



# **Annual Securities Report**

*“Yukashoken Hokokusho”*

(Excerpt)

For the fiscal years ended March 31, 2023 and 2022

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

## FIDEA Holdings Co. Ltd. and Subsidiaries

### Consolidated Balance Sheets March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
<b>Assets:</b>			
Cash and due from banks (Notes 12, 22 and 26)	¥ 316,923	¥ 725,949	\$ 2,373,243
Monetary claims bought (Note 26)	4,016	3,811	30,073
Trading account securities (Notes 5 and 26)	606	589	4,537
Money held in trust (Note 26)	57,981	51,717	434,184
Securities (Notes 5, 6, 8, 12, 14 and 26)	660,141	680,385	4,943,395
Loans and bills discounted (Notes 7, 8, 12, 25 and 26)	1,892,149	1,712,140	14,169,155
Foreign exchange assets (Note 8)	1,529	1,963	11,449
Lease receivables and investments in leases	6,250	5,091	46,802
Tangible fixed assets (Notes 4 and 9):			
Buildings	11,901	12,951	89,119
Land	7,246	8,290	54,260
Lease assets	11	21	82
Construction in progress	1	-	7
Other tangible fixed assets	2,156	2,254	16,144
Intangible fixed assets:			
Software	1,708	2,090	12,790
Goodwill	14	44	104
Other intangible fixed assets	137	145	1,025
Defined benefit asset (Note 13)	1,299	1,081	9,727
Deferred tax assets (Notes 4 and 23)	4,346	2,662	32,544
Customers' liabilities for acceptances and guarantees (Notes 8 and 25)	19,065	17,958	142,766
Other assets (Notes 8 and 12)	46,203	49,641	345,986
Allowance for loan losses (Notes 4 and 26)	(13,841)	(13,593)	(103,646)
<b>Total assets</b>	<b>¥ 3,019,852</b>	<b>¥ 3,265,199</b>	<b>\$ 22,613,838</b>

(Continued)

## FIDEA Holdings Co. Ltd. and Subsidiaries

### Consolidated Balance Sheets March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liabilities:			
Deposits (Note 26)	¥ 2,663,710	¥ 2,656,962	\$ 19,946,907
Negotiable certificates of deposit (Note 26)	63,680	54,867	476,860
Payables under securities lending transactions (Notes 12 and 26)	41,651	52,825	311,899
Borrowed money (Notes 11, 12 and 26)	116,000	343,800	868,653
Foreign exchange liabilities	44	58	329
Provision for bonuses for directors and other officers	42	45	314
Defined benefit liability (Note 13)	750	645	5,616
Provision for reimbursement of deposits	58	126	434
Provision for contingent loss	386	459	2,890
Deferred tax liabilities (Notes 4, 6 and 23)	12	2,040	89
Deferred tax liabilities for land revaluation (Note 10)	385	416	2,883
Acceptances and guarantees	19,065	17,958	142,766
Other liabilities (Note 11)	23,441	25,758	175,535
<b>Total liabilities</b>	<b>2,929,230</b>	<b>3,155,965</b>	<b>21,935,225</b>
Net assets (Note 15):			
Common stock	18,000	18,000	134,791
Capital surplus	18,161	23,550	135,996
Retained earnings	57,858	55,942	433,263
Treasury stock	(105)	(24)	(786)
<b>Total shareholders' equity</b>	<b>93,914</b>	<b>97,468</b>	<b>703,264</b>
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 6)	(4,458)	10,317	(33,383)
Deferred loss on hedges	(206)	(203)	(1,542)
Revaluation reserve for land (Note 10)	850	914	6,365
Remeasurements of defined benefit plans	412	421	3,085
<b>Total accumulated other comprehensive income</b>	<b>(3,402)</b>	<b>11,449</b>	<b>(25,475)</b>
Non-controlling interests	109	314	816
<b>Total net assets</b>	<b>90,621</b>	<b>109,233</b>	<b>678,605</b>
<b>Total liabilities and net assets</b>	<b>¥ 3,019,852</b>	<b>¥ 3,265,199</b>	<b>\$ 22,613,838</b>

See notes to consolidated financial statements.

(Concluded)

## FIDEA Holdings Co. Ltd. and Subsidiaries

### Consolidated Statements of Income Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income (Note 17):			
Interest income:			
Interest on loans and discounts	¥ 17,859	¥ 18,450	\$ 133,735
Interest and dividends on securities	14,282	11,366	106,949
Other	223	688	1,669
Fees and commissions	8,628	8,500	64,609
Other operating income	7,539	7,641	56,454
Other income	2,903	4,452	21,738
Total income	<u>51,437</u>	<u>51,100</u>	<u>385,180</u>
Expenses:			
Interest expenses:			
Interest on deposits	116	139	868
Interest on payables under securities lending transactions	168	42	1,258
Interest on borrowings and rediscounts	0	0	0
Other	156	(18)	1,168
Fees and commissions	3,365	3,457	25,198
Other operating expenses	13,803	9,842	103,362
General and administrative expenses (Note 18)	24,253	25,702	181,615
Provision of allowance for loan losses (Note 4)	1,800	2,116	13,479
Other expenses (Notes 4, 19 and 20)	3,244	4,187	24,292
Total expenses	<u>46,908</u>	<u>45,471</u>	<u>351,265</u>
Income before income taxes	<u>4,528</u>	<u>5,628</u>	<u>33,907</u>
Income taxes (Note 23):			
Current	997	1,579	7,465
Deferred	249	517	1,864
Total income taxes	<u>1,247</u>	<u>2,097</u>	<u>9,338</u>
Net income	<u>3,281</u>	<u>3,531</u>	<u>24,569</u>
Net income attributable to non-controlling interests	<u>15</u>	<u>25</u>	<u>112</u>
Net income attributable to owners of parent	<u>¥ 3,266</u>	<u>¥ 3,506</u>	<u>\$ 24,457</u>
		Yen	U.S. dollars
Per share of common stock (Note 28):			
Basic net income	¥ 179.19	¥ 190.15	\$ 1.3418
Diluted net income	-	148.59	-
Cash dividends applicable to the year	75.00	75.00	0.5616

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. 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, 2022.

(2) Diluted net income for the year ended March 31, 2023 is not shown since there are no dilutive shares as a result of acquisition and cancellation of preferred stock class B based on the resolution at the Board of Directors' meeting held on February 24, 2023.

See notes to consolidated financial statements.

## FIDEA Holdings Co. Ltd. and Subsidiaries

### Consolidated Statements of Comprehensive Income Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥ 3,281	¥ 3,531	\$ 24,569
Other comprehensive income (Note 21):			
Unrealized gain (loss) on available-for-sale securities	(14,776)	(7,943)	(110,648)
Deferred gain (loss) on hedges	(2)	184	(14)
Remeasurements of defined benefit plans	(9)	267	(67)
Total other comprehensive income	<u>(14,788)</u>	<u>(7,491)</u>	<u>(110,738)</u>
Comprehensive income	<u>¥ (11,506)</u>	<u>¥ (3,959)</u>	<u>\$ (86,161)</u>
Total comprehensive income attributable to:			
Owners of parent	¥ (11,521)	¥ (3,981)	\$ (86,273)
Non-controlling interests	14	21	104

See notes to consolidated financial statements.

**FIDEA Holdings Co. Ltd. and Subsidiaries**
**Consolidated Statements of Changes in Net Assets  
Years Ended March 31, 2023 and 2022**

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) 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, 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
Cash dividends			(1,414)		(1,414)							(1,414)
Net income attributable to owners of parent			3,266		3,266							3,266
Acquisition of treasury stock				(5,553)	(5,553)							(5,553)
Sale of treasury stock		0		54	55							55
Cancellation of treasury stock		(5,418)		5,418	-							-
Change due to purchase of treasury stock of consolidated subsidiaries		28			28							28
Reversal of revaluation reserve for land			64		64							64
Net changes of items other than shareholders' equity						(14,775)	(2)	(64)	(9)	(14,851)	(205)	(15,057)
Balance as of March 31, 2023	¥ 18,000	¥ 18,161	¥ 57,858	¥ (105)	¥ 93,914	¥ (4,458)	¥ (206)	¥ 850	¥ 412	¥ (3,402)	¥ 109	¥ 90,621

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 (loss) 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, 2022	\$ 134,791	\$ 176,351	\$ 418,915	\$ (179)	\$ 729,878	\$ 77,257	\$ (1,520)	\$ 6,844	\$ 3,152	\$ 85,734	\$ 2,351	\$ 817,979
Cash dividends			(10,588)		(10,588)							(10,588)
Net income attributable to owners of parent			24,457		24,457							24,457
Acquisition of treasury stock				(41,583)	(41,583)							(41,583)
Sale of treasury stock		0		404	411							411
Cancellation of treasury stock		(40,572)		40,572	-							-
Change due to acquisition of treasury stock of consolidated subsidiaries		209			209							209
Reversal of revaluation reserve for land			479		479							479
Net changes of items other than shareholders' equity						(110,641)	(14)	(479)	(67)	(111,210)	(1,535)	(112,752)
Balance as of March 31, 2023	\$ 134,791	\$ 135,996	\$ 433,263	\$ (786)	\$ 703,264	\$ (33,383)	\$ (1,542)	\$ 6,365	\$ 3,085	\$ (25,475)	\$ 816	\$ 678,605

See notes to consolidated financial statements.

## FIDEA Holdings Co. Ltd. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Operating activities:			
Income before income taxes	¥ 4,528	¥ 5,628	\$ 33,907
Adjustments for:			
Income taxes—paid	(2,628)	(1,849)	(19,679)
Depreciation and amortization	1,920	1,925	14,377
Loss on impairment—fixed assets	480	659	3,594
Amortization of goodwill	29	29	217
Change in allowance for loan losses	247	44	1,849
Change in provision for bonuses for directors and other officers	(2)	15	(14)
Change in defined benefit asset	(197)	(37)	(1,475)
Change in defined benefit liability	42	60	314
Change in provision for reimbursement of deposits	(68)	(112)	(509)
Change in provision for contingent loss	(73)	16	(546)
Interest income	(32,365)	(30,504)	(242,361)
Interest expenses	441	164	3,302
Loss on securities—net	4,946	2,019	37,037
Gain on money held in trust—net	(338)	(297)	(2,531)
Foreign exchange gain—net	(7)	(9)	(52)
Loss on sale and disposal of fixed assets—net	533	284	3,991
Loss on reduction of fixed assets	-	3	-
Subsidy income	-	(3)	-
Net change in loans and bills discounted	(180,009)	19,084	(1,347,978)
Net change in deposits	6,747	63,606	50,524
Net change in negotiable certificates of deposit	8,812	(2,285)	65,987
Net change in trading account securities	(16)	(36)	(119)
Net change in borrowed money, excluding subordinated borrowings	(227,800)	20,100	(1,705,855)
Net change in due from banks, excluding due from Bank of Japan	(1,828)	(27)	(13,688)
Net change in call loans and bills bought	(204)	(35)	(1,527)
Net change in payables under securities lending transactions	(11,173)	(23,174)	(83,667)
Net change in foreign exchange assets	433	(358)	3,242
Net change in foreign exchange liabilities	(14)	42	(104)
Net change in lease receivables and investments in leases	(1,158)	(842)	(8,671)
Interest received	32,386	30,785	242,519
Interest paid	(382)	(211)	(2,860)
Other—net	(7,820)	1,218	(58,559)
Total adjustments	(409,067)	80,274	(3,063,254)
Net cash provided by (used in) operating activities — (Forward)	¥(404,539)	¥ 85,902	\$ (3,029,347)

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## FIDEA Holdings Co. Ltd. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net cash provided by (used in) operating activities — (Forward)	¥ (404,539)	¥ 85,902	\$(3,029,347)
Investing activities:			
Purchase of securities	(504,010)	(478,619)	(3,774,224)
Proceeds from sale of securities	317,768	410,524	2,379,571
Proceeds from maturity of securities	193,459	108,551	1,448,697
Increase in money held in trust	(7,000)	(4,000)	(52,418)
Decrease in money held in trust	981	105	7,346
Purchase of tangible fixed assets	(616)	(1,384)	(4,612)
Proceeds from sale of tangible fixed assets	662	46	4,957
Purchase of intangible fixed assets	(331)	(528)	(2,478)
Proceeds from sale of intangible fixed assets	-	0	-
Subsidy income	-	3	-
Net cash provided by investing activities	<u>913</u>	<u>34,700</u>	<u>6,836</u>
Financing activities:			
Repayment of lease obligations	(80)	(47)	(599)
Dividends paid	(1,411)	(1,308)	(10,566)
Purchase of treasury stock	(5,553)	(5,665)	(41,583)
Proceeds from sale of treasury stock	0	0	0
Purchase of treasury stock of subsidiaries	(191)	-	(1,430)
Net cash used in financing activities	<u>(7,235)</u>	<u>(7,021)</u>	<u>(54,178)</u>
Effect of exchange rate change on cash and cash equivalents	<u>7</u>	<u>9</u>	<u>52</u>
Net increase (decrease) in cash and cash equivalents	(410,854)	113,590	(3,076,636)
Cash and cash equivalents at the beginning of year	<u>722,891</u>	<u>609,301</u>	<u>5,413,291</u>
Cash and cash equivalents at the end of year (Note 22)	<u>¥ 312,037</u>	<u>¥ 722,891</u>	<u>\$ 2,336,655</u>

See notes to consolidated financial statements.

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

## **Notes to Consolidated Financial Statements** **Years Ended March 31, 2023 and 2022**

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### **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 ¥133.54 = U.S.\$1.00, the exchange rate prevailing on March 31, 2023. 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, 2023 and 2022.

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, 2023 and 2022.

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 ¥13,148 million (\$98,457 thousand) and ¥13,007 million for the years ended March 31, 2023 and 2022, 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 offset fluctuations of market price of fixed-rate debt securities classified as available-for-sale securities, hedged items are identified by each type of debt securities and interest rate swaps are designated as hedging instruments. Since significant conditions concerning hedged items and hedging instruments are substantially identical, the hedge is deemed highly effective and the assessment for the effectiveness is omitted. 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

- (i) 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.
- (ii) Expenses for the restricted stock compensation for the Company’s directors (excluding outside directors and members of the Auditing Committee) and executive officers and the consolidated banking subsidiaries’ directors (excluding outside directors and members of the Auditing Committee, etc.) and executive officers are measured at fair value of the Company’s share on the grant date. The expenses are recognized as personnel expenses (general and administrative expenses) over the eligible service period.

#### (17) Changes in accounting policies

##### (Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the year ended March 31, 2023, the Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter, the “Implementation Guidance”). In accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance, the Group has applied this new accounting policy prospectively. There is no impact on the consolidated financial statements from the changes.

For the footnote on investment trusts in Note “26. Financial Instruments and Related Disclosures, (3) Fair value hierarchy of financial instruments,” information for the year ended March 31, 2022 is not disclosed in accordance with paragraph 27-3 of the Implementation Guidance.

In the aforementioned footnote, “Foreign securities” were previously included in “Other” under “Securities” as of March 31, 2022. In order to specifically classify financial instruments, “Foreign securities” are separately presented as of March 31, 2023.

#### 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
	2023	2022	2023
Allowance for loan losses	¥ 13,841	¥ 13,593	\$ 103,646

- (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 situation may have a certain impact, mainly on the credit risk of loans and bills discounted. While assuming the economic impact of the COVID-19 situation would continue over a few years or so in certain companies, etc., the Company determines the allowance for loan losses based on assumptions that the economic activities would be improving by economic stimulus measures taken by the government and local governments and supports from financial institutions, in addition to the classification change of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases.

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 situation. 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 situation by taking all possible events into account based on information available as of March 31, 2023, there is a high degree of uncertainty in the assumptions used in the estimate under the current economic environment. If the status of the COVID-19 situation, 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
	2023	2022	U.S. dollars
Deferred tax assets	¥ 4,346	¥ 2,662	\$ 32,544
Deferred tax liabilities	12	2,040	89

(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 situation. The major assumptions used for the establishment of the plan are: “outlook for revenue growth through enhancing the Group’s ability to support customers” and “outlook for reducing general and administrative expenses such as personnel expenses through cost structure reforms,” which are projected based on the Group’s basic policy of “deepening customer support and strengthening the Group’s management foundation.” 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 revenue growth through enhancing the Group’s ability to support customers” and “outlook for reducing general and administrative expenses such as personnel expenses through cost structure reforms” involve high uncertainty. When the future economic environment including the impact of the COVID-19 situation 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
	2023	2022	U.S. dollars
Impairment loss	¥ 480	¥ 659	\$ 3,594

(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 “20. 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 situation 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 ¥(3) million (\$22) thousand and ¥0 million for the years ended March 31, 2023 and 2022, respectively.

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

March 31, 2023	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	¥ 10,056	¥ 4,927	¥ 5,129
Debt securities:	109,343	107,783	1,560
Japanese government bonds	15,733	15,545	187
Municipal bonds	46,611	46,033	577
Corporate bonds	46,999	46,204	794
Other	68,924	62,217	6,706
Subtotal	¥ 188,324	¥ 174,928	¥ 13,396
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 4,383	¥ 4,642	¥ (258)
Debt securities:	300,071	307,129	(7,057)
Japanese government bonds	87,716	89,343	(1,626)
Municipal bonds	137,838	141,214	(3,376)
Corporate bonds	74,516	76,571	(2,054)
Other	163,127	173,096	(9,969)
Subtotal	¥ 467,582	¥ 484,867	¥ (17,285)
Total	¥ 655,906	¥ 659,796	¥ (3,889)

March 31, 2022	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	¥ 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, 2023	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	\$ 75,303	\$ 36,895	\$ 38,407
Debt securities:	818,803	807,121	11,681
Japanese government bonds	117,814	116,407	1,400
Municipal bonds	349,041	344,713	4,320
Corporate bonds	351,946	345,993	5,945
Other	516,129	465,905	50,217
Subtotal	\$ 1,410,244	\$ 1,309,929	\$ 100,314
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	\$ -	\$ -	\$ -
Available-for-sale securities:			
Equity securities	\$ 32,821	\$ 34,761	\$ (1,932)
Debt securities:	2,247,049	2,299,902	(52,845)
Japanese government bonds	656,851	669,035	(12,176)
Municipal bonds	1,032,185	1,057,465	(25,280)
Corporate bonds	558,005	573,393	(15,381)
Other	1,221,559	1,296,210	(74,651)
Subtotal	\$ 3,501,437	\$ 3,630,874	\$ (129,436)
Total	\$ 4,911,681	\$ 4,940,811	\$ (29,122)

As of March 31, 2023 and 2022, ¥500 million (\$3,744 thousand) and ¥371 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, 2023 and 2022 were as follows:

March 31, 2023	Millions of yen		
	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 21,437	¥ 1,885	¥ 991
Debt securities:	104,120	1,670	1,074
Japanese government bonds	69,442	454	815
Municipal bonds	34,122	1,165	258
Corporate bonds	556	50	-
Other	188,562	1,468	8,119
Total	¥ 314,119	¥ 5,024	¥ 10,185

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, 2023	Thousands of U.S. dollars		
	Sales proceeds	Realized gain	Realized loss
Equity securities	\$ 160,528	\$ 14,115	\$ 7,420
Debt securities:	779,691	12,505	8,042
Japanese government bonds	520,008	3,399	6,103
Municipal bonds	255,518	8,723	1,932
Corporate bonds	4,163	374	-
Other	1,412,026	10,992	60,798
Total	\$ 2,352,246	\$ 37,621	\$ 76,269

### 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 year ended March 31, 2023, ¥34 million (\$254 thousand) of available-for sale securities were written down. Of which, equity securities were ¥34 million (\$254 thousand). For the year ended March 31, 2022, 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 (Loss) on Available-for-Sale Securities

Unrealized gain (loss) on available-for-sale securities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized gain (loss):			
Available-for-sale securities	¥ (3,889)	¥ 14,845	\$ (29,122)
Deferred tax liabilities	(554)	(4,514)	(4,148)
Unrealized gain (loss) on available-for-sale securities before adjustments by equity interest:	(4,444)	10,331	(33,278)
Non-controlling interests	(13)	(14)	(97)
Unrealized gain (loss) on available-for-sale securities	¥ (4,458)	¥ 10,317	\$ (33,383)

## 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, 2023 and 2022 amounted to ¥2,499 million (\$18,713 thousand) and ¥2,414 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 ¥298,319 million (\$2,233,929 thousand) and ¥294,339 million at March 31, 2023 and 2022, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥280,781 million (\$2,102,598 thousand) and ¥280,057 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

Claims to be disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions (the "Financial Revitalization 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 Baking Act.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Claims against bankrupt or quasi-bankrupt obligors	¥ 8,683	¥ 8,615	\$ 65,021
Doubtful claims	27,189	23,896	203,601
Claims past due for three months or more	-	-	-
Restructured claims	891	1,441	6,672
Total	¥ 36,764	¥ 33,953	\$ 275,303

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, 2023 and 2022, accumulated depreciation of tangible fixed assets was ¥29,179 million (\$218,503 thousand) and ¥29,347 million, respectively.

The amounts of advanced depreciation by reduction of carrying amount of assets as of and for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance as of the fiscal year-end	¥ 957	¥ 1,010	\$ 7,166
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, 2023 and 2022 was ¥858 million (\$6,425 thousand) and ¥1,169 million, respectively.

## 11. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	Maturity
	2023	2022	2023	(%)	
Borrowed money	¥ 116,000	¥343,800	\$ 868,653	0.00	May 2023 through Jun. 2026
Current portion of lease obligations	90	23	673	1.32	-
Lease obligations, less current portion	292	27	2,186	1.47	Apr. 2024 through Feb. 2030

Notes: (1) Average interest rate is calculated based on the interests and the balances as of the balance sheet date by the weighted average method.

(2) Of lease obligations, sublease obligations are accounted for at the amount equivalent to interest portion included in total lease payments. Thus, such obligations are excluded from calculating the average interest rate of lease obligations.

(3) Annual maturities of borrowed money and lease obligations within five years at March 31, 2023 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	¥ 106,200	¥ -	¥ 4,900	¥ 4,900	¥ -
Lease obligations	90	82	78	74	43

	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	\$ 795,267	\$ -	\$ 36,693	\$ 36,693	\$ -
Lease obligations	673	614	584	554	322

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

## 12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Securities	¥ 157,783	¥ 157,238	\$ 1,181,541
Loans and bills discounted	-	239,959	-
Total	¥157,783	¥397,197	\$ 1,181,541

The liabilities secured by the above pledged assets at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Payables under securities lending transactions	¥ 41,651	¥ 52,825	\$ 311,899
Borrowed money	116,000	343,800	868,653

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, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Securities	¥ 99,397	¥ 159,533	\$ 744,323
Cash and due from banks	8	8	59
Other assets	32,000	35,078	239,628

Note: Other assets include guarantee deposits in the amount of ¥294 million (\$2,201 thousand) and ¥366 million at March 31, 2023 and 2022, 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
	2023	2022	2023
Retirement benefit obligations at beginning of year	¥ 11,264	¥ 11,788	\$ 84,349
Service costs	393	394	2,942
Interest costs	27	14	202
Actuarial gains and losses arising during year	(390)	(119)	(2,920)
Retirement benefits paid	(913)	(813)	(6,836)
Retirement benefit obligations at end of year	¥ 10,381	¥ 11,264	\$ 77,737

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Plan assets at beginning of year	¥ 11,700	¥ 11,908	\$ 87,614
Expected return on plan assets	175	178	1,310
Actuarial gains and losses	(268)	230	(2,006)
Contribution from employer	92	94	688
Retirement benefits paid	(769)	(711)	(5,758)
Plan assets at end of year	¥ 10,930	¥ 11,700	\$ 81,848

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
	2023	2022	2023
Funded retirement benefit obligation	¥ 10,159	¥ 11,043	\$ 76,074
Plan assets	(10,930)	(11,700)	(81,848)
	(770)	(657)	(5,766)
Unfunded retirement benefit obligation	221	221	1,654
Net balance of liability and asset recorded on the consolidated balance sheets	¥ (549)	¥ (436)	\$ (4,111)

  

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Defined benefit liability	¥ 750	¥ 645	\$ 5,616
Defined benefit asset	(1,299)	(1,081)	(9,727)
Net balance of liability and asset recorded on the consolidated balance sheets	¥ (549)	¥ (436)	\$ (4,111)

Note: Retirement benefit trust is included in plan assets.

- (4) Retirement benefit expenses and components thereof

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service costs	¥ 393	¥ 394	\$ 2,942
Interest costs	27	14	202
Expected return on plan assets	(175)	(178)	(1,310)
Amortization of actuarial gains and losses	53	206	396
Amortization of past service costs	(217)	(217)	(1,624)
Other	18	12	134
Retirement benefit expenses on defined benefit plans	¥ 100	¥ 232	\$ 748

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
	2023	2022	2023
Past service costs	¥ (217)	¥ (217)	\$ (1,624)
Actuarial gains and losses	175	556	1,310
Total	¥ (41)	¥ 339	\$ (307)

- (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
	2023	2022	2023
Unrecognized past service costs	¥ (435)	¥ (652)	\$ (3,257)
Unrecognized actuarial gains and losses	(137)	38	(1,025)
Total	¥ (572)	¥ (614)	\$ (4,283)

(7) Components of plan assets

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

	2023	2022
Debt securities	34.6%	35.6%
Equity securities	26.8	26.5
Cash and deposits	3.5	4.7
Call loans	0.0	0.0
General account	6.7	6.2
Other	28.4	27.0
Total	<u>100.0%</u>	<u>100.0%</u>

Note: 36.8% and 37.8% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan as of March 31, 2023 and 2022, 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

	2023	2022
Discount rate	0.31% - 0.63%	0.16% - 0.38%
Expected long-term rate of return on plan assets	1.50%	1.50%
Expected rate of salary increase	2.10% - 2.40%	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 ¥157 million (\$1,175 thousand) and ¥165 million as of March 31, 2023 and 2022, 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 ¥31,603 million (\$236,655 thousand) and ¥25,969 million at March 31, 2023 and 2022, 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, 2023 and 2022 are summarized as follows:

	Number of shares (in thousands)				Ref.
	April 1, 2022	Increase	Decrease	March 31, 2023	
Issued shares:					
Common stock	18,142	-	-	18,142	
Preferred stock class B	1,250	-	1,250	-	
<b>Total</b>	<b>19,392</b>	<b>-</b>	<b>1,250</b>	<b>18,142</b>	
Treasury stock:					
Common stock	17	107	42	81	(2), (3)
Preferred stock class B	-	1,250	1,250	-	
<b>Total</b>	<b>17</b>	<b>1,357</b>	<b>1,292</b>	<b>81</b>	

Notes: (1) Decrease in number of issued shares of preferred stock class B is due to 1,250 thousand shares of cancellation of treasury stock.

(2) Increase in number of treasury stock of common stock is due to 100 thousand shares of market purchase and 7 thousand shares of request for purchase of less than one unit.

(3) Decrease in number of treasury stock of common stock is due to 42 thousand shares of sale as the restricted stock compensation and 0 thousand shares of request for sale of less than one unit.

(4) Increase in number of treasury stock of preferred stock class B is due to 1,250 thousand shares of acquisition based on the resolution at the Board of Directors' meeting held on February 24, 2023. Decrease of 1,250 thousand shares is due to cancellation.

	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	
<b>Total</b>	<b>206,421</b>	<b>-</b>	<b>187,029</b>	<b>19,392</b>	
Treasury stock:					
Common stock	31	15	29	17	(1), (4), (5)
Preferred stock class B	-	12,500	12,500	-	
<b>Total</b>	<b>31</b>	<b>12,515</b>	<b>12,529</b>	<b>17</b>	

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.

## 16. Stock Compensation

The Company has introduced the restricted stock compensation plan for directors (excluding outside directors and members of the Auditing Committee) and executive officers of the Company (collectively, the "Directors, etc. of the Company") and the directors (excluding outside directors and members of the Auditing Committee, etc.) and executive officers of the Company's banking subsidiaries (collectively, the "Directors, etc. of the Company's banking subsidiaries"). Based on the resolution at the Company's Board of Directors' meeting held on July 21, 2022, the Company's shares are sold as the restricted stock compensation and the detail information is as follows:

(1) Amount and account name of the restricted stock compensation

	Millions of yen	Thousands of U.S. dollars
	2023	
Personnel expenses (General and administrative expenses)	¥ 41	\$ 307

(2) Outline of the restricted stock compensation

	Granted in July 2022
Grantee (allottee)	Director of the Company: two (Note1) Executive officer of the Company: seven Director of the Company's banking subsidiaries: 12 (Note 2) Executive officer of the Company's banking subsidiaries: 12
Class and number of shares	Common stock of the Company: 42,600 shares
Date of grant	July 21, 2022
Eligible service period	The period from the date of ordinary general meetings of shareholders of the Company and the Company's banking subsidiaries held in 2022 to the date of ordinary general meetings of shareholders of the Company and the Company's banking subsidiaries scheduled to be held in 2023.
Restriction period	The period from August 10, 2022, the date of sale of the Company's shares, to the date of an ordinary general meeting of shareholders scheduled to be held in 2023.
Conditions for lifting	The Company shall lift the restriction on transfer of all allotted shares held by an allottee as of the expiration of the restriction period on the condition that the allottee continues to be the Directors, etc. of the Company or the Company's banking subsidiaries from the commencement date of the restriction period to the date of the first ordinary general meeting of shareholders of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the date of the first ordinary general meeting of shareholders of the applicable banking subsidiary). However, if the allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries, for good reasons approved by the Compensation Committee of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the Board of Director of the applicable banking subsidiary), by the day before the first ordinary general meeting of shareholders of the Company (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the day before the first ordinary general meeting of shareholders of the applicable banking subsidiary) after the commencement date of the restriction period, the transfer restriction of the allotted shares shall be lifted, as of the time immediately following the resignation, with respect to the allotted shares determined as follows: the number of months from July 2022 to the month including the day on which the allottee resigns from the position of the Directors, etc. of the Company or the Company's banking subsidiaries, divided by 12, multiplied by the number of the allotted shares held by the allottee as of such time (any fraction less than one share resulting from the calculation shall be rounded down).
Fair value on the grant date	¥1,289 (\$9.652)

Notes: (1) Outside Directors and members of the Auditing Committee are excluded.

(2) Outside Directors and members of the Auditing Committee, etc. are excluded.

(3) Changes in the number of the restricted stock

	<u>shares</u>
March 31, 2022 - outstanding	-
Granted	42,600
Acquired for free (Note)	-
Lifted	-
March 31, 2023 - outstanding	42,600

Note: If an allottee resigns from any position of the Directors, etc. of the Company or the Company's banking subsidiaries, from the commencement date of the restriction period to the day before the first ordinary general meeting of shareholders of the Company (if an allottee is the Directors, etc. of the Company's banking subsidiaries, the day before the first ordinary general meeting of shareholders of the applicable banking subsidiary), the Company shall acquire allotted shares for free at the time of resignation, unless there is any good reason approved by the Compensation Committee (if the allottee is the Directors, etc. of the Company's banking subsidiaries, the Board of Directors of the applicable banking subsidiary).

Furthermore, if there are any allotted shares not lifted, in accordance with provisions in the aforementioned conditions for lifting, at the time that restriction period is expired (the "time of expiration"), the Company shall acquire such shares for free immediately after the time of expiration.

(4) Method to estimate fair value on the grant date

In order to avoid arbitrariness, the Company estimates the fair value to be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors' meeting in connection with the grant of the restricted stock.

## 17. Revenue Recognition

(1) Information on disaggregated revenue from contracts with customers

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Fees and commissions:			
Deposits and loans operations	¥ 1,911	¥ 1,712	\$ 14,310
Foreign exchange operations	1,382	1,541	10,348
Securities-related operations	68	75	509
Agency operations	3,441	3,215	25,767
Custody/safe deposits operations	59	61	441
Other operations	1,242	1,152	9,300
Total	¥ 8,105	¥ 7,759	\$ 60,693
Other ordinary income	1,902	2,595	14,242
Ordinary income from contracts with customers	¥ 10,008	¥ 10,355	\$ 74,943
Ordinary income other than above (Note 1)	41,403	40,738	310,041
Ordinary income (Note 2)	¥ 51,411	¥ 51,094	\$ 384,985

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."

## 18. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2023 and 2022 included the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries and allowances	¥ 10,718	¥ 11,089	\$ 80,260
Retirement benefit expenses	257	398	1,924
Outsourcing expenses	2,596	2,792	19,439

## 19. Other Expenses

Other expenses for the years ended March 31, 2023 and 2022 included the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loss on sale of equity securities, etc.	¥ 1,400	¥ 2,232	\$ 10,483

## 20. Impairment Loss

For the years ended March 31, 2023 and 2022, 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, 2023

Category	Area	Main use	Description	Impairment loss	
				Millions of yen	Thousands of U.S. dollars
Business assets	Within Akita Prefecture	Banking office – four locations	Land and buildings	¥ 147	\$ 1,100
Business assets	Within Yamagata Prefecture	Banking office – two locations	Land and buildings	119	891
Corporate assets	Within Yamagata Prefecture	Corporate assets – three locations	Land and buildings	205	1,535
Idle assets	Within Yamagata Prefecture	Idle assets – one location	Buildings	7	52
Total				¥ 480	\$ 3,594

March 31, 2022

Category	Area	Main use	Description	Impairment loss	
				Millions of yen	
Business assets	Within Yamagata Prefecture	Banking office – eight locations	Land and buildings	¥ 398	
Business assets	Within Akita Prefecture	Banking office – four locations	Land and buildings	233	
Business assets	Within Fukushima Prefecture	Banking office – one location	Land	26	
Total				¥ 659	

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.

## 21. Other Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (23,664)	¥ (13,425)	\$ (177,205)
Reclassification adjustments	4,929	2,022	36,910
Before income tax effect	(18,735)	(11,403)	(140,295)
Income tax effect	3,959	3,460	29,646
Unrealized gain (loss) on available-for-sale securities	(14,776)	(7,943)	(110,648)
Deferred gain (loss) on hedges:			
Adjustments arising during the year	(3)	264	(22)
Reclassification adjustments	-	-	-
Before income tax effect	(3)	264	(22)
Income tax effect	1	(80)	7
Deferred gain (loss) on hedges	(2)	184	(14)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	121	349	906
Reclassification adjustments	(163)	(10)	(1,220)
Before income tax effect	(41)	339	(307)
Income tax effect	32	(72)	239
Remeasurements of defined benefit plans	(9)	267	(67)
Total other comprehensive income	¥ (14,788)	¥ (7,491)	\$ (110,738)

## 22. 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, 2023 and 2022 is summarized as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Cash and due from banks	¥ 316,923	¥ 725,949	\$2,373,243
Due from banks (excluding due from BoJ)	(4,886)	(3,057)	(36,588)
Cash and cash equivalents	¥ 312,037	¥ 722,891	\$2,336,655

### 23. Income Taxes

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for loan losses	¥ 7,407	¥ 7,529	\$ 55,466
Unrealized gain (loss) on available-for-sale securities	1,750	-	13,104
Defined benefit liability	1,612	1,699	12,071
Depreciation	616	606	4,612
Tax loss carryforwards	503	756	3,766
Write-down of securities	171	138	1,280
Other	1,256	1,318	9,405
Gross deferred tax assets	13,319	12,048	99,737
Valuation allowance	(7,546)	(6,159)	(56,507)
Total deferred tax assets	¥ 5,772	¥ 5,889	\$ 43,223
Deferred tax liabilities:			
Unrealized gain (loss) on available-for-sale securities	¥ (554)	¥ (4,514)	\$ (4,148)
Other	(884)	(753)	(6,619)
Total deferred tax liabilities	(1,439)	(5,267)	(10,775)
Net deferred tax assets (liabilities)	¥ 4,333	¥ 621	\$ 32,447

Reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2023 and 2022 is shown as below.

	2023	2022
Normal effective statutory tax rate	30.58%	30.58%
Non-deductible expenses such as entertainment expenses	0.46	0.26
Non-taxable income such as dividend income	(15.14)	(11.15)
Per capita inhabitant tax	1.03	0.87
Valuation allowance	(7.61)	4.56
Consolidation adjustments	16.52	10.54
Other	1.70	1.59
Actual effective tax rate	27.54%	37.25%

## 24. 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

March 31, 2023	Millions of yen			
	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 18,014	¥ 19,573	¥ 13,824	¥ 51,411

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

March 31, 2023	Thousands of U.S. dollars			
	Lending	Securities investment	Other	Total
Ordinary income from external customers	\$ 134,895	\$ 146,570	\$ 103,519	\$ 384,985

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, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

## 25. Related Party Transactions

Transactions between the Company's consolidated subsidiaries and their directors and major shareholders as of March 31, 2023 and 2022 and for the years then ended are as follows:

2023									
Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2023
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	¥136 million (\$1,018 thousand)	Loans and bills discounted	¥116 million (\$868 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥965 million (\$7,226 thousand)	Loans and bills discounted	¥1,380 million (\$10,333 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 (\$4,043 thousand)	Loans and bills discounted	¥540 million (\$4,043 thousand)
	ROYAL CENTURY GOLF CLUB Note (3)	Akita city, Akita Pref.	¥20	Amusement	-	Lending	¥40 million (\$299 thousand)	Loans and bills discounted	¥40 million (\$299 thousand)
	Okuyama Boring Co., Ltd. Note (4)	Yokote city, Akita Pref.	¥40	Construction	0.0% directly held	Lending	¥776 million (\$5,810 thousand)	Loans and bills discounted	¥671 million (\$5,024 thousand)
						Guarantee for liabilities	¥247 million (\$1,849 thousand)	Customers' liabilities for acceptances and guarantees	¥311 million (\$2,328 thousand)
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	Loans and bills discounted	¥156 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥1,029 million	Loans and bills discounted	¥1,380 million
	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	Loans and bills discounted	¥540 million
						Lending	¥1,029 million	Loans and bills discounted	¥1,085 million
	Okuyama Boring Co., Ltd. Note (4)	Yokote city, Akita Pref.	¥40	Construction	0.0% directly held	Guarantee for liabilities	¥245 million	Customers' liabilities for acceptances and guarantees	¥293 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) 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 ROYAL CENTURY GOLF CLUB.
- (4) 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.
- (5) 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.
- (6) The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed for the years ended March 31, 2023 and 2022.

## 26. 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, 2023 and 2022 and for the years then ended was as follows:

Billions of yen				
2023				
	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:	31.8	38.1	27.1	37.8
Debt securities	11.6	19.4	6.8	19.2
Equity securities	3.9	4.9	2.4	3.1
Other	23.0	29.7	19.1	29.7
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
Millions of U.S. dollars				
2023				
	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:	238.1	285.3	202.9	283.0
Debt securities	86.8	145.2	50.9	143.7
Equity securities	29.2	36.6	17.9	23.2
Other	172.2	222.4	143.0	222.4

- (\*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, 2023 and 2022 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, 2023	Millions of yen		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	¥ 606	¥ 606	¥ -
Money held in trust	57,981	57,981	-
Securities (*1):			
Available-for-sale securities	655,663	655,663	-
Loans and bills discounted:			
Allowance for loan losses (*2)	(13,400)		
	1,878,749	1,898,241	19,492
Assets, total	¥2,593,001	¥2,612,493	¥ 19,492
Deposits	¥2,663,710	¥2,663,712	¥ 1
Negotiable certificates of deposit	63,680	63,680	-
Borrowed money	116,000	115,956	(43)
Liabilities, total	¥2,843,390	¥2,843,349	¥ (41)
Derivative transactions (*3):			
To which hedge accounting is not applied	¥ [337]	¥ [337]	¥ -
To which hedge accounting is applied	236	236	-
Derivative transactions, total	¥ [100]	¥ [100]	¥ -

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:			
Allowance for loan losses (*2)	(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 (*3):			
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, 2023	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Trading account securities:			
Trading securities	\$ 4,537	\$ 4,537	\$ -
Money held in trust	434,184	434,184	-
Securities (*1):			
Available-for-sale securities	4,909,862	4,909,862	-
Loans and bills discounted:			
Allowance for loan losses (*2)	(100,344)		
	14,068,810	14,214,774	145,963
<b>Assets, total</b>	<b>\$19,417,410</b>	<b>\$19,563,374</b>	<b>\$ 145,963</b>
Deposits	\$19,946,907	\$19,946,922	\$ 7
Negotiable certificates of deposit	476,860	476,860	-
Borrowed money	868,653	868,324	(322)
<b>Liabilities, total</b>	<b>\$21,292,421</b>	<b>\$21,292,114</b>	<b>\$ (307)</b>
Derivative transactions (*3):			
To which hedge accounting is not applied	\$ [2,523]	\$ [2,523]	\$ -
To which hedge accounting is applied	1,767	1,767	-
<b>Derivative transactions, total</b>	<b>\$ [748]</b>	<b>\$ [748]</b>	<b>\$ -</b>

(\*1) Securities include investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in paragraph 24-3 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021). There are no investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in paragraph 24-9.

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

(\*3) 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
	2023	2022	2023
Unlisted equity securities (*1) (*2)	¥ 1,618	¥ 1,434	\$ 12,116
Investments in partnerships (*3)	2,859	2,473	21,409

(\*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 ¥16 million (\$119 thousand) and ¥4 million for the years ended March 31, 2023 and 2022, respectively.

(\*3) The fair value of investments in partnerships is not disclosed in accordance with paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2023

March 31, 2023	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)	¥ 283,589	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	4,016	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	43,112	88,873	105,470	62,996	121,411	163,308
Japanese government bonds	8,000	6,000	1,000	3,000	41,250	45,000
Municipal bonds	16,435	38,046	32,551	26,836	32,556	40,277
Corporate bonds	8,729	18,690	14,958	10,142	250	69,985
Other	9,948	26,136	56,960	23,016	47,355	8,045
Loans and bills discounted (*2)	476,426	318,476	276,684	188,223	180,950	367,156
<b>Total</b>	<b>¥ 807,145</b>	<b>¥ 407,349</b>	<b>¥ 382,154</b>	<b>¥ 251,219</b>	<b>¥ 302,362</b>	<b>¥ 530,465</b>

March 31, 2023	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)	\$2,123,625	\$ -	\$ -	\$ -	\$ -	\$ -
Monetary claims bought	30,073	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	322,839	665,515	789,800	471,738	909,173	1,222,914
Japanese government bonds	59,907	44,930	7,488	22,465	308,896	336,977
Municipal bonds	123,071	284,903	243,754	200,958	243,792	301,610
Corporate bonds	65,366	139,958	112,011	75,947	1,872	524,075
Other	74,494	195,716	426,538	172,352	354,612	60,244
Loans and bills discounted (*2)	3,567,665	2,384,873	2,071,918	1,409,487	1,355,024	2,749,408
<b>Total</b>	<b>\$ 6,044,218</b>	<b>\$ 3,050,389</b>	<b>\$ 2,861,719</b>	<b>\$ 1,881,226</b>	<b>\$ 2,264,205</b>	<b>\$ 3,972,330</b>

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

(\*2) Loans and bills discounted as of March 31, 2023 do not include ¥32,957 million (\$246,794 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 ¥51,274 million (\$383,959 thousand) of receivables without maturity.

(Note 3) Repayment schedule of bonds payable, borrowed money and other interest-bearing liabilities subsequent to March 31, 2023

March 31, 2023	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 (*)	¥ 2,371,283	¥ 86,792	¥ 6,109	¥ -	¥ -	¥ -
Negotiable certificates of deposit	63,680	-	-	-	-	-
Payables under securities lending transactions	41,651	-	-	-	-	-
Borrowed money	106,200	4,900	4,900	-	-	-
<b>Total</b>	<b>¥ 2,582,815</b>	<b>¥ 91,692</b>	<b>¥ 11,009</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ -</b>

March 31, 2023	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
Deposits (*)	\$17,757,098	\$ 649,932	\$ 45,746	\$ -	\$ -	\$ -
Negotiable certificates of deposit	476,860	-	-	-	-	-
Payables under securities lending transactions	311,899	-	-	-	-	-
Borrowed money	795,267	36,693	36,693	-	-	-
<b>Total</b>	<b>\$19,341,133</b>	<b>\$ 686,625</b>	<b>\$ 82,439</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(\*) 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 sheets

March 31, 2023	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ -	¥ 57,981	¥ -	¥ 57,981
Securities:				
Trading securities:				
Japanese government bonds, Municipal bonds	-	66	-	66
Available-for-sale securities:				
Japanese government bonds, Municipal bonds	103,450	184,449	-	287,899
Corporate bonds	-	89,853	31,662	121,516
Equity securities	14,439	-	-	14,439
Foreign securities	1,154	56,452	-	57,606
Investment trusts	21,509	148,652	-	170,161
Derivative transactions:				
Interest rate related	-	43	-	43
Currency related	-	38	-	38
Equity securities related	-	0	-	0
Assets, total	¥ 140,553	¥ 538,808	¥ 31,662	¥ 711,024
Derivative transactions:				
Interest rate related	¥ -	¥ 134	¥ -	¥ 134
Currency related	-	779	-	779
Liabilities, total	¥ -	¥ 913	¥ -	¥ 913

March 31, 2022	Millions of yen			
	Fair value			
	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
Foreign securities	19,193	57,015	-	76,209
Derivative transactions:				
Interest rate related	-	8	-	8
Currency related	-	4	-	4
Equity securities related	-	102	-	102
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, 2023	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ -	\$ 434,184	\$ -	\$ 434,184
Securities:				
Trading securities:				
Japanese government bonds, Municipal bonds	-	4,537	-	4,537
Available-for-sale securities				
Japanese government bonds, Municipal bonds	774,674	1,381,226	-	2,155,900
Corporate bonds	-	672,854	237,097	909,959
Equity securities	108,124	-	-	108,124
Foreign securities	8,641	422,734	-	431,376
Investment trusts	161,067	1,113,164	-	1,274,232
Derivative transactions:				
Interest rate related	-	3,242	-	3,242
Currency related	-	2,680	-	2,680
Equity securities related	-	149	-	149
<b>Assets, total</b>	<b>\$1,052,516</b>	<b>\$4,034,806</b>	<b>\$ 237,097</b>	<b>\$5,324,427</b>
Derivative transactions:				
Interest rate related	\$ -	\$ 1,003	\$ -	\$ 1,003
Currency related	-	5,833	-	5,833
<b>Liabilities, total</b>	<b>\$ -</b>	<b>\$ 6,836</b>	<b>\$ -</b>	<b>\$ 6,836</b>

(\*1) The above table as of March 31, 2022 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 as of March 31, 2022.

(\*2) In the above table as of March 31, 2023, securities do not include investment trusts whose net asset value is deemed as fair value by applying the treatments prescribed in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

The carrying amount of investment trusts for which the treatment prescribed in paragraph 24-3 is applied is ¥4,040 million (\$30,253 thousand).

There are no investment trusts for which the treatment prescribed in paragraph 24-9 is applied.

(\*3) Reconciliation of investment trusts for which the treatment prescribed in paragraph 24-3 are applied from beginning balance to ending balance for the ended March 31, 2023

Millions of yen									
2023									
Beginning of the year	Income or other comprehensive income (“OCI”) recognized for the current fiscal year		Purchase, sale and redemption, net	Net asset value deemed as fair value	Net asset value not deemed as fair value	End of the year	Valuation gain (loss) (b)		
	Income	OCI (a)							
¥ 4,000	¥ -	¥ 40	¥ -	¥ 4,040	¥ -	¥ 4,040	¥ -		

Thousands of U.S. dollars									
2023									
Beginning of the year	Income or other comprehensive income (“OCI”) recognized for the current fiscal year		Purchase, sale and redemption, net	Net asset value deemed as fair value	Net asset value not deemed as fair value	End of the year	Valuation gain (loss) (b)		
	Income	OCI (a)							
\$ 29,953	\$ -	\$ 299	\$ -	\$ 30,253	\$ -	\$ 30,253	\$ -		

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

(b) It presents valuation gain (loss) of investment trusts held at the consolidated balance sheet date, out of income recognized for the current fiscal year.

(\*4) Breakdown of restrictions on cancellation or repurchase at the consolidated balance sheet date

	Millions of yen	Thousands of U.S. dollars
Major restrictions on cancellation or repurchase		Carrying amount
For cancellation, a minimum of one month's prior notice is required.	¥ 4,040	\$ 30,253

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

	Millions of yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ -	¥ -	¥ 1,898,241	¥ 1,898,241
Assets, total	¥ -	¥ -	¥ 1,898,241	¥ 1,898,241
Deposits	¥ -	¥ 2,663,712	¥ -	¥ 2,663,712
Negotiable certificates of deposit	-	63,680	-	63,680
Borrowed money	-	115,956	-	115,956
Liabilities, total	¥ -	¥ 2,843,349	¥ -	¥ 2,843,349

	Millions of yen			
	Fair value			
March 31, 2022	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

	Thousands of U.S. dollars			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Loans and bills discounted	\$ -	\$ -	\$ 14,214,774	\$ 14,214,774
Assets, total	\$ -	\$ -	\$ 14,214,774	\$ 14,214,774
Deposits	\$ -	\$ 19,946,922	\$ -	\$ 19,946,922
Negotiable certificates of deposit	-	476,860	-	476,860
Borrowed money	-	868,324	-	868,324
Liabilities, total	\$ -	\$ 21,292,114	\$ -	\$ 21,292,114

(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.

For investment trusts without transaction prices in the market, the net asset value is used as the fair value when there are no restrictions that are significant enough for market participants to require consideration for risk on cancellation or repurchase. They are classified into Level 2 fair value.

The footnote on securities by holding purposes is described in Note “5. Securities.”

#### *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.

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.



Millions of yen								
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	Reclassification to Level 3 (*2)	Reclassification from Level 3 (*3)	End of the year	Valuation gain (loss) (*5)
		Income (*4)	OCI (*1)					
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, 2023	Beginning of the year	Income or other comprehensive income (“OCI”) recognized for the current fiscal year		Purchase, sale, issuance and settlement, net	Reclassification to Level 3 (*2)	Reclassification from Level 3 (*3)	End of the year	Valuation gain (loss) (*5)
		Income	OCI (*1)					
Securities:								
Available-for-sale securities:								
Corporate bonds								
Private placement bonds	\$ 194,466	\$ -	\$ 434	\$ 42,182	\$ -	\$ -	\$ 237,097	\$ -

(\*1) The amount is included in “Unrealized gain (loss) on available-for-sale securities” of “Other comprehensive income” in the consolidated statements of comprehensive income.

(\*2) It presents the reclassification from Level 2 fair value to Level 3 fair value. None for the years ended March 31, 2023 and 2022.

(\*3) It presents the reclassification from Level 3 fair value to Level 2 fair value. None for the years ended March 31, 2023 and 2022.

(\*4) The amount is included in “Other operating income” in the consolidated statement of income 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.

## 27. 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

Interest rate related derivatives at March 31, 2023 were as follows:

March 31, 2023	Millions of yen				
	Contract amount		Fair value	Valuation gain (loss)	
	Total	Over one year			
<b>OTC transactions:</b>					
Interest rate swaps:					
	Receive floating / Pay fix	¥ 4,500	¥ 4,500	¥ 83	¥ 83
Total				¥ 83	¥ 83

March 31, 2023	Thousands of U.S. dollars				
	Contract amount		Fair value	Valuation gain (loss)	
	Total	Over one year			
<b>OTC transactions:</b>					
Interest rate swaps:					
	Receive floating / Pay fix	\$ 33,697	\$ 33,697	\$ 621	\$ 621
Total				\$ 621	\$ 621

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

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

#### Currency related derivatives

Currency related derivatives at March 31, 2023 and 2022 were as follows:

March 31, 2023	Millions of yen				
	Contract amount		Fair value	Valuation gain (loss)	
	Total	Over one year			
<b>OTC transactions:</b>					
Forward foreign exchange contracts:					
	Sold	¥ 58,027	¥ -	¥ (462)	¥ (462)
	Bought	2,112	-	41	41
Total				¥ (420)	¥ (420)

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

March 31, 2023	Thousands of U.S. dollars				
	Contract amount			Valuation gain (loss)	
	Total	Over one year	Fair value		
<b>OTC transactions:</b>					
Forward foreign exchange contracts:					
	Sold	\$ 434,528	\$ -	\$ (3,459)	\$ (3,459)
	Bought	15,815	-	307	307
Total				\$ (3,145)	\$ (3,145)

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, 2023 and 2022 were as follows:

March 31, 2023			Millions of yen		
			Contract amount		Fair value
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		¥ 42,750	¥ 42,750	¥ 216
Total					¥ 216

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

March 31, 2023			Thousands of U.S. dollars		
			Contract amount		Fair value
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	
Deferral hedge accounting	Interest rate swaps:	Available-for-sale securities (Japanese government bonds)			
	Receive floating / Pay fix		\$ 320,128	\$320,128	\$ 1,617
Total					\$ 1,617

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, 2023 and 2022 were as follows:

March 31, 2023			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		¥ 1,607	¥ -	¥ 20
	Bought		-	-	-
<b>Total</b>					<b>¥ 20</b>

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		-	-	-
<b>Total</b>					<b>¥ 102</b>

March 31, 2023			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		\$ 12,033	\$ -	\$ 149
	Bought		-	-	-
<b>Total</b>					<b>\$ 149</b>

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

**28. Amounts per Share**

Amounts per share at March 31, 2023 and 2022 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets	¥ 5,011.71	¥ 5,732.01	\$ 37.5296
Net income:			
Basic	179.19	190.15	1.3418
Diluted	-	148.59	-

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, 2022.

(2) Diluted net income for the year ended March 31, 2023 is not shown since there are no dilutive shares as a result of acquisition and cancellation of preferred stock class B based on the resolution at the Board of Directors' meeting held on February 24, 2023.

- (3) Net income per share—basic and net income per share—diluted for the years ended March 31, 2023 and 2022 were calculated based on the following information:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Net income attributable to owners of parent —basic:			2023
Net income attributable to owners of parent	¥ 3,266	¥ 3,506	\$ 24,457
Amounts not attributed to common stock shareholders	29	57	217
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	-	28	-
O/W, interim dividends for preferred stock	29	28	217
Net income attributable to common stock owners of parent	¥ 3,237	¥ 3,448	\$ 24,239
Average outstanding number of shares of common stock (Unit: thousand shares)	18,064	18,134	
Net income attributable to owners of parent —diluted:			
Net income attributable to owners of parent	¥ -	¥ 57	\$ -
O/W, dividends for preferred stock class B	-	57	-
Increase in number of shares of common stock (Unit: thousand shares)	-	5,461	-
O/W, preferred stock class B	-	5,461	-

- (3) Net assets per share at March 31, 2023 and 2022 were calculated based on the following information:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Total net assets	¥ 90,621	¥ 109,233	\$ 678,605
Amounts deducted from total net assets:	109	5,343	816
O/W, payment for preferred stock	-	5,000	-
O/W, dividends for preferred stock	-	28	-
O/W, non-controlling interests	109	314	816
Net assets attributable to common stock as of March 31, 2023 and 2022	¥ 90,512	¥ 103,889	\$ 677,789
Number of shares of common stock as of March 31, 2023 and 2022 used to calculate net assets per share (Unit: thousand shares)	18,060	18,124	

## 29. Subsequent Events

None to report.

**30. Non-Consolidated Financial Statements of Shonai Bank and Hokuto Bank as of March 31, 2023 and 2022 and for the Years Then Ended**

**The Shonai Bank, Ltd.**

**Non-Consolidated Balance Sheets  
March 31, 2023 and 2022**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Cash and due from banks	¥ 148,972	¥ 426,778	\$ 1,115,560
Monetary claims bought	1,611	1,599	12,063
Trading account securities	414	426	3,100
Money held in trust	27,860	25,654	208,626
Securities	331,912	343,309	2,485,487
Loans and bills discounted	948,205	854,611	7,100,531
Foreign exchange assets	798	1,000	5,975
Tangible fixed assets:			
Buildings	7,598	8,286	56,896
Land	4,421	4,877	33,106
Lease assets	8	12	59
Other tangible fixed assets	989	956	7,406
Intangible fixed assets:			
Software	515	687	3,856
Other intangible fixed assets	65	65	486
Prepaid pension cost	182	42	1,362
Deferred tax assets	1,439	-	10,775
Customers' liabilities for acceptances and guarantees	5,843	5,697	43,754
Other assets	16,231	17,348	121,544
Allowance for loan losses	(7,021)	(7,059)	(52,576)
Total assets	<u>¥ 1,490,048</u>	<u>¥ 1,684,296</u>	<u>\$ 11,158,064</u>

(Continued)

**The Shonai Bank, Ltd.**

**Non-Consolidated Balance Sheets**  
**March 31, 2023 and 2022**

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Liabilities:			
Deposits	¥ 1,306,463	¥ 1,297,919	\$ 9,783,308
Negotiable certificates of deposit	47,304	42,647	354,230
Payables under securities lending transactions	14,976	49,315	112,146
Borrowed money	48,500	213,200	363,187
Foreign exchange liabilities	24	18	179
Provision for bonuses for directors and other officers	15	18	112
Provision for retirement benefits	148	147	1,108
Provision for reimbursement of deposits	14	32	104
Provision for contingent loss	227	272	1,699
Deferred tax liabilities	-	1,835	-
Deferred tax liabilities for land revaluation	385	416	2,883
Acceptances and guarantees	5,843	5,697	43,754
Other liabilities	7,565	8,313	56,649
<b>Total liabilities</b>	<b>1,431,467</b>	<b>1,619,836</b>	<b>10,719,387</b>
Net assets:			
Common stock	8,500	8,500	63,651
Capital surplus	20,308	20,308	152,074
Retained earnings	27,471	26,455	205,713
Total shareholders' equity	56,280	55,263	421,446
Unrealized gain on available-for-sale securities	1,276	8,281	9,555
Deferred gain on hedges	174	-	1,302
Revaluation reserve for land	850	914	6,365
Total valuation and translation adjustments	2,301	9,196	17,230
<b>Total net assets</b>	<b>58,581</b>	<b>64,460</b>	<b>438,677</b>
<b>Total liabilities and net assets</b>	<b>¥ 1,490,048</b>	<b>¥ 1,684,296</b>	<b>\$ 11,158,064</b>

(Concluded)

**The Shonai Bank, Ltd.**

**Non-Consolidated Statements of Income**  
**Years Ended March 31, 2023 and 2022**

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Income:			
Interest income:			
Interest on loans and discounts	¥ 9,001	¥ 9,406	\$ 67,403
Interest and dividends on securities	7,548	5,708	56,522
Other	100	407	748
Fees and commissions	3,888	3,894	29,114
Other operating income	2,148	1,710	16,085
Other income	1,691	2,805	12,662
Total income	<u>24,379</u>	<u>23,933</u>	<u>182,559</u>
Expenses:			
Interest expenses:			
Interest on deposits	82	91	614
Interest on negotiable certificates of deposit	1	2	7
Interest on payables under securities lending transactions	158	27	1,183
Interest on borrowings and rediscounts	0	0	0
Interest on interest rate swaps	111	-	831
Other	(0)	(2)	(0)
Fees and commissions	2,315	2,347	17,335
Other operating expenses	5,869	2,633	43,949
General and administrative expenses	11,434	12,303	85,622
Other expenses	2,550	3,612	19,095
Total expenses	<u>22,523</u>	<u>21,016</u>	<u>168,661</u>
Income before income taxes	<u>1,855</u>	<u>2,916</u>	<u>13,890</u>
Income taxes:			
Current	534	1,025	3,998
Deferred	(309)	334	(2,313)
Total income taxes	<u>224</u>	<u>1,359</u>	<u>1,677</u>
Net income	<u>¥ 1,630</u>	<u>¥ 1,557</u>	<u>\$ 12,206</u>

**The Hokuto Bank, Ltd.**

**Non-Consolidated Balance Sheets**  
**March 31, 2023 and 2022**

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Assets:			
Cash and due from banks	¥ 167,309	¥ 298,597	\$ 1,252,875
Monetary claims bought	967	941	7,241
Trading account securities	191	163	1,430
Money held in trust	30,121	26,062	225,557
Securities	328,120	336,979	2,457,091
Loans and bills discounted	959,900	872,628	7,188,108
Foreign exchange assets	731	962	5,474
Tangible fixed assets:			
Buildings	3,980	4,325	29,803
Land	5,608	5,955	41,994
Lease assets	14	21	104
Construction in progress	1	-	7
Other tangible fixed assets	996	1,169	7,458
Intangible fixed assets:			
Software	1,020	1,212	7,638
Other intangible fixed assets	61	62	456
Prepaid pension cost	521	464	3,901
Deferred tax assets	2,694	2,288	20,173
Customers' liabilities for acceptances and guarantees	13,237	12,277	99,123
Other assets	26,109	29,019	195,514
Allowance for loan losses	(5,246)	(4,927)	(39,284)
Total assets	<u>¥ 1,536,343</u>	<u>¥ 1,588,204</u>	<u>\$ 11,504,740</u>

(Continued)

**The Hokuto Bank, Ltd.**

**Non-Consolidated Balance Sheets**  
**March 31, 2023 and 2022**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liabilities:			
Deposits	¥ 1,362,004	¥ 1,364,255	\$10,199,221
Negotiable certificates of deposit	16,375	12,219	122,622
Payables under securities lending transactions	26,675	3,509	199,752
Borrowed money	67,500	130,600	505,466
Foreign exchange liabilities	20	40	149
Provision for bonuses for directors and other officers	19	14	142
Provision for retirement benefits	290	274	2,171
Provision for reimbursement of deposits	44	93	329
Provision for contingent loss	159	187	1,190
Deferred tax liabilities for land revaluation	774	797	5,796
Acceptances and guarantees	13,237	12,277	99,123
Other liabilities	11,362	13,520	85,083
<b>Total liabilities</b>	<b>1,498,464</b>	<b>1,537,788</b>	<b>11,221,087</b>
Net assets:			
Common stock	12,500	12,500	93,604
Capital surplus	12,500	14,352	93,604
Retained earnings	17,392	20,095	130,238
Total shareholders' equity	42,392	46,948	317,447
Unrealized gain (loss) on available-for-sale securities	(5,748)	2,020	(43,043)
Deferred loss on hedges	(380)	(203)	(2,845)
Revaluation reserve for land	1,615	1,650	12,093
Total valuation and translation adjustments	(4,512)	3,468	(33,787)
<b>Total net assets</b>	<b>37,879</b>	<b>50,416</b>	<b>283,652</b>
<b>Total liabilities and net assets</b>	<b>¥ 1,536,343</b>	<b>¥ 1,588,204</b>	<b>\$11,504,740</b>

(Concluded)

**The Hokuto Bank, Ltd.**

**Non-Consolidated Statements of Income**  
**Years Ended March 31, 2023 and 2022**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Income:			
Interest income:			
Interest on loans and discounts	¥ 8,919	¥ 9,113	\$ 66,788
Interest and dividends on securities	6,731	5,655	50,404
Other	121	280	906
Fees and commissions	4,264	4,111	31,930
Other operating income	1,127	1,264	8,439
Other income	1,306	1,736	9,779
Total income	<u>22,471</u>	<u>22,161</u>	<u>168,271</u>
Expenses:			
Interest expenses:			
Interest on deposits	30	44	224
Interest on negotiable certificates of deposit	1	1	7
Interest on payables under securities lending transactions	10	14	74
Interest on borrowings and rediscounts	0	0	0
Interest on interest rate swaps	58	3	434
Other	(15)	(21)	(112)
Fees and commissions	1,468	1,536	10,992
Other operating expenses	4,882	3,890	36,558
General and administrative expenses	11,520	12,017	86,266
Other expenses	2,125	2,855	15,912
Total expenses	<u>20,082</u>	<u>20,343</u>	<u>150,381</u>
Income before income taxes	<u>2,389</u>	<u>1,818</u>	<u>17,889</u>
Income taxes:			
Current	292	378	2,186
Deferred	533	26	3,991
Total income taxes	<u>825</u>	<u>405</u>	<u>6,177</u>
Net income	<u>¥ 1,563</u>	<u>¥ 1,413</u>	<u>\$ 11,704</u>