual customers and management of securities such as debt and equity securities and investment trusts. The Group accepts risk as long as it remains financially healthy and intends to improve its earning power in order to continue to conduct these services.

The Group holds financial assets and liabilities exposed to the fluctuation risk of interest rates. Accordingly, the Group conducts asset and liability management (ALM) and enters into derivative transactions, if necessary, in order to avoid adverse effect by the interest-rate fluctuation.

(ii) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans and bills discounted to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trusts and investments in partnerships, are held for the purposes of net investment and strategic investment. These financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.

Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts. The liquidity risk is also controlled by limiting the ratio of large deposit accounts to a certain level.

Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and futures of debt securities held as available-for-sale securities, options, etc. These derivatives are not entered into for speculative purpose but mainly for hedging purposes.

(iii) Risk management system for financial instruments

The Group has established the "Basic Policy on Risk Management" and various risk control rules and a system to conduct the risk management as follows:

a. Credit risk management:

In accordance with the "Credit Policy" and "Credit Risk Management Rule," for loans and bills discounted, a credit control system has been established and maintained, including credit review by individual contract, credit limit control, credit information control, internal ratings, retrospective control including self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management, etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings on a regular basis. Furthermore, the status of credit control is examined by the internal audit department.

b. Market risk management:

For market transactions, front office, middle office and back office, each of which is independent of others, are mutually controlled.

Interest rate risk management:

The Group manages the fluctuation risk of interest rates by ALM. In accordance with the "Market Risk Management Rule," the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis, and the monitoring results are reported to the management meetings on a regular basis. In addition, the future countermeasures based on the analysis of current status are discussed.

Foreign exchange risk management:

The Group manages foreign exchange risk, in accordance with the "Market Risk Management Rule," by establishing total positions and loss limits or entering into hedging activities.

Price fluctuation risk management:

The Group manages price fluctuation risk in accordance with "Market Risk Management Rule." Risk

exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department on a daily basis based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.

Derivative transactions:

With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness, and operation administration and conducts transactions under the management and control based on the handling rules.

Quantitative information about market risk:

Financial instruments not for trading purposes

The Group identifies and manages the market risk volume using VaR on a daily basis (monthly basis with regard to interest rate risk volume of deposits, loans and bills discounted, etc.), since the Group holds many financial instruments whose fair value fluctuates on a daily basis and such fluctuation amount is greater than other risk categories. The market risk volume of the Group is controlled as the total amounts of market risk volume of Shonai and Hokuto which are the subsidiaries.

Market risk volume of the banking business of the Group at March 31, 2022 and 2021 and for the years then ended was as follows:

Billions of yen				
2022				
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	27.1	29.9	26.0	27.9
Debt securities	6.3	7.3	5.6	6.9
Equity securities	4.9	6.8	4.1	6.6
Other	21.1	22.6	19.9	22.2
Billions of yen				
2021				
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	51.6	60.3	31.5	31.5
Debt securities	12.4	16.6	6.1	6.1
Equity securities	6.6	7.8	5.0	5.6
Other	39.4	47.2	24.3	24.3
Millions of U.S. dollars				
2022				
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Securities:	221.3	244.2	212.4	227.9
Debt securities	51.4	59.6	45.7	56.3
Equity securities	40.0	55.5	33.4	53.9
Other	172.3	184.6	162.5	181.3

(*1) VaR is measured in principle using the variance/co-variance method.

(*2) Holding period is assumed to be 60 business days for higher market liquidity financial instruments such as Japanese government bonds, municipal bonds, listed equity securities (excluding strategic investments), etc., 250 business days for

cross-holding shares of listed equity securities, and 125 or 250 business days for less market liquidity financial instruments, due from banks, loans and bills discounted, etc.

- (*3) 99 % is used for confidence interval, and 250 business days are used as extraction period of market data to measure volatility.
- (*4) The total amount does not agree with the sum of the individual amounts since correlation between the risk factors of debt securities and equity securities is taken into account.
- (*5) The current interest rate risk volume of deposits, loans and bills discounted, etc., represents decreasing interest rate risk, not increasing interest rate risk. The increasing interest rate risk is managed as internal control. Therefore, the interest rate risk volume of due from banks, loans and bills discounted and others is considered to be zero.

Within the Group, each banking subsidiary implements backtests comparing the VaR of one day holding period measured by the model and the actual loss, in order to verify the accuracy of the measurement model of the market risk volume concerning the VaR of securities.

The measurement model currently in use is deemed to capture the market risk on the reasonably accurate basis. However, the Group will take conservative actions as necessary when VaR is expected to increase due to an increase in volatility.

In implementing the risk management using the VaR, the following particular points are paid attention to:

- (a) Quantitative information such as VaR of market risk is determined based on the statistical assumptions and may result in a different value depending on the different assumptions and calculation methods.
- (b) Quantitative information such as VaR of market risk is a statistical value calculated based on the assumptions and not intended to estimate the maximum loss amount. Profit or loss is assumed to exceed VaR on the frequency corresponding to the confidence interval.
- (c) Future market conditions may differ significantly from the past.

Financial instruments for trading purposes are excluded from the scope of disclosure, since the outstanding balance at any banking subsidiary is very insignificant and the materiality of effect on the management is quite limited.

c. Liquidity risk management:

The Group sets limits on liquidity risk management and reports to the management meetings, monitoring the results on a daily basis in accordance with the “Liquidity Risk Management Rule.”

(iv) Supplementary explanation about fair value of financial instruments

As certain assumptions are used in calculating the fair value of financial instruments, the result of such calculation may vary if different assumptions are used.

(2) Fair value of financial instruments

The carrying amount, the fair value and their difference as of March 31, 2022 and 2021 were as follows. Note that equity securities without market prices or investments in partnerships are not included in the following table (See Note 1 below). In addition, the disclosure of carrying amount, fair value and difference is omitted for cash and due from banks, monetary claims bought, foreign exchange assets and liabilities and payables under securities lending transactions since their fair value approximates their carrying amount due to short maturities.

March 31, 2022	Millions of yen		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	¥ 589	¥ 589	¥ -
Money held in trust	51,717	51,717	-
Securities:			
Available-for-sale securities	676,477	676,477	-
Loans and bills discounted:	1,712,140		
Allowance for loan losses (*1)	(13,185)		
	1,698,955	1,723,414	24,459
Assets, total	¥2,427,739	¥2,452,199	¥ 24,459
Deposits	¥2,656,962	¥2,656,971	¥ 8
Negotiable certificates of deposit	54,867	54,867	-
Borrowed money	343,800	343,789	(10)
Liabilities, total	¥3,055,630	¥3,055,627	¥ (2)
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ [3,342]	¥ [3,342]	¥ -
To which hedge accounting is applied	183	183	-
Derivative transactions, total	¥ [3,158]	¥ [3,158]	¥ -

March 31, 2021	Millions of yen		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	¥ 553	¥ 553	¥ -
Money held in trust	47,358	47,358	-
Securities:			
Available-for-sale securities	725,318	725,318	-
Loans and bills discounted:	1,731,224		
Allowance for loan losses (*1)	(13,130)		
	1,718,094	1,747,376	29,281
Assets, total	¥2,491,325	¥2,520,606	¥ 29,281
Deposits	¥2,593,356	¥2,593,387	¥ 30
Negotiable certificates of deposit	57,152	57,152	-
Borrowed money	323,700	323,700	-
Liabilities, total	¥2,974,209	¥2,974,240	¥ 30
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ [2,726]	¥ [2,726]	¥ -
To which hedge accounting is applied	[208]	[208]	-
Derivative transactions, total	¥ [2,934]	¥ [2,934]	¥ -

March 31, 2022	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	\$ 4,811	\$ 4,811	\$ -
Money held in trust	422,489	422,489	-
Securities:			
Available-for-sale securities	5,526,321	5,526,321	-
Loans and bills discounted:	13,986,929		
Allowance for loan losses (*1)	(107,711)		
	13,879,217	14,079,029	199,812
Assets, total	\$19,832,848	\$20,032,668	\$ 199,812
Deposits	\$21,705,432	\$21,705,506	\$ 65
Negotiable certificates of deposit	448,223	448,223	-
Borrowed money	2,808,594	2,808,504	(81)
Liabilities, total	\$24,962,257	\$24,962,233	\$ (16)
Derivative transactions (*2):			
To which hedge accounting is not applied	\$ [27,301]	\$ [27,301]	\$ -
To which hedge accounting is applied	1,494	1,494	-
Derivative transactions, total	\$ [25,798]	\$ [25,798]	\$ -

(*1) General and specific allowances for loan losses corresponding to loans and bills discounted are deducted.

(*2) Assets and liabilities arising from derivative transactions are presented in net amounts, and net liabilities are shown in square parentheses.

(Note 1) For equity securities without market prices and investments in partnerships, their carrying amount is as follows. These financial instruments are not included in “Available-for-sale securities” of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted equity securities (*1) (*2)	¥ 1,434	¥ 1,580	\$ 11,714
Investments in partnerships (*3)	2,473	2,346	20,202

(*1) The fair value of unlisted equity securities is not disclosed 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) The Company recognized write-down of unlisted equity securities in an amount of ¥4 million (\$32 thousand) and ¥110 million for the years ended March 31, 2022 and 2021, respectively.

(*3) The fair value of investments in partnerships is not disclosed in accordance with paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2022

March 31, 2022	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 690,980	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	3,811	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	51,205	89,364	81,774	85,129	140,865	162,535
Japanese government bonds	14,500	13,000	5,000	—	51,000	23,200
Municipal bonds	13,562	41,589	35,316	38,588	44,506	50,620
Corporate bonds	5,567	14,758	18,009	10,915	450	75,982
Other	17,576	20,015	23,448	35,625	44,909	12,731
Loans and bills discounted (*2)	322,923	304,754	274,222	181,110	199,801	345,674
Total	¥1,068,921	¥ 394,119	¥ 355,996	¥ 266,239	¥ 340,667	¥ 508,209

March 31, 2022	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	\$ 5,644,800	\$ -	\$ -	\$ -	\$ -	\$ -
Monetary claims bought	31,133	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	418,307	730,038	668,033	695,441	1,150,763	1,327,791
Japanese government bonds	118,454	106,200	40,846	-	416,632	189,526
Municipal bonds	110,791	339,751	288,505	315,235	363,581	413,528
Corporate bonds	45,478	120,562	147,120	89,167	3,676	620,717
Other	143,583	163,507	191,552	291,030	366,873	104,002
Loans and bills discounted (*2)	2,638,044	2,489,616	2,240,192	1,479,535	1,632,227	2,823,903
Total	\$8,732,301	\$3,219,663	\$2,908,226	\$2,174,977	\$2,782,999	\$4,151,695

(*1) Due from banks without maturity is shown under “Due in one year or less.”

(*2) Loans and bills discounted as of March 31, 2022 do not include ¥29,538 million (\$241,303 thousand) of receivables such as those due from bankrupt, virtually bankrupt or potentially bankrupt borrowers since these are not certain when they can be collected or redeemed, and ¥54,114 million (\$442,071 thousand) of receivables without maturity.

(Note 3) Repayment schedule of bonds payable, borrowed money and other interest-bearing liabilities subsequent to March 31, 2022

March 31, 2022	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 2,352,050	¥ 97,205	¥ 5,642	¥ -	¥ -	¥ -
Negotiable certificates of deposit	54,867	-	-	-	-	-
Payables under securities lending transactions	52,825	-	-	-	-	-
Borrowed money	326,800	12,100	4,900	-	-	-
Total	¥ 2,786,542	¥ 109,305	¥ 10,542	¥ -	¥ -	¥ -

	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
March 31, 2022						
Deposits (*)	\$19,214,524	\$ 794,093	\$ 46,091	\$ -	\$ -	\$ -
Negotiable certificates of deposit	448,223	-	-	-	-	-
Payables under securities lending transactions	431,541	-	-	-	-	-
Borrowed money	2,669,716	98,848	40,029	-	-	-
Total	\$22,764,006	\$ 892,941	\$ 86,120	\$ -	\$ -	\$ -

(*) Demand deposits are shown under “Due in one year or less” of deposits.

(3) Fair value hierarchy of financial instruments

The Group classifies the fair value of financial instruments into three categories depending on whether inputs for a fair value measurement are observable or significant.

Level 1 fair value: Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement

Level 2 fair value: Fair value measured by using observable inputs other than those for Level 1

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

When multiple inputs of different categories are used in measuring fair value, the Group classifies the fair value into a category to which the lowest priority is assigned.

(i) Financial instruments measured at fair value in the consolidated balance sheet

	Millions of yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Money held in trust	¥ -	¥ 47,089	¥ -	¥ 47,089
Securities:				
Trading securities:				
Japanese government bonds, Municipal bonds	0	59	-	59
Available-for-sale securities:				
Japanese government bonds, Municipal bonds	102,510	231,293	-	333,804
Corporate bonds	-	99,848	26,070	125,918
Equity securities	16,265	-	-	16,265
Other	19,193	57,015	-	76,209
Derivative transactions:				
Interest rate related	-	8	-	8
Currency related	-	4	-	4
Equity securities related	-	10	-	10
Assets, total	¥ 137,979	¥ 436,056	¥ 26,070	¥ 600,107
Derivative transactions:				
Currency related	¥ -	¥ 3,388	¥ -	¥ 3,388
Liabilities, total	¥ -	¥ 3,388	¥ -	¥ 3,388

March 31, 2022	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ -	\$ 384,682	\$ -	\$ 384,682
Securities:				
Trading securities:				
Japanese government bonds, Municipal bonds	8	4,730	-	4,811
Available-for-sale securities				
Japanese government bonds, Municipal bonds	837,431	1,889,494	-	2,726,934
Corporate bonds	-	815,684	212,972	1,028,657
Equity securities	132,873	-	-	132,873
Other	156,792	465,770	-	622,571
Derivative transactions:				
Interest rate related	-	661	-	661
Currency related	-	375	-	375
Equity securities related	-	833	-	833
Assets, total	\$ 1,127,187	\$ 3,562,257	\$ 212,972	\$ 4,902,434
Derivative transactions:				
Currency related	\$ -	\$ 27,677	\$ -	\$ 27,677
Liabilities, total	\$ -	\$ 27,677	\$ -	\$ 27,677

(*) The above table does not include investment trusts, etc., for which the transitional treatment prescribed in paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) are applied. The amount of the investment trusts, etc. in the consolidated balance sheet is ¥128,907 million (\$1,053,075 thousand) as of March 31, 2022.

(ii) Financial instruments other than those measured at fair value in the consolidated balance sheet

March 31, 2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ -	¥ -	¥ 1,723,414	¥ 1,723,414
Assets, total	¥ -	¥ -	¥ 1,723,414	¥ 1,723,414
Deposits	¥ -	¥ 2,656,971	¥ -	¥ 2,656,971
Negotiable certificates of deposit	-	54,867	-	54,867
Borrowed money	-	343,789	-	343,789
Liabilities, total	¥ -	¥ 3,055,627	¥ -	¥ 3,055,627

March 31, 2022	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	\$ -	\$ -	\$ 14,079,029	\$ 14,079,029
Assets, total	\$ -	\$ -	\$ 14,079,029	\$ 14,079,029
Deposits	\$ -	\$ 21,705,506	\$ -	\$ 21,705,506
Negotiable certificates of deposit	-	448,223	-	448,223
Borrowed money	-	2,808,504	-	2,808,504
Liabilities, total	\$ -	\$ 24,962,233	\$ -	\$ 24,962,233

(Note 1) Explanation of valuation techniques and inputs used for fair value measurement

Assets

Money held in trust

For financial instruments that are invested as trust assets in an independently managed money trust with the primary purpose of managing securities, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value is classified into Level 3 when the impact from unobservable inputs is significant, otherwise it is classified into Level 2.

Trading securities and available-for-sale securities

Trading securities and available-for-sale securities for which unadjusted quoted prices in active markets are available are classified into Level 1 fair value. Such securities mainly include listed equity securities and Japanese government bonds.

Even if available quoted prices are used, securities are classified into Level 2 when the relevant markets are not active. Such securities mainly include municipal bonds and corporate bonds.

When quoted prices are not available, the fair value is measured by using valuation techniques such as the present value technique discounting future cash flows. The Group makes maximum use of observable inputs in the valuations. Inputs include TIBOR, government bond yield, conditional prepayment rates, credit spreads, probability of default, loss given default and others. When significant unobservable inputs are used, the fair value is classified into Level 3.

The fair value of investment trusts, for which the publicized net asset value is used, is not included in the fair value hierarchy of financial instruments in accordance with the transitional treatment prescribed in paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

Loans and bills discounted

For the loans and bills discounted with short remaining terms (within one year), the carrying amount is used as the fair value since the fair value approximates the carrying amount. For the loans and bills discounted without predetermined maturity because of characteristics such as the loans and bills discounted being limited within the amount of the pledged assets, the carrying amount is used as the fair value since the fair value is deemed to approximate the carrying amount considering the expected repayment term and interest rate conditions.

The fair value of loans and bills discounted with fixed interest rates, categorized by the type, internal rating and term to maturity, is calculated by discounting the total of principal and interest using credit spreads by credit rating and market interest rate.

The fair value of the loans and bills discounted with floating interest rates, categorized by the internal rating and term to maturity, is calculated by discounting the total of principal and interest, basically until the interest maturity date, using credit spreads by credit rating and market interest rate. Credit spreads are calculated by remaining term based on accumulated default rate by credit rating and loss rate by borrower classification.

For loans and bills discounted due from bankrupt, virtually bankrupt or potentially bankrupt borrowers, loan losses are estimated based on factors such as the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount net of the recorded amount of allowance for loan losses, such carrying amount is used as the fair value.

The fair value is classified into Level 3 when the impact from unobservable inputs is significant, otherwise it is classified into Level 2.

Liabilities

Deposits and Negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is used as the fair value. The fair value of time deposit is measured at the present value calculated by discounting future cash flows, grouping by certain maturity length. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining term is short (within one year), the carrying amount is used as the fair value since the fair value approximates the carrying amount. The said fair value is classified into Level 2.

Borrowed money

The fair value of borrowed money is measured by discounting the aggregate amount of principal and interest, categorized by the term to maturity, at market rates. For borrowed money whose remaining term is short (within one year), the carrying amount is used as the fair value since the fair value approximates the carrying amount. The said fair value is classified into Level 2.

Derivative transactions

For derivative transactions, the fair value measured by using unadjusted quoted prices in active markets is classified into Level 1, which includes those of bond futures and interest rate futures. However, the Group's derivative transactions are mostly over-the-counter ("OTC") transactions for which quoted prices are not available. Thus, the fair value is measured by using valuation techniques such as option pricing models or the present discounted value technique, depending on the type of transactions or the term to maturity. Major inputs used for the valuation techniques are interest rates, foreign exchange rates, volatilities and other. Adjustments are made to prices based on the credit risks of counterparties and the Group's banks. When unobservable inputs are not used or the impact is not significant, the fair value is classified into Level 2, and such transactions include interest rate swaps and foreign exchange forward contracts. When significant unobservable inputs are used, the fair value is classified into Level 3.

(Note 2) Information on Level 3 fair value, of financial instruments measured at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

March 31, 2022	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted-average of inputs	
Securities:					
Available-for-sale securities:					
Corporate bonds					
		Probability of default	0.04% - 100.00%	2.20%	
	Private placement bonds	Present value	Loan recovery rate	0.0%- 33.50%	29.63%

(2) Reconciliation from beginning balance to ending balance and valuation gain or loss recognized for the year ended March 31, 2022

Millions of yen									
March 31, 2022	Beginning of the year	Income or other comprehensive income ("OCI") recognized for the current fiscal year	Income or other comprehensive income ("OCI") recognized for the current fiscal year	Purchase, sale, issuance and settlement, net	Reclassification to Level 3 (*3)	Reclassification from Level 3 (*4)	End of the year	Valuation gain (loss) (*5)	
		Income (*1)	OCI (*2)						
Securities:									
Available-for-sale securities:									
Corporate bonds									
	Private placement bonds	¥ 20,445	¥ 1	¥ 100	¥ 5,524	¥ -	¥ -	¥ 26,070	¥ -

Thousands of U.S. dollars

March 31, 2022	Beginning of the year	Income or other comprehensive income ("OCI") recognized for the current fiscal year		Purchase, sale, issuance and settlement, net	Reclassi- fication to Level 3 (*3)	Reclassi- fication from Level 3 (*4)	End of the year	Valuation gain (loss) (*5)
		Income (*1)	OCI (*2)					
Securities:								
Available-for-sale securities:								
Corporate bonds								
Private placement bonds								
	\$ 167,020	\$ 8	\$ 816	\$ 45,127	\$ -	\$ -	\$ 212,972	\$ -

(*1) The amount is included in "Other operating income" in the consolidated statement of income.

(*2) The amount is included in "Unrealized gain (loss) on available-for-sale securities" of "Other comprehensive income" in the consolidated statement of comprehensive income.

(*3) It presents the reclassification from Level 2 fair value to Level 3 fair value. None for the year ended March 31, 2022.

(*4) It presents the reclassification from Level 3 fair value to Level 2 fair value. None for the year ended March 31, 2022.

(*5) It presents valuation gain (loss) of financial assets or liabilities held at the consolidated balance sheet date, out of income recognized for the current fiscal year.

(3) Fair value valuation procedures

Each division in charge performs a fair value measurement in accordance with the policies and procedures prepared by the risk management division of the Group. The measured fair value is verified by the independent valuation division for the reasonableness of inputs and valuation techniques used for the measurement and appropriateness of the level categories of the fair value. The verification result is reported to the risk management division every period, and thus, the Group ensures the appropriateness of the policies and procedures of the fair value measurement.

The fair value is measured using a valuation model that most appropriately reflects the nature, characteristics and risk of each asset. In case where quoted prices obtained from third parties are used, the Group verifies the reasonableness of the prices by confirming the valuation techniques and inputs used and by applying appropriate methods including comparison with the market prices of similar financial instruments.

(4) The impact on the fair value in case where any changes made to significant unobservable inputs

The significant unobservable inputs used in measuring the fair value of corporate bonds are probability of default and recovery ratio. Significant increase (decrease) in probability of default results in significant decline (rise) in the fair value, and significant increase (decrease) in recovery ratio. results in significant rise (decline) in the fair value. In general, changes in assumptions used for probability of default have reverse effects on assumptions used for recovery ratio.

26. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss by transaction type at the balance sheet date and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Interest rate related derivatives

There was no interest rate related derivative at March 31, 2022.

Interest rate related derivatives at March 31, 2021 were as follows:

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Interest rate swaps:				
Receive floating / Pay fix	¥ 3,000	¥ 3,000	¥ 14	¥ 14
Total			¥ 14	¥ 14

Note: Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

Currency related derivatives

Currency related derivatives at March 31, 2022 and 2021 were as follows:

March 31, 2022	Millions of yen			
	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 64,219	¥ -	¥ (3,368)	¥ (3,368)
Bought	4,964	-	26	26
Total			¥ (3,342)	¥ (3,342)

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 84,456	¥ -	¥ (2,754)	¥ (2,754)
Bought	3,773	-	14	14
Total			¥ (2,740)	¥ (2,740)

March 31, 2022	Thousands of U.S. dollars			
	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Forward foreign exchange contracts:				
Sold	\$ 524,622	\$ -	\$(27,514)	\$(27,514)
Bought	40,552	-	212	212
Total			\$(27,301)	\$(27,301)

Note: Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Interest rate related derivatives

Interest rate related derivatives at March 31, 2022 were as follows:

March 31, 2022			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		¥ 6,500	¥ 6,500	¥ 81
Total					¥ 81

There was no interest rate related derivative at March 31, 2021.

March 31, 2022			Thousands of U.S. dollars		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		\$ 53,100	\$ 53,100	\$ 661
Total					\$ 661

Note: In principle, the deferred hedge accounting is applied in accordance with the JICPA Industry Committee Practical Guideline No. 24 (March 17, 2022).

Equity securities related derivatives

Equity securities related derivatives at March 31, 2022 and 2021 were as follows:

March 31, 2022			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts:	Available-for-sale securities (Equity securities)			
	Sold		¥ 1,599	¥ -	¥ 102
	Bought		-	-	-
Total					¥ 102

March 31, 2021			Millions of yen		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts:	Available-for-sale securities (Equity securities)			
	Sold		¥ 1,507	¥ -	¥ (208)
	Bought		-	-	-
Total					¥ (208)

March 31, 2022			Thousands of U.S. dollars		
			Contract amount		
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Equity forward contracts:	Available-for-sale securities (Equity securities)			
	Sold		\$ 13,062	\$ -	\$ 833
	Bought		-	-	-
Total					\$ 833

Note: In principle, the deferred hedge accounting is applied in accordance with the JICPA Industry Committee Practical Guideline No. 24 (March 17, 2022).

27. Amounts per Share

Amounts per share at March 31, 2022 and 2021 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets	¥ 5,732.01	¥ 6,049.00	\$ 46.8263
Net income:			
Basic	190.15	176.41	1.5533
Diluted	148.59	132.89	1.2138

Notes: (1) Effective October 1, 2021, the Company implemented the stock consolidation, whereby 10 shares of its common stock and preferred stock class B were consolidated to one share. Net assets per share, basic net income per share and diluted net income per share are calculated on the assumption that the stock consolidation had been implemented at the beginning of the year ended March 31, 2021.

(2) Net income per share—basic and net income per share—diluted for the years ended March 31, 2022 and 2021 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net income attributable to owners of parent —basic:	¥ 3,506	¥ 3,314	\$ 28,641
Amounts not attributed to common stock shareholders	57	114	465
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	28	57	228
O/W, interim dividends for preferred stock	28	57	228
Net income attributable to common stock owners of parent	¥ 3,448	¥ 3,200	\$ 28,167
Average outstanding number of shares of common stock (Unit: thousand shares)	18,134	18,139	
Net income attributable to owners of parent —diluted:			
Adjustments to net income attributable to owners of parent	¥ 57	¥ 114	\$ 465
O/W, dividends for preferred stock class B	57	114	465
Increase in number of shares of common stock (Unit: thousand shares)	5,461	6,802	
O/W, preferred stock class B	5,461	6,802	

(3) Net assets per share at March 31, 2022 and 2021 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total net assets	¥ 109,233	¥ 120,073	\$ 892,353
Amounts deducted from total net assets:	5,343	10,350	43,648
O/W, payment for preferred stock	5,000	10,000	40,846
O/W, dividends for preferred stock	28	57	228
O/W, non-controlling interests	314	293	2,565
Net assets attributable to common stock as of March 31, 2022 and 2021	¥ 103,889	¥ 109,722	\$ 848,697
Number of shares of common stock as of March 31, 2022 and 2021 used to calculate net assets per share (Unit: thousand shares)	18,124	18,138	

28. Subsequent Events

Stock compensation plan

At the meeting of the Compensation Committee held on May 13, 2022, the Company reviewed the directors' remuneration plan and resolved to introduce the restricted stock compensation plan (hereinafter the "Plan").

(1) Purpose of introducing the Plan

This new compensation plan was implemented to give the Company's directors (excluding outside directors and members of the Auditing Committee) and executive officers (collectively, the "Directors, etc.") an incentive to continuously improve the Company's corporate value, and to further share the sense of value with shareholders.

(2) Outline of the Plan

The Company provides the Directors, etc. with monetary compensation receivables as the compensation under the Plan based on a resolution at the Compensation Committee, and the restricted shares are allotted to the Directors, etc. in exchange for all of the monetary compensation receivables as contributions in kind.

The monetary compensation receivables are provided to the Directors, etc. with the condition that the Directors, etc. agree with the aforementioned contributions in kind and enter into the restricted share allotment agreement, which stipulates that the Directors, etc. shall not transfer, dispose or pledge the allotted shares with transfer restrictions as collateral for certain period.

In addition, if any of the Directors, etc. retires or resigns any position of directors and executive officers of the Company and directors and executive officers of the Company's consolidated banking subsidiaries, from the commencement date of the period of transfer restrictions to the day before the first Ordinary General Meeting of Shareholders of the Company, the Company shall acquire all of the restricted shares held by him/her for free, unless there is any good reason approved by the Compensation Committee.

Other details with related to the allotment of the restricted shares are determined by the Compensation Committee which determines the amount of monetary compensation receivables to each of the Directors, etc.

The Company plans to allot restricted shares of the Company to directors (excluding outside directors and members of the Auditing Committee members) and executive officers of consolidated banking subsidiaries of the Company as well as the Directors, etc.

Acquisition of treasury stock

At the Board of Directors' meeting held on May 13, 2022, it was resolved to acquire its own shares as treasury stock in accordance with the provision of Article 156 of the Companies Act as applied pursuant to the provision of Article 165, paragraph 3 of the same act.

(1) Purpose of the acquisition of treasury stock

The Company will acquire treasury stock for the purpose of proving shares to persons eligible for the restricted stock compensation plan.

(2) Outline of the acquisition

- | | |
|---|---|
| (i) Class of stock to be acquired: | Common stock of the Company |
| (ii) Total number of shares to be acquired: | 100,000 shares (Upper limit)
(Ratio to total number of issued shares less treasury stock: 0.55%) |
| (iii) Total acquisition price | ¥130 million (\$1,062 thousand) (Upper limit) |
| (iv) Acquisition period | From May 16, 2022 to June 17, 2022 |
| (v) Acquisition method | Market purchase on the Tokyo Stock Exchange |

Acquisition of treasury stock by a subsidiary

FIDEA Information & Research Institute, Inc. (hereinafter, "FIDEA Information & Research"), a consolidated subsidiary of the Company, resolved to acquire its own shares as treasury stock at the Ordinary General Meeting of Shareholders held on June 14, 2022.

(1) Purpose of the acquisition of treasury stock

FIDEA Information & Research will acquire its own shares from shareholders other than the Company, aiming to become a wholly owned subsidiary of the Company, for the purpose of strengthening the corporate governance structure of the Group.

(2) Outline of the acquisition

- | | |
|---|--|
| (i) Class of stock to be acquired: | Common stock of FIDEA Information & Research |
| (ii) Total number of shares to be acquired: | 18,000 shares (Upper limit)
(Ratio to total number of issued shares: 15%) |
| (iii) Total acquisition price | ¥234 million (\$1,911 thousand) (Upper limit) |
| (iv) Acquisition period | From July 1, 2022 to March 31, 2023 |
| (v) Acquisition method | OTC transactions outside the markets |

29. Non-Consolidated Financial Statements of Shonai Bank and Hokuto Bank as of March 31, 2022 and 2021 and for the Years Then Ended

The Shonai Bank, Ltd.

**Non-Consolidated Balance Sheets
March 31, 2022 and 2021**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥ 426,778	¥ 348,693	\$ 3,486,463
Monetary claims bought	1,599	1,583	13,062
Trading account securities	426	417	3,480
Money held in trust	25,654	21,253	209,574
Securities	343,309	397,258	2,804,582
Loans and bills discounted	854,611	870,494	6,981,545
Foreign exchange assets	1,000	1,050	8,169
Tangible fixed assets:			
Buildings	8,286	8,304	67,690
Land	4,877	5,058	39,841
Lease assets	12	16	98
Construction in progress	-	237	-
Other tangible fixed assets	956	992	7,809
Intangible fixed assets:			
Software	687	932	5,612
Other intangible fixed assets	65	65	531
Prepaid pension cost	42	33	343
Customers' liabilities for acceptances and guarantees	5,697	5,926	46,540
Other assets	17,348	17,363	141,720
Allowance for loan losses	(7,059)	(6,889)	(57,666)
Total assets	<u>¥ 1,684,296</u>	<u>¥ 1,672,793</u>	<u>\$ 13,759,464</u>

(Continued)

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liabilities:			
Deposits	¥ 1,297,919	¥ 1,262,562	\$ 10,603,047
Negotiable certificates of deposit	42,647	45,845	348,394
Payables under securities lending transactions	49,315	68,658	402,867
Borrowed money	213,200	209,000	1,741,687
Foreign exchange liabilities	18	7	147
Provision for bonuses for directors and other officers	18	10	147
Provision for retirement benefits	147	146	1,200
Provision for reimbursement of deposits	32	60	261
Provision for contingent loss	272	302	2,222
Deferred tax liabilities	1,835	3,289	14,990
Deferred tax liabilities for land revaluation	416	454	3,398
Acceptances and guarantees	5,697	5,926	46,540
Other liabilities	8,313	8,805	67,911
Total liabilities	<u>1,619,836</u>	<u>1,605,068</u>	<u>13,232,873</u>
Net assets:			
Common stock	8,500	8,500	69,438
Capital surplus	20,308	20,308	165,901
Retained earnings	26,455	25,424	216,117
Total shareholders' equity	<u>55,263</u>	<u>54,232</u>	<u>451,458</u>
Unrealized gain on available-for-sale securities	8,281	12,492	67,649
Revaluation reserve for land	914	1,000	7,466
Total valuation and translation adjustments	<u>9,196</u>	<u>13,492</u>	<u>75,124</u>
Total net assets	<u>64,460</u>	<u>67,725</u>	<u>526,590</u>
Total liabilities and net assets	<u>¥ 1,684,296</u>	<u>¥ 1,672,793</u>	<u>\$ 13,759,464</u>

(Concluded)

The Shonai Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Income:			2022
Interest income:			
Interest on loans and discounts	¥ 9,406	¥ 10,098	\$ 76,840
Interest and dividends on securities	5,708	8,795	46,630
Other	407	93	3,324
Fees and commissions	3,894	3,886	31,811
Other operating income	1,710	1,944	13,969
Other income	2,805	2,393	22,914
Total income	<u>23,933</u>	<u>27,211</u>	<u>195,515</u>
Expenses:			
Interest expenses:			
Interest on deposits	91	249	743
Interest on negotiable certificates of deposit	2	6	16
Interest on payables under securities lending transactions	27	40	220
Interest on borrowings and rediscounts	0	0	0
Other	(2)	48	(16)
Fees and commissions	2,347	2,419	19,173
Other operating expenses	2,633	4,957	21,509
General and administrative expenses	12,303	12,993	100,506
Other expenses	3,612	3,673	29,507
Total expenses	<u>21,016</u>	<u>24,388</u>	<u>171,685</u>
Income before income taxes	<u>2,916</u>	<u>2,822</u>	<u>23,821</u>
Income taxes:			
Current	1,025	1,363	8,373
Deferred	334	(107)	2,728
Total income taxes	<u>1,359</u>	<u>1,256</u>	<u>11,102</u>
Net income	<u>¥ 1,557</u>	<u>¥ 1,566</u>	<u>\$ 12,719</u>

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥ 298,597	¥ 262,658	\$ 2,439,318
Monetary claims bought	941	973	7,687
Trading account securities	163	135	1,331
Money held in trust	26,062	26,105	212,907
Securities	336,979	331,887	2,752,871
Loans and bills discounted	872,628	874,866	7,128,731
Foreign exchange assets	962	553	7,858
Tangible fixed assets:			
Buildings	4,325	4,842	35,332
Land	5,955	6,394	48,647
Lease assets	21	23	171
Other tangible fixed assets	1,169	697	9,549
Intangible fixed assets:			
Software	1,212	1,125	9,901
Other intangible fixed assets	62	62	506
Prepaid pension cost	464	428	3,790
Deferred tax assets	2,288	882	18,691
Customers' liabilities for acceptances and guarantees	12,277	13,492	100,294
Other assets	29,019	35,893	237,063
Allowance for loan losses	(4,927)	(4,840)	(40,249)
Total assets	<u>¥ 1,588,204</u>	<u>¥ 1,556,182</u>	<u>\$ 12,974,462</u>

(Continued)

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2022 and 2021

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
			2022
Liabilities:			
Deposits	¥ 1,364,255	¥ 1,336,786	\$11,144,963
Negotiable certificates of deposit	12,219	11,307	99,820
Payables under securities lending transactions	3,509	7,340	28,665
Borrowed money	130,600	114,700	1,066,906
Foreign exchange liabilities	40	9	326
Provision for bonuses for directors and other officers	14	10	114
Provision for retirement benefits	274	236	2,238
Provision for reimbursement of deposits	93	179	759
Provision for contingent loss	187	141	1,527
Deferred tax liabilities for land revaluation	797	914	6,510
Acceptances and guarantees	12,277	13,492	100,294
Other liabilities	13,520	12,273	110,448
Total liabilities	1,537,788	1,497,391	12,562,601
Net assets:			
Common stock	12,500	12,500	102,115
Capital surplus	14,352	19,999	117,245
Retained earnings	20,095	19,019	164,161
Total shareholders' equity	46,948	51,519	383,530
Unrealized gain on available-for-sale securities	2,020	5,745	16,501
Deferred loss on hedges	(203)	(387)	(1,658)
Revaluation reserve for land	1,650	1,915	13,479
Total valuation and translation adjustments	3,468	7,272	28,331
Total net assets	50,416	58,791	411,861
Total liabilities and net assets	¥ 1,588,204	¥ 1,556,182	\$12,974,462

(Concluded)

The Hokuto Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Income:			2022
Interest income:			
Interest on loans and discounts	¥ 9,113	¥ 9,444	\$ 74,446
Interest and dividends on securities	5,655	4,163	46,197
Other	280	42	2,287
Fees and commissions	4,111	3,890	33,583
Other operating income	1,264	1,801	10,325
Other income	1,736	2,350	14,181
Total income	22,161	21,692	181,039
Expenses:			
Interest expenses:			
Interest on deposits	44	108	359
Interest on negotiable certificates of deposit	1	2	8
Interest on payables under securities lending transactions	14	11	114
Interest on borrowings and rediscounts	0	0	0
Interest on interest rate swaps	3	1	24
Other	(21)	26	(171)
Fees and commissions	1,536	1,630	12,547
Other operating expenses	3,890	3,466	31,778
General and administrative expenses	12,017	12,463	98,170
Other expenses	2,855	2,269	23,323
Total expenses	20,343	19,980	166,187
Income before income taxes	1,818	1,711	14,851
Income taxes:			
Current	378	408	3,087
Deferred	26	144	212
Total income taxes	405	553	3,308
Net income	¥ 1,413	¥ 1,158	\$ 11,543