

Financial Section

Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2022

For more details about the financial information contained in this annual report, please refer to the financial information that has been made public on Hirogin Holdings website.

 <https://www.hirogin-hd.co.jp/english/index.html>

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
ASSETS			
Cash and due from banks (Notes 4, 14 and 22)	¥ 2,580,736	¥ 2,577,627	\$21,061
Call loans and bills purchased (Note 22)	942	5,899	48
Monetary claims bought (Notes 4 and 22)	7,533	8,000	65
Trading assets (Notes 4 and 22)	6,501	7,577	62
Money held in trust (Notes 5 and 22)	45,727	42,415	347
Securities (Notes 4, 6, 7, 10 and 22)	1,479,829	1,668,228	13,630
Loans and bills discounted (Notes 6, 7, 8 and 22)	6,480,841	6,901,858	56,392
Foreign exchanges (Note 6)	15,463	11,468	94
Lease receivables and investments in lease assets	60,231	63,275	517
Other assets (Notes 6, 7 and 22)	129,018	137,159	1,121
Tangible fixed assets (Note 15)	110,904	107,359	877
Intangible fixed assets	9,308	9,025	74
Net defined benefit assets (Note 17)	85,864	58,164	475
Deferred tax assets (Note 18)	1,487	6,060	50
Customers' liabilities for acceptances and guarantees (Note 6)	36,251	38,859	318
Reserve for possible loan losses (Note 22)	(41,072)	(39,070)	(319)
Total assets	¥11,009,572	¥11,603,909	\$94,811
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits (Notes 7 and 22)	¥ 8,670,076	¥ 9,067,878	\$74,090
Payables under repurchase agreements (Notes 7 and 22)	255,685	229,457	1,875
Deposits received for bonds lending/borrowing transactions (Notes 7 and 22)	382,445	448,183	3,662
Trading liabilities	3,607	4,848	40
Borrowed money (Notes 7, 9 and 22)	1,024,872	1,201,839	9,820
Foreign exchanges	1,985	2,714	22
Due to trust account	47	51	0
Other liabilities (Notes 9 and 22)	90,468	97,409	796
Net defined benefit liabilities (Note 17)	670	697	6
Reserve for retirement benefits of directors and Audit & Supervisory Board members	96	130	1
Reserve for reimbursement of deposits	1,745	1,110	9
Reserve for point loyalty programs	137	150	1
Reserve for stock payments	609	799	7
Reserve for dismantling costs for fixed assets	768	307	3
Reserve under Special Laws	28	28	0
Deferred tax liabilities (Note 18)	9,588	—	—
Deferred tax liabilities for land revaluation reserve	13,605	13,241	108
Acceptances and guarantees	36,251	38,859	318
Total liabilities	¥10,492,691	¥11,107,708	\$90,757
Net Assets (Note 11):			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 60,000	¥ 60,000	\$ 490
Issued – 312,370,921 shares			
Capital surplus	25,209	25,209	206
Retained earnings	361,215	377,217	3,082
Common stock in treasury	(1,311)	(1,237)	(10)
Total stockholders' equity	¥ 445,112	¥ 461,189	\$ 3,768
Net unrealized holding gains on available-for-sale securities (Note 4)	¥ 27,327	¥ 1,367	\$ 11
Net deferred gains (losses) on hedging instruments	(1,938)	908	7
Land revaluation reserve	27,781	26,993	221
Remeasurements of defined benefit plans	18,348	5,476	45
Total accumulated other comprehensive income	¥ 71,519	¥ 34,745	\$ 284
Stock acquisition rights (Note 23)	¥ 126	¥ 126	\$ 1
Non-controlling interests	121	138	1
Total net assets	¥ 516,880	¥ 496,200	\$ 4,054
Total liabilities and net assets	¥11,009,572	¥11,603,909	\$94,811

See notes to consolidated financial statements.

Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 58,839	¥ 57,085	\$ 466
Interest and dividends on securities	10,132	11,959	98
Other interest income	2,418	4,454	36
Trust fees	128	178	1
Fees and commissions	28,852	33,624	275
Trading income	4,134	4,305	35
Other operating income	5,552	28,018	229
Other income	5,900	14,817	121
Total income	¥ 115,959	¥ 154,443	\$ 1,262
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,291	¥ 878	\$ 7
Interest on borrowings and rediscounts	1,121	843	7
Other interest expenses	2,172	2,241	18
Fees and commissions	9,456	12,686	104
Other operating expenses	797	30,957	253
General and administrative expenses (Note 12)	57,800	58,031	474
Other expenses (Note 13)	12,386	15,877	130
Total expenses	¥ 85,025	¥ 121,517	\$ 993
Income before income taxes	¥ 30,934	¥ 32,926	\$ 269
Income taxes (Note 18):			
Current income taxes	¥ 10,360	¥ 8,296	\$ 68
Deferred income taxes	(1,000)	1,687	14
Total income taxes	¥ 9,360	¥ 9,984	\$ 82
Net income	¥ 21,574	¥ 22,942	\$ 187
Net income attributable to noncontrolling interests	¥ —	¥ 36	\$ 0
Net income attributable to owners of the parent	¥ 21,574	¥ 22,906	\$ 187

	Yen	U.S. dollars (Note 1)
Amounts per share of common stock (Note 26):		
Net assets	¥1,664.01	¥1,596.79
Net income	69.26	73.75
Diluted net income	69.22	73.71
Cash dividends applicable to the year (Note 11)	24.00	24.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Net income	¥21,574	¥ 22,942	\$ 187
Other comprehensive income (Note 24):			
Net unrealized holding gains (losses) on available-for-sale securities	12,322	(25,960)	(212)
Net deferred gains on hedging instruments	3,086	3,073	25
Remeasurements of defined benefit plans	6,264	(12,872)	(105)
Share of other comprehensive loss of an affiliated company accounted for by the equity method	(4)	—	—
Total other comprehensive income	¥21,668	¥(35,759)	\$(292)
Comprehensive income	¥43,243	¥(12,817)	\$(105)
Attributable to:			
Comprehensive income attributable to owners of the parent	¥43,243	¥(12,853)	\$(105)
Comprehensive income attributable to noncontrolling interests	—	36	0

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

Item	Millions of yen				
	2021				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,740	¥347,714	¥ (998)	¥432,030
Changes of items during the period					
Changes by stock transfers	5,426	(5,426)			—
Dividends from surplus			(7,964)		(7,964)
Net income attributable to owners of the parent			21,574		21,574
Purchase of common stock in treasury				(789)	(789)
Disposal of common stock in treasury		3		259	262
Retirement of common stock in treasury		(108)	(108)	216	—
Net changes of items other than stockholders' equity					
Total changes of items during the period	5,426	(5,531)	13,501	(313)	13,082
Balance at the end of current period	¥60,000	¥25,209	¥361,215	¥(1,311)	¥445,112

Item	Millions of yen							
	2021							
	Accumulated other comprehensive income							
	Net unrealized holding gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥15,010	¥(5,025)	¥27,781	¥12,084	¥49,850	¥176	¥—	¥482,057
Changes of items during the period								
Changes by stock transfers								—
Dividends from surplus								(7,964)
Net income attributable to owners of the parent								21,574
Purchase of common stock in treasury								(789)
Disposal of common stock in treasury								262
Retirement of common stock in treasury								—
Net changes of items other than stockholders' equity	12,317	3,086	—	6,264	21,668	(49)	121	21,741
Total changes of items during the period	12,317	3,086	—	6,264	21,668	(49)	121	34,823
Balance at the end of current period	¥27,327	¥(1,938)	¥27,781	¥18,348	¥71,519	¥126	¥121	¥516,880

Item	Millions of yen				
	2022				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥60,000	¥25,209	¥361,215	¥(1,311)	¥445,112
Cumulative effects of accounting changes			(195)		(195)
Balance at the beginning of current period (restated)	¥60,000	¥25,209	¥361,020	¥(1,311)	¥444,917
Changes of items during the period					
Dividends from surplus			(7,496)		(7,496)
Net income attributable to owners of the parent			22,906		22,906
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury		0		75	75
Reversal of land revaluation reserve			788		788
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	0	16,197	74	16,271
Balance at the end of current period	¥60,000	¥25,209	¥377,217	¥(1,237)	¥461,189

Item	Millions of yen							
	2022							
	Accumulated other comprehensive income							
	Net unrealized holding gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 27,327	¥(1,938)	¥27,781	¥ 18,348	¥ 71,519	¥126	¥121	¥516,880
Cumulative effects of accounting changes		(225)			(225)			(421)
Balance at the beginning of current period (restated)	¥ 27,327	¥(2,164)	¥27,781	¥ 18,348	¥ 71,293	¥126	¥121	¥516,459
Changes of items during the period								
Dividends from surplus								(7,496)
Net income attributable to owners of the parent								22,906
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								75
Reversal of land revaluation reserve								788
Net changes of items other than stockholders' equity	(25,960)	3,073	(788)	(12,872)	(36,547)	—	16	(36,530)
Total changes of items during the period	(25,960)	3,073	(788)	(12,872)	(36,547)	—	16	(20,258)
Balance at the end of current period	¥ 1,367	¥ 908	¥26,993	¥ 5,476	¥ 34,745	¥126	¥138	¥496,200

Millions of U.S. dollars (Note 1)					
2022					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$490	\$206	\$2,951	\$(11)	\$3,637
Cumulative effects of accounting changes			(2)		(2)
Balance at the beginning of current period (restated)	\$490	\$206	\$2,950	\$(11)	\$3,635
Changes of items during the period					
Dividends from surplus			(61)		(61)
Net income attributable to owners of the parent			187		187
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury		0		1	1
Reversal of land revaluation reserve			6		6
Net changes of items other than stockholders' equity					
Total changes of items during the period		0	132	1	133
Balance at the end of current period	\$490	\$206	\$3,082	\$(10)	\$3,768

Millions of U.S. dollars (Note 1)								
2022								
Accumulated other comprehensive income								
Item	Net unrealized holding gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 223	\$(16)	\$227	\$ 150	\$ 584	\$1	\$1	\$4,223
Cumulative effects of accounting changes		(2)			(2)			(3)
Balance at the beginning of current period (restated)	\$ 223	\$(18)	\$227	\$ 150	\$ 583	\$1	\$1	\$4,220
Changes of items during the period								
Dividends from surplus								(61)
Net income attributable to owners of the parent								187
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								1
Reversal of land revaluation reserve								6
Net changes of items other than stockholders' equity	(212)	25	(6)	(105)	(299)	—	0	(298)
Total changes of items during the period	(212)	25	(6)	(105)	(299)	—	0	(166)
Balance at the end of current period	\$ 11	\$ 7	\$221	\$ 45	\$ 284	\$1	\$1	\$4,054

Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Cash flows from operating activities:			
Income before income taxes	¥ 30,934	¥ 32,926	\$ 269
Depreciation of fixed assets	4,709	6,052	49
Impairment losses on fixed assets	439	2,272	19
Gain on return of retirement benefit trust	—	(7,035)	(57)
Share of profit of an affiliated company accounted for by the equity method	(181)	—	—
Gain on step acquisition	(86)	—	—
Net change in reserve for possible loan losses	6,853	(2,002)	(16)
Net change in net defined benefit assets	(15,011)	34,736	284
Net change in net defined benefit liabilities	3	27	0
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	9	34	0
Net change in reserve for reimbursement of deposits	(785)	(635)	(5)
Net change in reserve for point loyalty programs	(4)	12	0
Net change in reserve for stock payments	61	190	2
Net change in reserve under special laws	(9)	(0)	(0)
Net change in reserve for dismantling costs for fixed assets	(408)	(461)	(4)
Interest income	(71,390)	(73,499)	(601)
Interest expense	4,585	3,963	32
Net gains on securities transactions	(7,730)	2,157	18
Net losses on dispositions of fixed assets	135	(1,092)	(9)
Net change in trading assets	(260)	(1,075)	(9)
Net change in trading liabilities	(206)	1,240	10
Net change in loans	(61,449)	(421,016)	(3,440)
Net change in deposits	982,239	397,802	3,250
Net change in borrowed money excluding subordinated loans	383,836	191,966	1,568
Net change in due from banks other than from the Bank of Japan	(1,192)	(943)	(8)
Net change in call loans and bills purchased	6,056	(5,424)	(44)
Net change in call money and bills sold	76,264	(26,228)	(214)
Net change in deposits received for bonds lending/borrowing transactions	61,437	65,737	537
Net change in foreign exchanges (assets)	19,526	3,994	33
Net change in foreign exchanges (liabilities)	(1,516)	729	6
Amortization of goodwill	—	135	1
Interest received	77,497	78,205	639
Interest paid	(4,794)	(4,051)	(33)
Other – net	5,579	(50,254)	(411)
Subtotal	1,495,141	228,464	1,867
Income taxes paid	(8,803)	(11,574)	(95)
Net cash provided by operating activities	1,486,338	216,889	1,772
Cash flows from investing activities:			
Purchases of securities	(831,611)	(921,805)	(7,532)
Proceeds from sales of securities	430,328	597,047	4,878
Proceeds from redemption of securities	88,936	126,735	1,036
Increase in money held in trust	(35,811)	(7)	(0)
Decrease in money held in trust	8	3,004	25
Purchases of tangible fixed assets	(19,977)	(5,211)	(43)
Purchases of intangible fixed assets	(2,342)	(2,706)	(22)
Proceeds from sales of tangible fixed assets	799	4,752	39
Payments for retirement of tangible fixed assets	(14)	(97)	(1)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(719)	(39)	(0)
Net cash used in investing activities	(370,404)	(198,327)	(1,620)
Cash flows from financing activities:			
Repayments of subordinated borrowings	—	(15,000)	(123)
Dividends paid	(7,957)	(7,509)	(61)
Dividends paid to noncontrolling interests	—	(19)	(0)
Purchases of treasury stock	(789)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Payments of lease liabilities	(564)	(107)	(1)
Net cash used in financing activities	(9,312)	(22,637)	(185)
Effect of foreign exchange rate changes on cash and cash equivalents	(14)	23	0
Net change in cash and cash equivalents	1,106,606	(4,052)	(33)
Cash and cash equivalents at the beginning of year	1,463,401	2,570,007	20,999
Cash and cash equivalents at the end of year (Note 14)	¥2,570,007	¥2,565,955	\$20,965

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2022

1 Basis of presenting consolidated financial statements

In accordance with the approval from shareholders at the shareholders' meeting held on June 25, 2020 and necessary approval from the Prime Minister and relevant authorities based on Article 52-17, Paragraph 1 of the Banking Act, Hirogin Holdings, Inc. (the "Company") was incorporated as a holding company pursuant to a sole-share transfer on October 1, 2020, through which The Hiroshima Bank, Ltd. (the "Bank") became a wholly-owned subsidiary of the Company. The accompanying consolidated financial statements have been prepared on the assumption that the above transaction had been in effect as of April 1, 2020. Accordingly, the accounts of the Bank for the period from April 1, 2020 through September 30, 2020 have been included in the accompanying consolidated financial statements of the Company for the year ended March 31, 2021.

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

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The Company maintains its accounting records in Japanese yen, the currency in which the Company is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Financial Instruments and Exchange Act and Enforcement Regulation concerning the Banking Act of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of individual amounts. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the

future be, converted into U.S. dollars at this or any other rate of exchange.

2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and thirteen (ten in 2021) subsidiaries (collectively the "Group") for the year ended March 31, 2022.

Under the control and influence concepts, the companies over which the Company is able to exercise control, directly or indirectly, are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

On April 1, 2021, Hirogin Human Resource Co., Ltd. and Hirogin Area Design Co., Ltd. were newly incorporated and have been included in the scope of consolidation from the year ended March 31, 2022.

Furthermore, Hirogin Human Resource Co., Ltd., which is a consolidated subsidiary of the Company, acquired shares of Mighty Net Plus Co., Ltd. on March 31, 2022 and made the company its subsidiary. Accordingly, the company has been included in the scope of consolidation from the year ended March 31, 2022.

All significant intercompany balances and transactions have been eliminated.

There are six subsidiaries which are not consolidated because the total assets, total income, net income, retained earnings and total other comprehensive income of these companies would not have a material effect on the consolidated financial statements.

There is no unconsolidated subsidiary nor affiliated company which is accounted for using the equity method as of March 31, 2022.

There are two affiliated companies which are not accounted for using the equity method because net income (corresponding to the share of interests), and other comprehensive income of the company would not have a material effect on the consolidated financial statements.

The six unconsolidated subsidiaries and two affiliated companies are not accounted for using the equity method, but they are stated at cost, because these companies would not have a material effect on the consolidated financial statements even if they are excluded from the scope of equity method.

Goodwill incurred for three consolidated subsidiaries is amortized using the straight-line method over a period of five years.

As of March 31, 2022, the fiscal year ending dates are March 31 for thirteen consolidated subsidiaries.

3 Significant accounting policies

Trading assets and trading liabilities

The Group adopted mark-to-market accounting for trading assets and trading liabilities including securities, monetary claims and financial derivatives for trading purpose. Trading assets and trading liabilities are recorded on a trade date basis, and revenues and expenses related to trading securities transactions are also recorded on a trade date basis. Securities and monetary claims for trading purposes are stated at market or fair value at the balance sheet date. Financial derivatives such as futures and option transactions are stated at a deemed settlement amount at the balance sheet date. Unrealized gains or losses incurred by the mark-to-market method are charged to income.

Securities

All companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereinafter, "trading securities"), (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and an affiliated company, and (d) for all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities").

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated, nor accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

However, equity securities, etc. which do not have a market price are carried at cost determined by the moving-average method.

Debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible.

If the fair value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies not consolidated, nor accounted for by the equity method, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as

loss in the period of the decline. If the fair value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

When fair values of available-for-sale securities decline by 50% or more of the acquisition cost at the balance sheet date, the Group writes down such securities to the fair values and records the related write-downs as loss in its consolidated statements of income. When fair values of available-for-sale securities decline by 30% or more but less than 50% of the acquisition cost, write-downs to the fair values may be recognized for certain issuers based on evaluation of issuers' debtor classification. For the year ended March 31, 2021, the Group did not recognize any write-downs of securities.

Derivatives and hedge accounting

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

(1) Hedging against interest rate fluctuations

The consolidated banking subsidiary (the "Bank") applies deferred hedge accounting pursuant to the treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 24 on March 17, 2022) to hedge transactions such as interest rate swaps entered into to mitigate interest rate risk arising from financial assets and liabilities. The Bank assesses the hedge effectiveness by considering the adequacy of offsetting movement of the fair value by the changes in interest rates through classifying the hedged items such as loans and the hedging instruments such as interest rate swaps by their maturity.

With respect to hedging transactions to fix the cash flows, hedging instruments (e.g. interest rate swaps) are designated to hedged items collectively by interest rate indices and tenors in accordance with JICPA Industry Audit Committee Practical Guideline No. 24. Since material terms related to hedged items and hedging instruments are substantially identical, and such hedging transactions are deemed highly effective, the assessment of effectiveness is based on the similarity of the terms.

(2) Hedging against foreign currency fluctuations

The Bank applies deferred hedge accounting to hedge transactions such as currency swaps and foreign exchange

swaps entered into to mitigate foreign exchange risk arising from foreign-currency-denominated financial assets and liabilities.

The Bank applies the hedge accounting pursuant to “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 25 on October 8, 2020) to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing in different currencies. The Bank assesses the hedge effectiveness by confirming that the positions of hedge instruments (currency swap and foreign exchange swap transactions) do not exceed the corresponding foreign-currency-denominated monetary receivables and payables as hedged items.

(3) Exceptional treatment

For some assets and liabilities, the Bank defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized. Also, if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Out of the above hedging relationships, all the hedging relationships included in the scope of application of the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issue Task Force (“PITF”) Report No. 40, March 17, 2022) apply the special treatments defined by the PITF Report No. 40. The contents of hedging relationships to which the PITF Report No. 40 is applied are as follows:

Hedge accounting method:	Deferred accounting method in principle
Hedging instruments:	Interest rate swaps, currency swaps
Hedged items:	Loans, etc.
Type of hedging transaction:	Offset against market fluctuations, transactions to fix the cash flows

Tangible fixed assets (except for lease assets)

Tangible fixed assets of the Bank except for land utilized for business operations are stated at cost less accumulated depreciation. Accumulated impairment losses are deducted from acquisition costs.

The Bank depreciates its tangible fixed assets under the straight-line method over their estimated useful lives. Estimated useful lives of major items are as follows:

Buildings:	22–50 years
Others:	3–20 years

The Company and its other consolidated subsidiaries depreciate their tangible fixed assets mainly using the declining-balance method (except for facilities attached to buildings acquired on or after April 1, 2016, which are depreciated using the straight-line method) based on the estimated useful lives of those assets.

Accumulated depreciation for tangible assets as of March 31, 2021 and 2022 amounted to ¥46,747 million and ¥47,646 million (\$389 million), respectively.

Deferred revenue deducted from the acquisition cost was ¥12,733 million and ¥12,733 million (\$104 million) as of March 31, 2021 and 2022, respectively.

Land revaluation reserve

In accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998; the “Act”), land for business purposes of the Bank has been revalued as of the date indicated below. The tax equivalent with regard to the valuation differences was recognized as “Deferred tax liabilities for land revaluation” in liabilities, and the amount net of deferred tax liabilities for land revaluation was stated as “Land revaluation surplus” in equity.

Date of revaluation: March 31, 1998

The method of revaluation of assets set forth in Article 3, Paragraph 3 of the Act:

Fair values are determined based on land price determined using the method established and published by the Commissioner of the National Tax Agency of Japan in order to calculate land value used for determining taxable amounts subject to landholding tax stipulated in Article 16 of the Landholding Tax Act, which is stipulated in Article 2, Item 4 of the Order for Enforcement on Act on Revaluation of Land (Order No. 119, March 31, 1998), with reasonable price adjustments.

The difference between the total fair values and the total carrying amounts of land for business purposes which was revalued pursuant to Article 10 of the Act as of March 31, 2021 and 2022 was ¥22,207 million and ¥21,606 million (\$177 million), respectively.

Intangible fixed assets (except for lease assets)

Intangible fixed assets are amortized using the straight-line method. Software utilized by the Group is amortized over the period in which it is expected to be utilized mainly for five or ten years.

Lease assets

Lease assets of the finance leases included in “Tangible fixed assets” other than those that transfer the ownership of leased property to the lessees are depreciated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

Reserve for possible loan losses

The Bank records its reserve for possible loan losses in accordance with a predetermined standard for write-offs and provisions as follows:

For loans to borrowers who are legally bankrupt due to special liquidation, etc. ("legally bankrupt" borrowers) or borrowers in a similar financial condition ("virtually bankrupt" borrowers), the reserve for possible loan losses is provided in the carrying amounts of such loans which are stated after directly setting off the uncollectible amounts as mentioned below, less the disposable value of collaterals and the estimated recoverable value from relevant guarantees.

For loans to borrowers who are not bankrupt at present, but likely to become bankrupt in future ("possibly bankrupt" borrowers), the reserve for possible loan losses is provided in the amounts considered to be necessary after comprehensively evaluating the borrower's overall financial conditions out of the amounts remaining after deducting the disposable value of collaterals and the estimated recoverable value from relevant guarantees from the carrying amounts of the loans.

Among loans to major borrowers who are possibly bankrupt and those with restructured loans, for loans to borrowers whose cash flows from collection of principal and interest can be reasonably estimated, the reserve for possible loan losses is provided in the amount of differences between the amount obtained by discounting the said cash flows at the contractual interest rate before restructuring and the carrying amounts of the loans (cash flow estimation method).

For other loans, the reserve for possible loan losses is provided based on the expected credit losses for the coming year or the coming three years. Expected credit losses are determined by adding necessary adjustments such as future prospects, etc. to the loss rate obtained by the average rate of actual loan losses for certain past periods based on bad debts for the past one year or the past three years.

The sales-related department conducts asset assessments for all the loans in accordance with the self-assessment rule, and their assessments are audited by the asset audit department, which is independent from the sales-related department.

For collateralized or guaranteed loans to legally bankrupt and virtually bankrupt borrowers, the estimated uncollectible amounts, which are the amounts remaining after deducting the appraisal value of collaterals and the recoverable value from relevant guarantees, are directly set off against the carrying amounts of the loans. Such amounts directly set off against those loans at March 31, 2021 and 2022 were ¥18,863 million and ¥30,861 million (\$252 million), respectively.

Other consolidated subsidiaries record the reserve for possible loan losses at the necessary amounts considering the historical bad debt ratio for general loans, and at the estimated uncollectible amounts for specific loans to possibly bankrupt borrowers.

Employees' severance and retirement benefits

The liabilities and expenses for severance and retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

The Bank provides allowance for employees' severance and retirement benefits at March 31, 2022 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over 14 years, which was not longer than the average of the estimated remaining service lives, commencing with the following period.

In calculating the projected benefit obligation, the straight-line method is used to attribute the expected benefit attributable to the respective fiscal year. Prior service costs were recognized in the consolidated statements of income as incurred.

Other consolidated subsidiaries adopt the simplified method for the calculation of net defined benefit liability and expenses for severance and retirement benefits.

Reserve for retirement benefits of directors and Audit & Supervisory Board members

Reserve for retirement benefits of directors and Audit & Supervisory Board members is provided for in payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end.

Reserve for reimbursement of deposits

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal.

Reserve for point loyalty programs

Reserve for point loyalty programs is provided for the estimated expenses based on an estimate of the future usage of points. Points are granted to credit card holders through card usage under the point loyalty program which is designed to promote card usage.

Reserve for stock payments

Reserve for stock payments is provided for the Company's stock payment to directors (excluding outside directors and directors who are members of the audit committee) and executive officers of the Company and directors (excluding outside directors) and executive officers of the Bank based

on the Director Share Payment Regulations at the estimated amount at the fiscal year-end.

Reserve for dismantling costs for fixed assets

Reserve for dismantling costs for fixed assets is provided to cover disbursements for dismantling buildings, etc. at the amount estimated to be incurred in future.

Reserve under Special Laws

Reserve under special laws is provided for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions, pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

Foreign currency translation

The consolidated financial statements of the Bank are maintained in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates, etc.

Income taxes

Income taxes consist of corporation tax, enterprise tax and inhabitant tax. The provision for income taxes is computed based on the pretax income of the Company and each of its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for tax loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the recoverability of the tax benefits.

Consolidated statements of cash flows and cash equivalents

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

Amounts per share

Net assets per share is calculated by dividing net assets by the number of common stocks outstanding at the year-end (excluding "treasury stock").

Net income per share is calculated by dividing net income attributable to owners of the parent by the average number of shares of common stock outstanding during the year (excluding "treasury stock").

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

Significant accounting estimates

The following items, which are items of accounting estimates recorded in the consolidated financial statements for the current year, may have significant effects on the consolidated financial statements for the following year:

• Reserve for possible loan losses

Accounting estimates associated with reserve for possible loan losses are considered to be material, since loans and other receivables of consolidated subsidiaries engaged in the banking business account for a relatively high portion in the consolidated balance sheet of the Group and therefore the recording of reserve for possible loan losses have a significant impact on the operating performance and financial position of the Group.

(1) Amount recorded in the consolidated financial statements as of March 31, 2021 and 2022

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Reserve for possible loan losses	¥41,072	¥39,070	\$319
(Of which amount recorded by consolidated subsidiaries engaged in the banking business)	(¥38,881)	(¥36,864)	(\$301)

(2) Information about the contents of significant accounting estimates for the identified item

a. Calculation method for the amount recorded in the consolidated financial statements for the year ended March 31, 2022

The calculation method for reserve for possible loan losses is stated in "Reserve for possible loan losses" under Note 3 "Significant accounting policies."

As of March 31, 2022, no modification was made as a result of the consideration of necessary modification such as future projections, in computing the expected loan loss rate.

Asset assessments described in "Reserve for possible loan losses" above refer to the classification in accordance with the risk of recovery and loss probabilities that are investigated and analyzed specifically after classifying debtors depending on their circumstances associated with the loans and receivables they hold based on the self-assessment criteria, and appropriate write-offs and the recording of provisions according to debtor classification are implemented. Debtors are classified into normal borrowers, borrowers who require special attention, possibly bankrupt borrowers, virtually bankrupt borrowers and legally bankrupt borrowers in accordance with the outcome of investigation of the repayment ability of debtors based on the financial position, cash management status, profitability, etc. of the debtors.

- b. Main assumptions used in calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2022

On the premise that there is a certain correlation between the historical loan loss rate and the future expected loan loss rate, for normal borrowers, borrowers who require special attention (including borrowers of restructured loans) and possibly bankrupt borrowers, the Group, in principle, records reserve for possible loan losses at an amount corresponding to the expected loan losses which are determined by multiplying the expected loss rate computed based on the historical loss rate.

With respect to debtors for which loan conditions were restructured and whose financial conditions are deteriorated after the lapse of a certain period of time, assumptions have been revised to the effect that credit risk is highly likely to increase in the future.

The Group determines the debtor classification by comprehensively taking into account the projections about business continuity and profitability, reasonableness of management improvement plans, etc., ability to repay debt and the status of support from financial institutions, in consideration of the characteristics of the industry, etc., after investigating the debtor's ability to repay the debt based on the actual financial position, cash management status, profitability, etc. of the debtor, and confirming the lending terms and the fulfilment status of loans.

Furthermore, if the management reconstruction is expected to proceed in line with reasonable and highly feasible management improvement plans, such loans will not fall under the category of restructured loans or possibly bankrupt loans.

Of the possibly bankrupt borrowers and borrowers of restructured loans whose unsecured credit amount exceeds a certain amount, if the future cash flows from the collection of the principal and interest of the loans held by such borrowers can be reasonably estimated, reserve for possible loan losses are recorded using the estimation of future cash flows from the collection of the principal and interest based on management improvement plans, etc. as a main assumption, considering the actual management condition of the borrower. In addition, for certain possibly bankrupt borrowers, additional reserve for possible loan losses is recorded at an amount that is not expected to be recovered in the future.

As of March 31, 2021, the Company assumed that the impact of the spread of the coronavirus disease (COVID-19) would remain for some period into the future. Reserve for possible loan losses was recorded on the assumption that significant losses would not arise from the loans thanks to economic measures taken by national and local governments as well as support from consolidated

subsidiaries engaged in the banking business and other financial institutions, although there might be some impacts on certain industries.

As of March 31, 2022, although such assumption is not significantly changed, with respect to debtors in specific industries that are significantly impacted by the spread of COVID-19, assumptions have been revised to the effect that credit risk is highly likely to increase in the future.

The Company, in consideration of the economic environment and changes in internal credit rating for the year ended March 31, 2022, has recorded the reserve for possible loan losses, making additional estimates for losses expected to be incurred in the future with respect to certain debtors belonging to the specific industries according to the level of impacts of the spread of COVID-19 on business performance and the degree of outlook of recovery after the containment of the pandemic.

- c. Effects on the consolidated financial statements for the following fiscal year

Main assumptions used for calculating the amount of reserve for possible loan losses, such as expected loan losses based on the historical loan loss rate by debtor classification, debtor classification as of the fiscal year end, estimated recoverable amounts based on estimated disposal value of collateral and guarantees as well as the impact of COVID-19, involve uncertainties of significant estimates.

Main assumptions related to the estimation of reserve for possible loan losses are based on best available information as of the preparation of the consolidated financial statements, but they might affect the performances and financial position of the Group depending on factors such as the deterioration of the management status of the borrowers, the fulfilment status of management improvement plans, a significant deviation of the expected amount of decline in collateral value compared to the assumption at the time of recording reserve for possible loan losses, and the prolongation of the spread of COVID-19 and changes in its impact on the economy.

Accounting changes

Adoption of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the year ended March 31, 2022. The Company has decided to recognize revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the provision to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the year ended March 31, 2022, with the new accounting policies applied from the beginning balance. There is no impact on the beginning balance of retained earnings.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous period are not presented.

Adoption of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") from the beginning of the year ended March 31, 2022 and changed the method of adjusting fair value in fair value measurement of derivatives in accordance with Paragraph 8 of the Fair Value Measurement Standard to the method of making best use of observable inputs estimated from derivatives, etc. traded in the market. Such change is associated with the application of the Fair Value Measurement Standard, and the Company reflects cumulative effects of retroactive application of the new accounting policy prior to the beginning of the year ended March 31, 2022 in retained earnings, etc. at the beginning of the year ended March 31, 2022, in accordance with the transitional treatment provided for in the additional provision under Paragraph 20 of the Fair Value Measurement Standard.

As a result, at the beginning of the year ended March 31, 2022, retained earnings decreased by ¥195 million (\$2 million), trading assets increased by ¥31 million (\$0 million), other assets decreased by ¥11 million (\$0 million), trading liabilities increased by ¥211 million (\$2 million), other liabilities increased by ¥418 million (\$3 million), deferred tax liabilities decreased by ¥189 million (\$2 million), net deferred gains on hedging instruments decreased by ¥225 million (\$2 million) and net assets per share decreased by ¥1.35 (\$0.01).

In addition, the Company has decided to include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous period are not presented.

Unapplied new accounting standards

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

(1) Overview

The treatments on fair value measurement of investment trust and related notes and the treatments on notes of fair value of investment in partnerships to be recorded in a net amount equivalent to equity interests in the balance sheet have been defined.

(2) Date of adoption

This guidance is scheduled to be applied from the beginning of the year ending March 31, 2023.

(3) The effect of adopting the accounting standards, etc.

The effect of adopting the accounting standards, etc. is under evaluation.

Changes in accounting estimates

Regarding borrowers whose loan conditions were restructured, the consolidated subsidiaries engaged in banking business decided that a reserve for possible loan losses shall be computed under the assumptions that credit risk is highly likely to increase in the future for those who satisfy certain requirements of financial conditions, etc. after the lapse of a certain period of time and for those in specified industries that are significantly impacted by COVID-19.

In addition, with respect to possibly bankrupt borrowers and borrowers of restructured loans (excluding debtors with more than certain amount of unsecured credits granted), the said certain past period of actual bad debt ratio based on bad debts for three years had been assumed to be 5 years or 10 years at the end of the previous year, but from the year ended March 31, 2022, the Company has decided to calculate a reserve for possible loan losses after making necessary adjustments such as future prospects on a loss rate, which is computed by comparative study after adding long-term calculation period that takes into account business cycle.

As a result of this change in accounting estimates, reserve for possible loan losses at March 31, 2022 and provision for possible loan losses for the year ended March 31, 2022 increased by ¥7,549 million (\$62 million), respectively, and accordingly, income before income taxes decreased by ¥7,549 million (\$62 million) for the year ended March 31, 2022.

Additional information

Transactions vesting treasury stocks through trust

The Company and the Bank, which is a subsidiary of the Company, has introduced the Plan using a structure called a BIP (Board Incentive Plan) Trust for directors, etc. aiming at improvement of the mid- and long-term performance as well

as an increase in the awareness of contributions to increasing corporate value.

(1) Outline

The Plan grants specified points to directors, etc. depending on the Director Share Payment Regulations. The Company's shares and cash in the amount of converted value of the Company's shares equivalent to the number of such points may be granted and paid through the trust at the time of retirement. The Company's shares to be granted to directors are acquired using cash trusted by the Company in advance.

(2) The Company's shares remaining in the trust

1. The shares of the Company remaining in the trust are recorded as treasury stock under net assets at the carrying value.
2. The carrying value of treasury stock remaining in the trust is ¥1,311 million and ¥1,235 million (\$10 million) at March 31, 2021 and 2022, respectively.
3. The number of the shares of the Company remaining in the trust is 1,895 thousand and 1,786 thousand shares at March 31, 2021 and 2022, respectively.

4 Securities

- (1) Trading securities included in "Trading assets," certificates of deposit with banks included in "Cash and due from banks," and trust beneficiary rights included in "Monetary claims bought," which are separately reported from "Securities" in the consolidated balance sheets, are included in this section.

Total amounts of equity securities or investments in capital of unconsolidated subsidiaries and affiliated companies included in "Securities" as of March 31, 2021 and 2022 are as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Equity securities	¥ 3	¥ 33	\$ 0
Investments in capital	3,850	5,207	43

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2021 and 2022:

a) Trading securities:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Amount of net unrealized gains included in the consolidated statement of income	¥1	¥(4)	\$(0)

b) Available-for-sale securities:

	Millions of yen		
March 31, 2021			
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 72,989	¥ 26,324	¥ 46,665
Bonds:	459,966	455,551	4,414
National government bonds	188,783	187,055	1,727
Local government bonds	103,140	102,391	748
Corporate bonds	168,042	166,104	1,938
Others	188,088	181,971	6,117
Subtotal	721,043	663,846	57,197

Carrying amount not exceeding acquisition cost:			
Equity securities	21,722	25,207	(3,485)
Bonds:	410,690	414,925	(4,234)
National government bonds	240,599	244,181	(3,581)
Local government bonds	70,191	70,396	(204)
Corporate bonds	99,899	100,347	(448)
Others	316,007	326,735	(10,727)
Subtotal	748,420	766,868	(18,447)
Total	¥1,469,464	¥1,430,714	¥ 38,750

	Millions of yen		
March 31, 2022			
Carrying amount exceeding acquisition cost:	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities	¥ 64,037	¥ 25,921	¥ 38,116
Bonds:	170,181	168,910	1,270
National government bonds	48,127	47,804	322
Local government bonds	61,457	61,040	416
Corporate bonds	60,597	60,065	531
Others	44,554	42,309	2,244
Subtotal	278,774	237,142	41,631

Carrying amount not exceeding acquisition cost:			
Equity securities	39,053	45,472	(6,418)
Bonds:	875,833	888,381	(12,548)
National government bonds	452,297	461,076	(8,779)
Local government bonds	202,478	204,606	(2,128)
Corporate bonds	221,057	222,698	(1,640)
Others	462,023	483,205	(21,182)
Subtotal	1,376,910	1,417,059	(40,149)
Total	¥1,655,684	¥1,654,202	¥ 1,482

March 31, 2022	Millions of U.S. dollars		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Equity securities	\$ 523	\$ 212	\$ 311
Bonds:	1,390	1,380	10
National government bonds	393	391	3
Local government bonds	502	499	3
Corporate bonds	495	491	4
Others	364	346	18
Subtotal	2,278	1,938	340

Carrying amount not exceeding acquisition cost:			
Equity securities	319	372	(52)
Bonds:	7,156	7,259	(103)
National government bonds	3,696	3,767	(72)
Local government bonds	1,654	1,672	(17)
Corporate bonds	1,806	1,820	(13)
Others	3,775	3,948	(173)
Subtotal	11,250	11,578	(328)
Total	\$13,528	\$13,516	\$ 12

c) Held-to-maturity debt securities

There were no held-to-maturity debt securities acquired or sold during the years ended March 31, 2021 and 2022.

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

	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2021			
Equity securities	¥ 3,965	¥1,554	¥143
Bonds:	58,251	426	54
National government bonds	54,866	360	—
Local government bonds	—	—	—
Corporate bonds	3,384	66	54
Others	356,024	6,708	728
Total	¥418,241	¥8,690	¥926

	Millions of yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2022			
Equity securities	¥ 4,911	¥ 2,110	¥ 295
Bonds:	168,796	2,518	2,482
National government bonds	161,027	2,516	2,371
Local government bonds	—	—	—
Corporate bonds	7,769	2	110
Others	426,765	6,021	9,477
Total	¥600,474	¥10,651	¥12,255

	Millions of U.S. dollars		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2022			
Equity securities	\$ 40	\$17	\$ 2
Bonds:	1,379	21	20
National government bonds	1,316	21	19
Local government bonds	—	—	—
Corporate bonds	63	0	1
Others	3,487	49	77
Total	\$4,906	\$87	\$100

(4) Securities whose holding purpose was reclassified

There were no securities whose holding purpose was reclassified during the years ended March 31, 2021 and 2022.

(5) Impairment of securities

No impairment losses were recognized on securities for the year ended March 31, 2021.

Impairment losses in an amount of ¥525 million (\$4 million) were recognized on equity securities for the year ended March 31, 2022.

(6) Net unrealized holding gains on available-for-sale securities and other money held in trust at March 31, 2021 and 2022 consisted of the following:

	Millions of yen		Millions of U.S. dollars
March 31	2021	2022	2022
Net unrealized holding gains (losses):			
Available-for-sale securities	¥ 38,750	¥ 1,482	\$ 12
Other money held in trust	(46)	(361)	(3)
	38,703	1,121	9
Deferred tax assets	2,463	9,481	77
Deferred tax liabilities	(13,839)	(9,234)	(75)
Net unrealized holding gains on available-for-sale securities	¥ 27,327	¥ 1,367	\$ 11

5 Money held in trust

(1) Money held in trust classified as trading purpose

There was no money held in trust classified as trading purpose at March 31, 2021 and 2022.

(2) Money held in trust classified as held-to-maturity

There was no money held in trust classified as held-to-maturity at March 31, 2021 and 2022.

(3) Other money held in trust

Millions of yen					
March 31, 2021	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥45,727	¥45,774	¥(46)	¥11	¥58

Millions of yen					
March 31, 2022	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥42,415	¥42,777	¥(361)	¥99	¥460

Millions of U.S. dollars					
March 31, 2022	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$347	\$350	\$(3)	\$1	\$4

Notes: 1. The carrying amount is calculated using market prices at the fiscal year-end.

2. "Unrealized gain" and "Unrealized loss" are breakdowns of "Net unrealized gain (loss)."

The principal amount of money held in trust with a contract for replacement of losses at March 31, 2021 and 2022 is ¥20,891 million and ¥21,925 million (\$179 million), respectively.

6 Loans and bills discounted

(1) Non-performing loans

Loans based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are defined as corporate bonds included in "Securities" in the consolidated balance sheet (limited to those for which the whole or part of the redemption of the principal and payment of interest is guaranteed and the issuance of such corporate bonds is through private placement of the securities (as provided for in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act)), loans, foreign exchanges, those which are included in the accounts of accrued interest and temporary payments under other assets, customers' liabilities for acceptances and guarantees, etc.

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 7,241	¥ 7,999	\$ 65
Risk loans	55,252	37,271	305
Loans which need control	28,716	40,126	328
Delinquent loans past due over three months	4,160	3,601	29
Restructured loans	24,556	36,525	298
Subtotal	91,210	85,398	698
Normal loans	6,474,418	6,906,812	56,433
Total	¥6,565,629	¥6,992,210	\$57,131

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to reasons such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, petition for rehabilitation proceedings.

Risk loans are loans for which it is highly unlikely to be able to collect the principal and interest according to the contract due to the deteriorated financial positions and operating performances of the debtors, although they have not gone bankrupt, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings.

Delinquent loans past due over three months are loans on which the payment of principal and/or interest is past due for three months or more from the due date, and which do not fall in the category of loans under bankruptcy/rehabilitation or similar proceedings, or risk loans.

Restructured loans are loans on which terms and conditions have been amended in favor of borrowers, in order to facilitate or assist the borrowers' restructuring by reducing the rate of interest, providing a grace period for the payment of principal or interest, or loan forgiveness, and which are not classified in any of the above categories.

The amounts of above loans are before deducting reserve for possible loan losses.

(Change in presentation method)

Following the enforcement of the “Cabinet Office Ordinance for Partial Revisions of Regulation for Enforcement of the Banking Act” (Cabinet Office Ordinance No. 3, January 24, 2020) effective on March 31, 2022, the categories of “Risk management loans” of the Banking Act are presented in accordance with the disclosure requirements based on the Act on Emergency Measures for the Revitalization of the Financial Functions.

(2) Bills discounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign bills of exchange purchased without restrictions, and their total face amounts were ¥17,121 million and ¥17,039 million (\$139 million) at March 31, 2021 and 2022, respectively.

7 Assets pledged

At March 31, 2021 and 2022, the following assets were pledged as collateral for certain liabilities of the Group.

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Securities	¥1,029,487	¥1,028,256	\$ 8,401
Loans and bills discounted	912,545	1,291,274	10,550
Other assets	1,119	1,218	10
Total	¥1,943,152	¥2,320,749	\$18,962

The collateral was pledged to secure:

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Deposits	¥ 1,668	¥ 1,659	\$ 14
Payables under repurchase agreements	255,685	229,457	1,875
Deposits received for bonds lending/borrowing transactions	382,445	448,183	3,662
Borrowed money	968,132	1,153,966	9,429

In addition, securities and other assets not included in the above schedules were pledged as collateral for operating transactions, such as exchange settlements.

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Securities	¥ —	¥ 2,118	\$ 17
Other assets	50,000	50,000	409

Other assets include the following:

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Deposits for financial instruments	¥31,843	¥38,762	\$317
Security deposits	2,373	2,188	18
Deposits for future trading	552	551	5

Of the securities received as collateral under transactions with repurchase agreement, those which the Group holds rights of sales or rehypothecation at its discretion amounted to ¥20,539 million and ¥19,881 million (\$162 million) at March 31, 2021 and 2022, respectively.

Bills rediscounted are accounted for as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Practical Guideline No. 24), and the total face amount of foreign exchanges purchased, etc. that have been delivered was ¥2 million and ¥5 million (\$0 million) at March 31, 2021 and 2022, respectively.

8 Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the consolidated subsidiaries engaged in the banking business lend to customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits totaled ¥1,886,204 million and ¥1,874,438 million (\$15,315 million) relating to these contracts at March 31, 2021 and 2022, respectively. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,784,013 million and ¥1,766,592 million (\$14,434 million) at March 31, 2021 and 2022, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that consolidated subsidiaries engaged in the banking business refuse customers’ applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of contracts, the consolidated subsidiaries engaged in the banking business obtain real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the consolidated subsidiaries engaged in the banking business perform periodic review of the customers’ business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

9 Borrowed money and lease obligations

Subordinated loans included in borrowed money were ¥15,000 million and nil at March 31, 2021 and 2022, respectively.

The weighted average interest rate on the term-end balance of borrowed money maturing in October 2057 was 0.01%. Borrowed money consisted of loans from other financial institutions. Annual maturities of borrowed money and lease obligations included in "Other liabilities" within five years at March 31, 2022 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
2023	¥591,099	\$4,830	¥73	\$1
2024	335,092	2,738	69	1
2025	151,763	1,240	67	1
2026	86,666	708	67	1
2027	3,624	30	62	1

10 Privately placed corporate bonds

The amount of guarantee obligations for privately placed corporate bonds (stipulated in paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in "Securities" was ¥41,545 million and ¥44,277 million (\$362 million) at March 31, 2021 and 2022, respectively.

11 Net assets

Under the Companies Act of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Companies Act of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March 31, 2022 include the amount representing the year-end cash dividend of ¥3,748 million (\$31 million), ¥12.00 (\$0.10) per share, which was approved at the Board of Directors' meeting held on May 13, 2022.

12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥25,202 million and ¥26,451 million (\$216 million) for the years ended March 31, 2021 and 2022, respectively.

13 Other expenses

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

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Loss on sales of equity securities, etc.	¥ 143	¥ 343	\$ 3
Impairment losses on equity securities, etc.	35	552	5
Write-off of loans	1,173	957	8
Loss on sales of loans, etc.	308	240	2
Provision for possible loan losses	9,736	11,251	92
Loss on disposal of fixed assets	149	229	2
Impairment losses on fixed assets	439	2,272	19

14 Supplementary cash flow information

Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2021 and 2022 was as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash and due from banks	¥2,580,736	¥2,577,627	\$21,061
Foreign currency deposits with banks	(10,729)	(11,672)	(95)
Cash and cash equivalents	¥2,570,007	¥2,565,955	\$20,965

Significant non-cash transactions

At March 31, 2021

Hirogin Lease Co., Ltd. was excluded from the scope of equity method and included in the scope of consolidation from the year ended March 31, 2021 since it became a wholly-owned subsidiary of the Company. The amount of increase in assets and liabilities as a result of inclusion of the company in the scope of consolidation was as follows:

	Millions of yen
Total assets	¥78,273
Total liabilities	77,501

At March 31, 2022

Not applicable at March 31, 2022

15 Lease transactions

Finance leases

Tangible fixed assets in lease assets mainly consisted of branches. The depreciation method of lease assets is shown in "3. Significant accounting policies."

Operating leases

Future minimum lease payments on operating leases which were not cancelable at March 31, 2021 and 2022 were as follows:

As lessee:

Not applicable

As lessor:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Due within 1 year	¥429	¥ 484	\$ 4
Due after 1 year	469	949	8
Total	¥898	¥1,434	\$12

16 Derivative transactions

Derivative transactions to which hedge accounting is not applied:

Contracted amount (including notional principal amount), fair value and unrealized gains or losses of financial derivatives at March 31, 2021 and 2022 were as follows:

Interest related:

		Millions of yen			
March 31, 2021	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥160,315	¥152,941	¥ 3,226	¥ 3,226
	Receive variable, pay fixed	160,315	152,941	(1,715)	(1,715)
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	1,733	1,733	(0)	2
	Buy	1,733	1,733	0	(2)
	Total	¥ —	¥ —	¥ 1,510	¥ 1,510

		Millions of yen			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥180,729	¥160,581	¥ (227)	¥ (227)
	Receive variable, pay fixed	180,729	160,581	1,718	1,718
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	1,466	1,466	(5)	(1)
	Buy	1,466	1,466	4	2
	Total	¥ —	¥ —	¥1,490	¥1,491

		Millions of U.S. dollars			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$ 1,477	\$ 1,312	\$ (2)	\$ (2)
	Receive variable, pay fixed	1,477	1,312	14	14
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	12	12	(0)	0
	Buy	12	12	0	(0)
	Total	\$ —	\$ —	\$ 12	\$ 12

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Currency related:

		Millions of yen			
March 31, 2021	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	¥689,807	¥548,078	¥ 77	¥ 248
	Forward foreign exchange contracts:				
	Sell	79,335	20,791	(1,524)	(1,524)
	Buy	70,561	20,019	2,123	2,123
	Currency options:				
	Sell	207,726	98,596	(4,703)	511
	Buy	207,726	98,596	4,703	237
	Total	¥ —	¥ —	¥ 676	¥ 1,596

		Millions of yen			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	¥708,452	¥580,914	¥ (137)	¥ 238
	Forward foreign exchange contracts:				
	Sell	61,722	29,657	(3,413)	(3,413)
	Buy	62,020	29,028	4,072	4,072
	Currency options:				
	Sell	75,384	32,651	(2,577)	(544)
	Buy	75,384	32,651	2,536	790
	Total	¥ —	¥ —	¥ 480	¥ 1,143

		Millions of U.S. dollars			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Currency swaps	\$5,788	\$4,746	\$ (1)	\$ 2
	Forward foreign exchange contracts:				
	Sell	504	242	(28)	(28)
	Buy	507	237	33	33
	Currency options:				
	Sell	616	267	(21)	(4)
	Buy	616	267	21	6
	Total	\$ —	\$ —	\$ 4	\$ 9

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Others:

		Millions of yen			
March 31, 2021	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,950	¥—	¥(101)	¥—
	Buy	7,050	—	102	—
	Total	¥ —	¥—	¥ 0	¥—

Note: Transactions above whose fair values are not readily determinable are stated at cost.

		Millions of yen			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,855	¥—	¥(42)	¥—
	Buy	6,855	—	42	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of U.S. dollars			
March 31, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivative:				
OTC	Sell	\$56	\$—	\$ (0)	\$—
	Buy	56	—	0	—
	Total	\$—	\$—	\$—	\$—

Note: Transactions above are marked to market and unrealized gains or losses are recognized in the consolidated statement of income.

Derivative transactions to which hedge accounting is applied:

The notional principal amount and fair value of financial derivatives at March 31, 2021 and 2022 were as follows:

Interest related:

March 31, 2021			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		¥ 20,000	¥ 20,000	¥ 197
	Receive variable, pay fixed		197,561	197,561	(1,721)
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		45,403	45,403	Note 2
	Total		¥ —	¥ —	¥(1,523)

March 31, 2022			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		¥ 20,000	¥ 20,000	¥ 44
	Receive variable, pay fixed		142,465	117,465	980
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		43,412	43,197	Note 2
	Total		¥ —	¥ —	¥1,024

March 31, 2022			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps:	Loans and bills discounted, securities			
	Receive fixed, pay variable		\$ 163	\$163	\$0
	Receive variable, pay fixed		1,164	960	8
Exceptional treatment of interest rate swaps	Interest rate swaps:	Loans and bills discounted			
	Receive variable, pay fixed		355	353	Note 2
	Total		\$ —	\$ —	\$8

Notes: 1. As for interest rate swaps shown above, deferred hedge accounting is applied in accordance with JICPA Industry Audit Committee Practical Guideline No. 24.

2. Interest rate swaps which meet specific matching criteria are accounted for as a component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in "21. Financial instruments and related disclosures."

Currency related:

March 31, 2021

March 31, 2021			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and	¥105,512	¥105,512	¥(4,818)
	Forward foreign exchange contracts	securities denominated in foreign currencies	230,875	—	(4,631)
	Total		¥ —	¥ —	¥(9,449)

March 31, 2022

March 31, 2022			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	¥170,698	¥158,459	¥(15,957)
	Forward foreign exchange contracts		225,778	—	(7,913)
	Total		¥ —	¥ —	¥(23,871)

March 31, 2022

March 31, 2022			Millions of U.S. dollars		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Currency swaps	Loans and bills discounted and securities denominated in foreign currencies	\$ 1,395	\$ 1,295	\$(130)
	Forward foreign exchange contracts		1,845	—	(65)
	Total		\$ —	\$ —	\$(195)

Note: The Bank has applied the deferred hedge accounting stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Practical Guideline No. 25).

17 Employees' severance and retirement benefits

1. Overview of retirement benefit plans

Consolidated subsidiaries engaged in the banking business adopt funded or unfunded defined benefit plans and defined contribution plans in order to provide for the employees' retirement benefits. Under the defined benefit pension plans, all of which are funded, lump-sum or annuity payments are provided to employees based on their job position and length of service. Under the lump-sum retirement benefit plans, all of which are funded as a result of the establishment of the retirement benefit trust, lump-sum payments are provided to employees as retirement benefits based on their job position and length of service.

Other consolidated subsidiaries adopt lump-sum payment plans, all of which are unfunded.

2. Defined benefit plans

Changes in projected benefit obligation during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Projected benefit obligation at beginning of the year	¥42,534	¥42,390	\$346
Service costs during the year	1,142	1,143	9
Interest cost on projected benefit obligation	15	15	0
Actuarial differences incurred	534	1,461	12
Benefits paid	(2,567)	(2,511)	(21)
Increase due to change in scope of consolidation	623	—	—
Other	107	152	1
Projected benefit obligation at end of the year	¥42,390	¥42,652	\$348

Changes in plan assets during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Plan assets at beginning of the year	¥113,344	¥127,585	\$1,042
Expected return on plan assets	4,533	5,013	41
Actuarial differences incurred	10,768	(8,204)	(67)
Contribution by the business owner	869	865	7
Benefits paid	(2,034)	(1,900)	(16)
Partial return of equity securities of retirement benefit trust	—	(23,341)	(191)
Other	103	101	1
Plan assets at end of the year	¥127,585	¥100,119	\$ 818

The adjustment of the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit assets

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
At March 31			
Funded projected benefit obligation	¥ 41,720	¥ 41,954	\$ 343
Plan assets	(127,585)	(100,119)	(818)
	(85,864)	(58,164)	(475)
Unfunded projected benefit obligation	670	697	6
Net on consolidated balance sheets	¥ (85,194)	¥ (57,466)	\$(470)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
At March 31			
Net defined benefit liability	¥ 670	¥ 697	\$ 6
Net defined benefit asset	(85,864)	(58,164)	(475)
Net on consolidated balance sheets	¥ (85,194)	¥ (57,466)	\$(470)

Components of severance and retirement benefit expenses

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Year ended March 31			
Service costs—benefits earned during the year	¥ 1,142	¥ 1,143	\$ 9
Interest cost on projected benefit obligation	15	15	0
Expected return on plan assets	(4,533)	(5,013)	(41)
Amortization of actuarial differences	(1,154)	(1,952)	(16)
Severance and retirement benefit expenses calculated by simplified method	4	51	0
Gain on return of retirement benefit trust (Note)	—	(7,035)	(57)
Severance and retirement benefit expenses	¥ (4,525)	¥ (12,792)	\$(105)

Note: Gain on return of retirement benefit trust is recorded under "Other income."

Components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Year ended March 31			
Actuarial differences	¥9,079	¥(18,655)	\$(152)

Components of remeasurements of accumulated defined benefit plans in accumulated other comprehensive income (before tax)

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
At March 31, 2021			
Unrecognized actuarial differences	¥(26,592)	¥(7,937)	\$(65)

Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2021 and 2022 is as follows:

	2021	2022
Debt securities	1.8%	2.2%
Equity securities	74.8	68.1
Cash and due from banks	0.1	0.1
Other	23.3	29.6
Plan assets at end of the year	100.0%	100.0%

Note: Total plan assets include the retirement benefit trust established for the corporate pension plans by 56.3% (65.4% in 2021) and the retirement benefit trust established for lump-sum payment plans by 17.2% (13.2% in 2021) at March 31, 2022..

In order to determine the long-term expected return on plan assets, the Group takes into consideration the current and anticipated allocation of plan assets and long-term rate of return on a diverse set of assets that comprise the plan assets.

Major assumptions for actuarial computation for the years ended March 31, 2021 and 2022 are as follows:

	2021	2022
Discount rate	0.2%	0.2%
Rates of expected return on plan assets	4.0%	4.0%
Expected salary increase rate	3.0%	2.9%

Defined contribution pension plan

The amount required to be contributed to the defined contribution pension plan of the Company's consolidated subsidiaries was ¥293 million and ¥292 million (\$2 million) for the years ended March 31, 2021 and 2022, respectively.

18 Income taxes

Income taxes in the consolidated statement of income consist of corporation tax, inhabitant tax and enterprise tax.

Significant components of deferred tax assets and liabilities at March 31, 2021 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Reserve for possible loan losses	¥ 17,183	¥ 20,437	\$ 167
Net unrealized holding losses on available-for-sale securities	—	246	2
Write-down of securities	700	683	6
Depreciation	1,542	1,023	8
Other	5,019	3,605	29
Subtotal of deferred tax assets	24,445	25,995	212
Valuation allowance for tax loss carryforwards	—	—	—
Valuation allowance for total temporary differences deductible in future periods	(1,271)	(1,236)	(10)
Subtotal of valuation allowance	(1,271)	(1,236)	(10)
Total deferred tax assets	23,173	24,759	202
Deferred tax liabilities:			
Net defined benefit assets	(19,207)	(15,414)	(126)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(691)	(2,872)	(23)
Net unrealized holding gains on available-for-sale securities	(11,375)	—	—
Other	—	(411)	(3)
Total deferred tax liabilities	(31,274)	(18,698)	(153)
Net deferred tax assets (liabilities)	¥ (8,101)	¥ 6,060	\$ 50

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2021 and 2022 has been omitted, since the difference between the actual effective tax rate and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

19 Revenue recognition

Information about disaggregation of revenue from contracts with customers is presented in Note 20 "Segment information."

20 Segment information

a. Overview of reportable segments

The reportable segment of the Group consists of "Banking business" operated by The Hiroshima Bank, Ltd. and "Leasing business" operated by Hirogin Lease Co., Ltd.

(Changes in reportable segments)

The reportable segment of the Group previously consisted solely of "Banking business," but from the year ended March 31, 2022, "Leasing business" has been added to the segment information, since the quantitative materiality of the leasing business has increased. Accordingly, segment information as of March 31, 2021 and for the year then ended is prepared based on the segmentation method after the change.

b. Basis of measurement for reportable revenue, segment profit or loss, segment assets, segment liabilities and other items

The accounting methods used for the reportable segments are the same as those used for the preparation of the consolidated financial statements. Profit of reportable segments is based on ordinary profit. Intersegment revenue is based on the actual transaction price.

c. Information about reportable revenue, segment profit or loss, segment assets, segment liabilities and other items and disaggregation of revenue

Millions of yen								
2021								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from external customers	¥ 106,014	¥ —	¥ 106,014	¥ 9,463	¥ 115,478	¥ —	¥ 115,478	
Intersegment revenue	4,845	—	4,845	13,580	18,426	(18,426)	—	
Total	¥ 110,860	¥ —	¥ 110,860	¥ 23,044	¥ 133,905	¥ (18,426)	¥ 115,478	
Segment profit	31,080	—	31,080	13,118	44,199	(13,157)	31,042	
Segment assets	10,946,017	78,273	11,024,291	503,530	11,527,822	(518,249)	11,009,572	
Segment liabilities	10,478,596	77,501	10,556,098	33,153	10,589,251	(96,560)	10,492,691	
Other items:								
Depreciation	¥ 4,627	¥ —	¥ 4,627	¥ 82	¥ 4,709	¥ —	¥ 4,709	
Interest income	74,770	—	74,770	272	75,043	(3,653)	71,390	
Interest expense	4,550	—	4,550	49	4,599	(14)	4,585	

Notes: 1. "Ordinary revenue" corresponds to net sales of general companies.

2. The "Other" category represents business segments not included in any of the reportable segments, including financial instrument trading business, receivables management and collection business, etc. "Other" of "Revenue from external customers" includes profit of share of an affiliate accounted for using the equity method in the amount of ¥181 million.

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(13,157) million represents intersegment elimination.

(2) "Adjustment" of "Segment assets" in the amount of ¥(518,249) million represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(96,560) million represents intersegment elimination.

(4) "Adjustment" of "Interest income" in the amount of ¥(3,653) million represents intersegment elimination.

(5) "Adjustment" of "Interest expenses" in the amount of ¥(14) million represents intersegment elimination.

4. Segment profit is reconciled with ordinary profit in the consolidated income statement.

Millions of yen								
2022								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	¥ 23,018	¥ —	¥ 23,018	¥ 11,608	¥ 34,627	¥ (4,413)	¥ 30,214	
Other revenue	90,384	21,675	112,060	16,308	128,368	(12,497)	115,871	
Total	¥ 113,403	¥21,675	¥ 135,078	¥ 27,917	¥ 162,996	¥ (16,910)	¥ 146,085	
Revenue from external customers	¥ 110,442	¥21,370	¥ 131,813	¥ 14,272	¥ 146,085	¥ —	¥ 146,085	
Intersegment revenue	2,960	304	3,265	13,644	16,910	(16,910)	—	
Total	¥ 113,403	¥21,675	¥ 135,078	¥ 27,917	¥ 162,996	¥ (16,910)	¥ 146,085	
Segment profit	22,882	1,133	24,016	12,605	36,621	(9,551)	27,070	
Segment assets	11,560,579	80,429	11,641,008	499,999	12,141,007	(537,098)	11,603,909	
Segment liabilities	11,102,747	78,951	11,181,698	27,925	11,209,623	(101,914)	11,107,708	
Other items:								
Depreciation	¥ 5,371	¥ 475	¥ 5,847	¥ 206	¥ 6,053	¥ (1)	¥ 6,052	
Interest income	74,676	1	74,678	8,423	83,101	(9,602)	73,499	
Interest expense	3,939	206	4,145	36	4,182	(218)	3,963	

Thousands of U.S. dollars							
2022							
	Reportable segment			Other	Total	Adjustments	Consolidated
	Banking business	Leasing business	Total				
Ordinary revenue:							
Revenue from contracts with customers	\$ 188	\$ —	\$ 188	\$ 95	\$ 283	\$ (36)	\$ 247
Other revenue	738	177	916	133	1,049	(102)	947
Total	\$ 927	\$177	\$ 1,104	\$ 228	\$ 1,332	\$ (138)	\$ 1,194
Revenue from external customers	\$ 902	\$175	\$ 1,077	\$ 117	\$ 1,194	\$ —	\$ 1,194
Intersegment revenue	24	2	27	111	138	(138)	—
Total	\$ 927	\$177	\$ 1,104	\$ 228	\$ 1,332	\$ (138)	\$ 1,194
Segment profit	\$ 187	\$ 9	\$ 196	\$ 103	\$ 299	\$ (78)	\$ 221
Segment assets	94,457	657	95,114	4,085	99,199	(4,388)	94,811
Segment liabilities	90,716	645	91,361	228	91,589	(833)	90,757
Other items:							
Depreciation	\$ 44	\$ 4	\$ 48	\$ 2	\$ 49	\$ (0)	\$ 49
Interest income	610	0	610	69	679	(78)	601
Interest expense	32	2	34	0	34	(2)	32

Notes: 1. "Ordinary revenue" corresponds to net sales of general companies.

2. The "Other" category represents business segments not included in any of the reportable segments, including financial instrument trading business, receivables management and collection business, IT related business, etc.

3. (1) "Adjustment" of "Segment profit" in the amount of ¥(9,551) million (\$ (78) million) includes intersegment elimination of ¥(9,416) million (\$ (77) thousand) and amortization of goodwill of ¥(135) million (\$ (1) million).

(2) "Adjustment" of "Segment assets" in the amount of ¥(537,098) million (\$ (4,388) million) represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(101,914) million (\$ (833) million) represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(1) million (\$ (0) thousand) represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(9,602) million (\$ (78) million) represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(218) million (\$ (2) million) represents intersegment elimination.

4. Segment profit is reconciled with ordinary profit in the consolidated income statement.

Income by service

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Ordinary revenue from external customers:			
Lending	¥ 58,832	¥ 57,061	\$ 466
Investment in securities	22,219	26,312	215
Fees and commissions	28,852	33,624	275
Leasing	—	21,308	174
Other	5,573	7,778	64
Total	¥115,478	¥146,085	\$1,194

Note: "Ordinary revenue" corresponds to net sales of general companies.

Information on the amortization and unamortized portion of goodwill by reportable segment

	Millions of yen				
	2021				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance at year-end	—	442	442	233	675

Note: "Other" represents an amount of IT related business.

	Millions of yen				
	2022				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥ —	¥ 88	¥ 88	¥ 46	¥135
Unamortized balance at year-end	—	353	353	213	567

Millions of U.S. dollars					
2022					
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	\$—	\$1	\$1	\$0	\$1
Unamortized balance at year-end	—	3	3	2	5

Note: "Other" represents amounts of IT related business and worker dispatch business.

21 Related party transactions

Information about related party transactions for the years ended March 31, 2021 and 2022 is omitted since they are immaterial.

22 Financial instruments and related disclosures

1. Status of financial instruments

(1) Policy for financial instruments

The Group conducts financial services such as financial instruments transactions, credit guarantees, leasing and credit card services, with banking as their core activity. Among these businesses, core banking business include fund procurement through deposit-taking and fund management through loans and investment security portfolios. The financial assets and liabilities of the Group are subject to asset liability management ("ALM," comprehensive management of assets and liabilities) in such a way as to prevent adverse impact from interest rate, foreign exchange and market value fluctuation.

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

Loans and bills discounted are primarily provided to domestic customers, in which the Group is exposed to customers' credit risk. Securities primarily consist of equity securities, bonds and investment trusts held by the Group for the purposes of holding to maturity, pure investment, as well as for the development of regional society and the enhancement of corporate value over the medium to long term.

They are exposed to risk of fluctuation in interest rates and prices in the bond/stock markets and in addition, credit risk arising from downgrading of the issuer's credit rating. Borrowed money, corporate bonds and commercial papers are exposed to liquidity risk, the risk that the Group is unable to meet its obligations as they fall due.

The Group enters into the following derivative transactions, such as currency swaps and forward foreign exchange contracts to meet the financial needs of customers and interest rate swaps for the purpose of optimizing ALM. As part of optimizing ALM, the Group uses hedge accounting, specifying derivatives such as interest rate swaps as hedging instruments, and loans as hedged items.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of sustaining losses due to reduction or loss of value of assets due to deteriorating credit circumstances at a borrower.

The Group controls credit risk appropriately in accordance with the "Group Credit Risk Management Rule" which provides the basic policy for credit risk management.

In addition, the Company has in place "internal rating systems" and "self-assessment systems" to objectively identify the credit risk associated with loans, etc., monitors the credit risk management status of the Group companies and credit concentration risk of the whole Group, accurately assesses the credit risk of individual debtors and portfolios, and provides guidance and advice to the Group companies as necessary.

Market risk management

(i) Market risk management system

Market risk is the risk that the Group might suffer from losses on the value of assets arising from the fluctuations in interest rates, prices of securities, foreign exchange rates and other various market risk factors.

The Group controls market risk appropriately in accordance with the "Group Market Risk Management Rule" which provides the basic policy for market risk management.

Furthermore, the Group controls market risk including interest rates by working to improve and strengthen ALM involving not only securities, but also deposits and loans, so as to stabilize earnings.

The Group, in order to strictly implement market risk management of the whole Group, limits the risk position, defines hedging policies as well as reporting and consultation rules in case of a decline in the asset value, and has in place a system for responding to the changes in the market promptly and stabilizing earnings. The status of compliance with the amount of limits is controlled on a daily basis along with position amounts, risk volume, profit and loss status, and other main data.

In addition, as a measure to comply with fair value accounting, the Group implements strict accounting

treatments based on the classification by holding purpose and reflects the fluctuations of market prices appropriately in the financial statements.

With regard to trading accounts (for securities and off-balance-sheet transactions that target short-term gains on sales or purchases, and trading at the behest of customers), the Bank has set up designated trading accounts to strengthen the management of these accounts by conducting transparent accounting procedures based on fair value.

(ii) Quantitative information relating to market risk

(a) Financial products for trading purposes

The Group holds securities and derivative transactions including interest-rate and currency swaps for trading purpose.

To measure the amount of market risk, the Group adopts VaR (Value at Risk) using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: one day).

As of March 31, 2022, the entire VaR of the Group was ¥4 million (\$0 million) (¥4 million in 2021).

(b) Financial products held for other than trading purpose

The Group holds various products such as loans, securities, deposits, corporate bonds, and derivatives for other than trading purpose.

To measure the amount of market risk associated with these products, the Group adopts the VaR method using the variance-covariance method (observation period: one year; confidence interval: 99.9%; holding period: six months for strategic equity investments, three months for securities other than strategic equity investments, and one year for others).

The total VaR as of March 31, 2022 was ¥52,915 million (\$432 million) (¥62,744 million in 2021).

(c) VaR adequacy

The relationship between the VaR calculated with the model and actual gains and losses data is periodically back-tested. The Group has confirmed that the calculating model used for these measurements captures market risk with the necessary degree of accuracy.

However, because VaR is a method of measuring the amount of market risk in terms of the probability of a certain event happening based on past statistical variation, it cannot be used for assessing risk in a market environment characterized by abnormal change.

Management of liquidity risks related to fund procurement

Liquidity risk is the risk of incurring losses due to a decline in cash flow or being obliged to procure funds at interest rates that are markedly higher than usual due to an unexpected outflow of cash.

The Group controls liquidity risk appropriately in accordance with the “Group Liquidity Risk Management Rule” which provides the basic policy for liquidity risk management.

The Group controls liquid coverage ratio (LCR) to prepare for cash outflows in times of short-term stress. Moreover, to mitigate long-term fund procurement risks, the Bank manages the gap between low-liquidity loans and stable procurement.

The Group has a structure to conduct liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments is based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used.

Since the calculations of the reasonably calculated prices are implemented under certain conditions and assumptions, the result of calculations would differ if such calculations are made under different conditions and assumptions.

2. Fair value of financial instruments

Carrying amount, fair value and related difference are as follows. Equity securities, etc. which do not have a market price are not included in the table below (see (Note 1)). In addition, cash and due from banks, call loans and bills purchased, monetary claims bought, foreign exchanges (assets and liabilities), payables under repurchase agreements and deposits received for bonds lending/borrowing transactions are omitted since the fair value approximates the carrying amount because of short maturities.

March 31, 2021	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets ^{*1}			
Trading securities	¥ 1,305	¥ 1,305	¥ —
(2) Money held in trust	45,727	45,727	—
(3) Securities:			
Available-for-sale securities	1,467,796	1,467,796	—
(4) Loans and bills discounted	6,480,841		
Reserve for possible loan losses ^{*2}	(38,677)		
Net	6,442,163	6,577,881	135,717
Total assets	¥ 7,956,994	¥ 8,092,712	¥ 135,717
(1) Deposits	¥ 8,670,076	¥ 8,670,366	¥ 290
(2) Borrowed money	1,024,872	1,025,974	1,101
Total liabilities	¥ 9,694,948	¥ 9,696,340	¥ 1,391

Derivative instruments^{*2, *3}:

Hedge accounting is not applied	¥ 2,172	¥ 2,172	¥ —
Hedge accounting is applied ^{*4}	(10,973)	(10,973)	—
Total derivative instruments	¥ (8,800)	¥ (8,800)	¥ —

March 31, 2022	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets ^{*1}			
Trading securities	¥ 1,376	¥ 1,376	¥ —
(2) Money held in trust	42,415	42,415	—
(3) Securities:			
Available-for-sale securities	1,654,363	1,654,363	—
(4) Loans and bills discounted	6,901,858		
Reserve for possible loan losses ^{*2}	(36,702)		
Net	6,865,155	6,981,040	115,884
Total assets	¥ 8,563,311	¥ 8,679,196	¥ 115,884
(1) Deposits	¥ 9,067,878	¥ 9,068,100	¥ 221
(2) Borrowed money	1,201,839	1,201,770	(68)
Total liabilities	¥ 10,269,718	¥ 10,269,870	¥ 152
Derivative instruments ^{*3} :			
Hedge accounting is not applied	¥ 1,970	¥ 1,970	¥ —
Hedge accounting is applied ^{*4}	(22,846)	(22,846)	—
Total derivative instruments	¥ (20,875)	¥ (20,875)	¥ —

March 31, 2022	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Trading assets ^{*1}			
Trading securities	\$ 11	\$ 11	\$ —
(2) Money held in trust	347	347	—
(3) Securities:			
Available-for-sale securities	13,517	13,517	—
(4) Loans and bills discounted	56,392		
Reserve for possible loan losses ^{*2}	(300)		
Net	56,092	57,039	947
Total assets	\$ 69,967	\$ 70,914	\$ 947
(1) Deposits	\$ 74,090	\$ 74,092	\$ 2
(2) Borrowed money	9,820	9,819	(1)
Total liabilities	\$ 83,910	\$ 83,911	\$ 1
Derivative instruments ^{*3} :			
Hedge accounting is not applied	\$ 16	\$ 16	\$ —
Hedge accounting is applied ^{*4}	(187)	(187)	—
Total derivative instruments	\$ (171)	\$ (171)	\$ —

*1. Derivative instruments are not included in trading assets.

*2. The amounts only include the general reserve for possible loan losses and the specific reserve for possible loan losses provided to "Loans and bills discounted." Reserve for possible loan losses provided in "Derivative instruments" is directly deducted from the carrying amounts due to immateriality.

*3. Derivative instruments recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

*4. These instruments are interest rate swaps designated as hedging instruments to offset market fluctuations of loans, etc., which are hedged items, or to fix cash flows, and deferral hedge accounting is applied principally. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF Report No. 40, March 17, 2022) is applied to these hedging relationships.

(Note 1) The carrying amount of equity securities, etc. which do not have a market price is as follows: These amounts are not included in "Available-for-sale securities" in the above table.

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Unlisted equity securities (*1) (*2)	¥5,250	¥5,731	\$47
Other	6,781	8,133	66

(*1) Unlisted equity securities are not subject to fair value disclosure requirement in accordance with paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) The Company recognized an impairment loss in an amount of ¥35 million and ¥26 million (\$0 million) on unlisted equity securities for the years ended March 31, 2021 and 2022, respectively.

(Note 2) Maturity analysis for financial assets with contractual maturities at March 31, 2021 and 2022

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2021						
Due from banks	¥2,500,698	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	942	—	—	—	—	—
Monetary claims bought	7,533	—	—	—	—	—
Money held in trust	45,727	—	—	—	—	—
Securities	59,171	106,661	159,253	162,904	321,808	464,271
Available-for-sale:	59,171	106,661	159,253	162,904	321,808	464,271
National government bonds	30,000	24,000	5,000	—	174,000	187,200
Local government bonds	5,590	9,360	53,000	36,924	61,295	5,982
Corporate bonds	8,426	33,410	64,562	11,225	15,373	131,562
Others	15,155	39,890	36,691	114,755	71,138	139,526
Loans and bills discounted*	650,361	632,381	755,327	550,239	844,215	2,205,508
Total	¥3,264,435	¥739,042	¥914,580	¥713,143	¥1,166,023	¥2,669,779

	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2022						
Due from banks	¥2,503,483	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	5,899	—	—	—	—	—
Monetary claims bought	8,000	—	—	—	—	—
Money held in trust	42,415	—	—	—	—	—
Securities	52,043	147,278	165,082	136,805	506,856	462,826
Available-for-sale:	52,043	147,278	165,082	136,805	506,856	462,826
National government bonds	14,000	10,000	4,000	2,000	317,000	150,200
Local government bonds	5,370	29,210	53,909	32,735	92,056	51,585
Corporate bonds	14,516	57,916	48,999	12,538	15,069	132,263
Others	18,156	50,152	58,173	89,531	82,730	128,778
Loans and bills discounted*	1,058,972	638,411	762,026	582,987	851,951	2,252,903
Total	¥3,670,816	¥785,690	¥927,108	¥719,793	¥1,358,807	¥2,715,730

	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
At March 31, 2022						
Due from banks	\$20,455	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	48	—	—	—	—	—
Monetary claims bought	65	—	—	—	—	—
Money held in trust	347	—	—	—	—	—
Securities	425	1,203	1,349	1,118	4,141	3,782
Available-for-sale:	425	1,203	1,349	1,118	4,141	3,782
National government bonds	114	82	33	16	2,590	1,227
Local government bonds	44	239	440	267	752	421
Corporate bonds	119	473	400	102	123	1,081
Others	148	410	475	732	676	1,052
Loans and bills discounted*	8,652	5,216	6,226	4,763	6,961	18,408
Total	\$29,993	\$6,420	\$7,575	\$5,881	\$11,102	\$22,189

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers and loans to “possibly bankrupt” borrowers amounting to ¥60,917 million and ¥43,583 million (\$356 million), is not included in the above table as of March 31, 2021 and 2022, respectively. Loans that do not have contractual maturity, amounting to ¥781,890 million and ¥711,020 million (\$5,809 million), are not included either.

(Note 3) Maturity analysis for interest-bearing liabilities at March 31, 2021 and 2022

At March 31, 2021	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	¥8,450,593	¥183,204	¥ 24,568	¥ 5,724	¥ 5,984	¥ —
Payables under repurchase agreements	255,685	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	382,445	—	—	—	—	—
Borrowed money	479,604	346,121	153,766	18,400	4,638	22,339
Total	¥9,568,329	¥529,326	¥178,335	¥24,125	¥10,623	¥22,339

At March 31, 2022	Millions of yen					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	¥ 8,855,254	¥183,331	¥ 17,423	¥11,019	¥ 849	¥ —
Payables under repurchase agreements	229,457	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	448,183	—	—	—	—	—
Borrowed money	591,099	486,856	90,290	3,092	7,037	23,462
Total	¥10,123,994	¥670,187	¥107,714	¥14,112	¥7,887	¥23,462

At March 31, 2022	Millions of U.S. dollars					
	Less than 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 7 years	More than 7 years less than 10 years	More than 10 years
Deposits*	\$72,353	\$1,498	\$142	\$ 90	\$ 7	\$ —
Payables under repurchase agreements	1,875	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	3,662	—	—	—	—	—
Borrowed money	4,830	3,978	738	25	57	192
Total	\$82,719	\$5,476	\$880	\$115	\$64	\$192

* Deposits on demand are included in "Less than 1 year."

3. Fair value information by level within the fair value hierarchy

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

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

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

If multiple inputs are used that are significant to the fair value measurement, fair value is categorized into the lowest level of priority in the fair value measurement among the levels to which each of these inputs belongs.

(1) Financial instruments measured at fair value

March 31, 2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 42,415	¥ —	¥ 42,415
Trading assets and securities				
Trading securities:				
National and local government bonds	122	1,253	—	1,376
Available-for-sale securities:				
National and local government bonds	500,424	263,935	—	764,360
Corporate bonds	—	230,894	50,759	281,654
Equity securities	103,091	—	—	103,091
Other	166,830	147,201	—	314,031
Derivatives:				
Interest related	—	5,574	—	5,574
Currency related	—	8,031	1,345	9,377
Other	—	—	53	53
Total assets	¥770,468	¥699,307	¥52,158	¥1,521,934
Derivatives:				
Interest related	¥ —	¥ 3,059	¥ —	¥ 3,059
Currency related	—	31,296	1,470	32,767
Other	—	—	53	53
Total liabilities	¥ —	¥ 34,356	¥ 1,523	¥ 35,880

March 31, 2022	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ —	\$ 347	\$ —	\$ 347
Trading assets and securities				
Trading securities:				
National and local government bonds	1	10	—	11
Available-for-sale securities:				
National and local government bonds	4,089	2,157	—	6,245
Corporate bonds	—	1,887	415	2,301
Equity securities	842	—	—	842
Other	1,363	1,203	—	2,566
Derivatives:				
Interest related	—	46	—	46
Currency related	—	66	11	77
Other	—	—	0	0
Total assets	\$6,295	\$5,714	\$426	\$12,435
Derivatives:				
Interest related	\$ —	\$ 25	\$ —	\$ 25
Currency related	—	256	12	268
Other	—	—	0	0
Total liabilities	\$ —	\$ 281	\$ 12	\$ 293

(*1) Investment trusts to which the transitional measure provided for in paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied, are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥181,875 million (\$1,486 million).

(*2) Investment in partnerships to which the transitional measure provided for in paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied, is not included in the above table. The carrying amount of such investment in partnerships recorded in the consolidated balance sheet is ¥9,350 million (\$76 million).

(*3) The carrying amount of derivatives to which hedge accounting is applied recorded in the consolidated balance sheet is ¥22,846 million (\$187 million).

(2) Financial instruments other than those measured at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2022				
Loans and bills discounted	¥—	¥ —	¥6,981,040	¥ 6,981,040
Total assets	¥—	¥ —	¥6,981,040	¥ 6,981,040
Deposits	¥—	¥ 9,068,100	¥ —	¥ 9,068,100
Borrowed money	—	1,192,037	9,733	1,201,770
Total liabilities	¥—	¥10,260,137	¥ 9,733	¥10,269,870

	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2022				
Loans and bills discounted	\$—	\$ —	\$57,039	\$57,039
Total assets	\$—	\$ —	\$57,039	\$57,039
Deposits	\$—	\$74,092	\$ —	\$74,092
Borrowed money	—	9,740	80	9,819
Total liabilities	\$—	\$83,831	\$ 80	\$83,911

(Note 1) Description of the valuation techniques and inputs used in the fair value measurements

Assets:

Money held in trust

The fair value of securities managed as trust assets in individually managed money held in trust whose primary purpose is to manage securities is based on the price at the exchange for equity securities, and on the price presented by the counterpart financial institutions or the price at the exchange for bonds, and is classified as Level 2 based on the level of the components.

Notes on money held in trust by holding purpose are described in Note 5 "Money held in trust."

Trading assets and securities

The fair value of trading assets and securities are classified as Level 1 if the unadjusted quoted price in the active market is available. Principally, listed equity securities and national government bonds are classified in this category.

The fair value based on the published quoted price of inactive markets is classified as Level 2. Principally, local government bonds, corporate bonds, and housing loan mortgage-backed securities are classified in this category.

The fair value of private placement bonds is determined by discounting the sum of the principal and interest at a discount rate reflecting risk factors such as credit risk, etc. by each category based on internal rating and period, and is classified as Level 3, since such discount rate is unobservable.

Loans and bills discounted

The fair value of loans and bills discounted is determined(*) by discounting future cash flows at an interest rate assumed in similar new loans by each category based on the type of loans, type of loan interest, certain period, and internal rating.

(*) The fair value of long-term loans subject to exceptional treatment for interest rate swaps, etc. is determined by adding the fair value of interest rate swaps, etc. to the fair value of such long-term loans.

In addition, the fair value of claims against legally bankrupt, virtually bankrupt and possibly bankrupt borrowers approximates the amount obtained by deducting the amount of reserve for possible loans losses from the carrying amount on the fiscal closing date since bad debts are estimated based on the amount expected to be recoverable from collaterals, guarantees, etc. Accordingly, such amount is considered to be the fair value.

The fair value of loans whose payment due date is not set forth is assumed to approximate the carrying amount from a viewpoint of the estimated payment term, interest rate conditions, etc. Accordingly, the carrying amount is considered to be the fair value.

If the effects of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, and if not, as Level 2.

Liabilities:

Deposits

The fair value of demand deposits is considered to be the payment amount (carrying amount) when required on the fiscal closing date. In addition, the fair value of time deposits is determined as the present value discounting future cash flows categorized by the type of deposit instruments and certain period. The interest rate applicable when accepting new deposits is used as the discount rate. Such fair value is classified as Level 2.

Borrowed money

The fair value of borrowed money is determined by discounting future cash flows at the interest rate assumed in similar new financing by type of financing. If the contract

term is short, the carrying amount is considered to be the fair value since the fair value approximates the carrying amount.

If the effects of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, and if not, as Level 2.

Derivatives:

With respect to derivatives, if the unadjusted quoted price in the active market is available, the fair value is classified as Level 1, and principally, bond futures and interest rate futures are included in this category.

However, most of derivatives are traded over the counter and published quoted price does not exist, and accordingly, the fair value is determined using the valuation techniques such

as the present value method or Black-Sholes model according to the type of deals and the period until maturity. Main inputs used in such valuation techniques include interest rate, foreign exchange rate, volatility, etc. Furthermore, price adjustment based on counterparty credit risk and credit risk of consolidated subsidiaries engaged in the banking business is performed. If unobservable inputs are not used, or the effects of such inputs are not significant, the fair value is classified as Level 2. Plain-vanilla type interest rate swaps, foreign exchange forward contracts are included in this category. If significant unobservable inputs are used, the fair value is classified as Level 3 and currency related derivatives and other (such as earthquake derivatives, etc.) are included in this category.

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

(1) Quantitative information on significant unobservable inputs

At March 31, 2022

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.35%-10.92%	0.56%
Private placement bonds				

(2) Reconciliation from the beginning balances to the ending balances and gains or losses on valuation included in profit or loss for the period

	Millions of yen		
	Securities:	Derivatives:	
	Available-for-sale securities Private placement bonds	Currency related (*3)	Other (*3)
March 31, 2022			
Beginning balance	¥47,477	¥(59)	¥0
Profit or loss or other comprehensive income:			
Recorded in profit or loss (*1)	2	(65)	—
Recorded in other comprehensive income (*2)	(1,156)	—	—
Net amount of purchases, sales, issuances, and settlements	4,437	—	(0)
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Ending balance	50,759	(124)	—
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(65)	—

	Millions of U.S. dollars		
	Securities:	Derivatives:	
	Available-for-sale securities Private placement bonds	Currency related (*3)	Other (*3)
March 31, 2022			
Beginning balance	\$388	\$(0)	\$0
Profit or loss or other comprehensive income:			
Recorded in profit or loss (*1)	0	(1)	—
Recorded in other comprehensive income (*2)	(9)	—	—
Net amount of purchases, sales, issuances, and settlements	36	—	(0)
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Ending balance	415	(1)	—
Gains or losses on valuation of financial assets and financial liabilities held at the consolidated balance sheet date included in profit or loss for the period (*1)	—	(1)	—

(*1) Included in "Trading income" and "Other operating income" in the consolidated statement of income.

(*2) Included in "Net unrealized holding gains (losses) on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

(*3) Assets/liabilities and gains/losses arising from derivatives are presented in net amounts and net liabilities and net losses are presented with brackets.

(3) Description of valuation processes used for fair value measurements

The back office of the Group has established policies and procedures for measuring fair value and procedures for use of fair value assessment models. The middle office ensures appropriateness regarding whether such models, inputs used, and fair value resulting from the measurement are compliant with these policies and procedures. The back office determines the level of fair value based on the result of the confirmation. When quoted prices obtained from third parties are used as the fair value, the appropriateness of such prices is verified by appropriate methods such as valuation techniques used and identification of inputs.

(4) Description of sensitivity of the fair value measurement to changes in significant unobservable inputs

The discount rate is an adjustment rate for standard market interest rates such as TIBOR and swap rates and primarily comprises risk premium which is remuneration required by market participants on uncertainties of cash flows of financial instruments arising from credit risk. In general, a significant increase (decrease) in the discount rate will result in a significant decline (increase) in fair value.

23 Stock options

1. No stock option expense was recorded for the year ended March 31, 2022.

2. Outline, size and changes of stock options in the year ended March 31, 2022

(1) Outline of stock options

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 15,800	Common stock: 16,750	Common stock: 38,100
Date of rights granted	July 28, 2010	July 27, 2011	July 27, 2012
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 28, 2040	From October 1, 2020 to July 27, 2041	From October 1, 2020 to July 27, 2042
	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options
Persons to whom stock options are granted	Director of the Bank: 1	Director of the Bank: 1	Director of the Bank: 1
Type and number of shares	Common stock: 22,650	Common stock: 25,650	Common stock: 18,000
Date of rights granted	July 25, 2013	July 30, 2014	July 31, 2015
Condition for vesting	Not applicable	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable	Not applicable
Period for exercise of stock options	From October 1, 2020 to July 25, 2043	From October 1, 2020 to July 30, 2044	From October 1, 2020 to July 31, 2045
	Hirogin Holdings, Inc. 7th stock options		
Persons to whom stock options are granted	Directors of the Bank: 2		
Type and number of shares	Common stock: 34,500		
Date of rights granted	July 29, 2016		
Condition for vesting	Not applicable		
Eligible service period	Not applicable		
Period for exercise of stock options	From October 1, 2020 to July 29, 2046		

Notes: 1. As the Company was incorporated through a sole-share transfer of the Bank, the Company's stock acquisition rights were granted to the holders of stock acquisition rights issued by the Bank.

2. The number of stock options is converted to the number of shares.

3. Date of rights granted refers to the initial date of rights granted by the Bank.

(2) Size and changes of stock options

a. Number of stock options (converted to number of shares) for the year ended March 31, 2022

	Hirogin Holdings, Inc. 1st stock options	Hirogin Holdings, Inc. 2nd stock options	Hirogin Holdings, Inc. 3rd stock options	Hirogin Holdings, Inc. 4th stock options	Hirogin Holdings, Inc. 5th stock options	Hirogin Holdings, Inc. 6th stock options	Hirogin Holdings, Inc. 7th stock options
Non-vested:							
Outstanding at April 1, 2021	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding at March 31, 2022	—	—	—	—	—	—	—
Vested:							
Outstanding at April 1, 2021	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2022	15,800	16,750	38,100	22,650	25,650	18,000	34,500

b. Price information for the year ended March 31, 2022

	Hirogin Holdings, Inc. 1st stock options		Hirogin Holdings, Inc. 2nd stock options		Hirogin Holdings, Inc. 3rd stock options		Hirogin Holdings, Inc. 4th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥1	\$0.01	¥1	\$0.01	¥1	\$0.01	¥1	\$0.01
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the granted date	652	5.33	644	5.26	446	3.64	820	6.70

	Hirogin Holdings, Inc. 5th stock options		Hirogin Holdings, Inc. 6th stock options		Hirogin Holdings, Inc. 7th stock options	
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price	¥1	\$0.01	¥1	\$0.01	¥1	\$0.01
Average exercise price	—	—	—	—	—	—
Fair value at the granted date	914	7.47	1,346	11.00	654	5.34

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

24 Other comprehensive income

Reclassification adjustments and the related tax effects concerning other comprehensive income for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net unrealized holding gains (losses) on available-for-sale securities:			
Amount arising during the period	¥26,012	¥(39,954)	\$(326)
Reclassification adjustments	(8,177)	2,372	19
Before adjustments for tax effect	17,834	(37,582)	(307)
Amount of tax effect	(5,512)	11,621	95
Net unrealized holding gains (losses) on available-for-sale securities	12,322	(25,960)	(212)
Net deferred gains on hedging instruments, net of tax:			
Amount arising during the period	3,122	2,936	24
Reclassification adjustments	1,350	1,517	12
Before adjustments for tax effect	4,473	4,454	36
Amount of tax effect	(1,386)	(1,380)	(11)
Net deferred gains on hedging instruments, net of tax	3,086	3,073	25
Remeasurements of defined benefit plans:			
Amount arising during the period	10,233	(9,666)	(79)
Reclassification adjustments	(1,154)	(8,988)	(73)
Before adjustments for tax effect	9,079	(18,655)	(152)
Amount of tax effect	(2,814)	5,783	47
Remeasurements of defined benefit plans	6,264	(12,872)	(105)
Share of other comprehensive loss of an affiliated company accounted for using the equity method:			
Amount arising during the period	(4)	—	—
Reclassification adjustments	—	—	—
Share of other comprehensive loss of an affiliated company accounted for using the equity method	(4)	—	—
Total other comprehensive income	¥21,668	¥(35,759)	\$(292)

25 Business combinations

(Business combination through acquisition)

Hirogin Human Resources Co., Ltd., a subsidiary of the Company, acquired shares in Mighty Net Plus Co., Ltd. and made the company its subsidiary on March 31, 2022 in accordance with the share transfer agreement entered into with Mighty Net Co., Ltd. on January 28, 2022. Furthermore, Hirogin Human Resources Co., Ltd. absorbed Mighty Net Plus Co., Ltd. on April 1, 2022.

1. Outline of business combination

(1) Name and business of the acquired company

Name of acquired company: Mighty Net Plus Co., Ltd.
Business of acquired company: Human resource outsourcing business

(2) Major reason for business combination

To enter the human resource outsourcing business

(3) Date of business combination

March 31, 2022

(4) Legal form of business combination

Share acquisition to make the company a subsidiary

(5) Name of company after business combination

No change

(6) Ratio of voting rights acquired

100%

(7) Basis for acquiring the company

It is based on the fact that Human Resources Co., Ltd., a subsidiary of the Company, acquired shares in consideration for cash.

2. Performances of the acquired company included in the consolidated financial statements

Not applicable

3. Matters concerning calculation of acquisition cost

(1) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition: Cash ¥110 million (\$1 million)
Acquisition cost: ¥110 million (\$1 million)

(2) Main acquisition-related costs and amount thereof

Due diligence costs, etc.: ¥7 million (\$0 million)

4. Allocation of acquisition costs

(1) Assets acquired and liabilities assumed at the date of business combination are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥116	\$1
Non-current assets	15	0
Total assets	¥132	\$1
Current liabilities	¥ 49	\$0
Total liabilities	¥ 49	\$0

(2) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

Amount of goodwill incurred:	¥27 million (\$0 million)
Reasons for the goodwill incurred:	Goodwill was incurred as the acquisition cost of the acquired company exceeded its net asset value at the time of acquisition.
Method and period of amortization:	Goodwill is amortized on a straight-line basis over five years.

5. Estimated amount of the impact on the consolidated financial statements assuming the business combination was completed on the commencement date of the current fiscal year and its calculation method

This information is omitted since the estimated amount of the impact is immaterial.

26 Per share information

Per share information at March 31, 2021 and 2022 for the years then ended is as follows:

	Yen		U.S. dollar
	2021	2022	2022
Net assets per share	¥1,664.01	¥1,596.79	\$13.05
Net income per share	69.26	73.75	0.60
Diluted net income per share	69.22	73.71	0.60

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net assets	¥516,880	¥496,200	\$4,054
Amounts to be deducted from net assets	248	265	2
(Of which, stock acquisition rights)	126	126	1
(Of which, non-controlling interests)	121	138	1
Net assets at March 31 attributable to common stock	¥516,632	¥495,935	\$4,052

	Number of shares (in thousands)	
	2021	2022
Number of shares of common stock at end of the year which was used to compute net assets per share	310,473	310,581

2. Net income per share and diluted net income per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net income per share:			
Net income attributable to owners of the parent	¥21,574	¥22,906	\$187
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥21,574	¥22,906	\$187

	Number of shares (in thousands)	
	2021	2022
Average number of shares of common stock outstanding during the year	311,472	310,556

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Diluted net income per share:			
Adjustment to net income attributable to owners of the parent	¥—	¥—	\$—

	Number of shares (in thousands)	
	2021	2022
Number of shares of common stock that increased during the year	176	171
(Of which, stock acquisition rights)	176	171

3. The Company's shares held by The Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account 76131) are accounted for as treasury stock in the consolidated financial statements and, thus, such shares are not included in "Number of shares of common stock at end of the year which was used to compute net assets per share" and "Average number of shares of common stock outstanding during the year."

The number of shares of the treasury stock at March 31, 2021 and 2022 and the average number of shares of the treasury stock during the years were 1,895 thousand and 1,786 thousand shares, respectively and 870 thousand and 1,812 thousand shares, respectively.

4. The average number of shares of common stock during the year ended March 31, 2021 was computed using the average number of shares of the Bank for the period from April 1, 2020 through September 30, 2020 and using the average number of shares of the Company for the period from October 1, 2020 through March 31, 2021, since the Company was incorporated through a sole-share transfer on October 1, 2020.

27 Significant subsequent events

(Merger between subsidiaries)

Hirogin Human Resources Co., Ltd., a subsidiary of the Company, absorbed Mighty Net Plus Co., Ltd., a subsidiary of the Company, on April 1, 2022.

1. Outline of transaction

- (1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Human Resources Co., Ltd.

Its business: Consulting business

Name of the acquired company: Mighty Net Plus Co., Ltd.

Its business: Human resource outsourcing business

- (2) Date of business combination

April 1, 2022

- (3) Legal form of business combination

Absorption-type merger between Hirogin Human Resources Co., Ltd. as a surviving company and Mighty Net Plus Co., Ltd. as an absorbed company

- (4) Name of company after business combination

Hirogin Human Resources Co., Ltd.

- (5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

(Merger between subsidiaries)

At the Board of Directors' meeting held on May 13, 2022, the Company resolved to merge its subsidiaries, Hirogin Guarantee Co., Ltd. and Hirogin Card Services Co., Ltd. (collectively the "Both Companies") subject to the approval of relevant authorities, and entered into a merger agreement after the resolution at the Board of Directors' meetings of the Both Companies.

1. Outline of transaction

- (1) Name and business of the companies subject to business combination

Name of the acquirer: Hirogin Guarantee Co., Ltd.

Its business: Credit guarantee business

Name of the acquired company: Hirogin Card Service Co., Ltd.

Its business: Credit card business and credit guarantee

- (2) Date of business combination (planned)

April 1, 2023

- (3) Legal form of business combination

Absorption-type merger between Hirogin Guarantee Co., Ltd. as a surviving company and Hirogin Card Service Co., Ltd. as an absorbed company

- (4) Name of company after business combination

Hirogin Guarantee Co., Ltd. (trade name will be changed.)

- (5) Other matters

This is an absorption-type merger aiming to further strengthen group management through efficient operation and to further enhance services.

2. Outline of accounting treatment

The transaction is scheduled to be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Guidance No. 10, January 16, 2019).

Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.
As of March 31, 2021 and 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
ASSETS			
Cash and due from banks	¥ 2,579,575	¥ 2,576,507	\$21,052
Call loans and bills purchased	942	5,899	48
Monetary claims bought	6,133	6,525	53
Trading assets	6,501	7,577	62
Money held in trust	30,127	29,815	244
Securities	1,486,384	1,669,030	13,637
Loans and bills discounted	6,540,880	6,965,573	56,913
Foreign exchanges	15,463	11,468	94
Other assets	107,467	116,945	956
Tangible fixed assets	108,515	104,713	856
Intangible fixed assets	8,427	8,222	67
Prepaid pension cost	59,272	50,226	410
Deferred tax assets	—	6,980	57
Customers' liabilities for acceptances and guarantees	35,207	37,956	310
Reserve for possible loan losses	(38,881)	(36,864)	(301)
Total assets	¥10,946,017	¥11,560,579	\$94,457
LIABILITIES AND NET ASSETS			
Liabilities:			
Deposits	¥ 8,699,667	¥ 9,095,033	\$74,312
Payables under repurchase agreements	255,685	229,457	1,875
Deposits received for bonds lending/borrowing transactions	382,445	448,183	3,662
Trading liabilities	3,607	4,848	40
Borrowed money	1,023,250	1,198,104	9,789
Foreign exchanges	1,985	2,714	22
Due to trust account	47	51	0
Other liabilities	58,559	70,868	579
Reserve for reimbursement of deposits	1,745	1,110	9
Reserve for point loyalty programs	93	110	1
Reserve for stock payments	599	759	6
Reserve for dismantling costs for fixed assets	768	307	3
Deferred tax liabilities	1,326	—	—
Deferred tax liabilities for land revaluation reserve	13,605	13,241	108
Acceptances and guarantees	35,207	37,956	310
Total liabilities	¥10,478,596	¥11,102,747	\$90,716
Net Assets:			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 446
Issued – 312,370,921 shares in 2021 and 2022			
Capital surplus	30,634	30,634	250
Retained earnings	329,081	343,334	2,805
Total stockholders' equity	¥ 414,289	¥ 428,543	\$ 3,501
Net unrealized holding gains on available-for-sale securities	¥ 27,288	¥ 1,386	\$ 11
Net deferred losses on hedging instruments	(1,938)	908	7
Land revaluation reserve	27,781	26,993	221
Total valuation and translation adjustments	¥ 53,131	¥ 29,288	\$ 239
Total net assets	¥ 467,420	¥ 457,831	\$ 3,741
Total liabilities and net assets	¥10,946,017	¥11,560,579	\$94,457

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Non-Consolidated Statements of Income

THE HIROSHIMA BANK, LTD.
Years ended March 31, 2021 and 2022

	Millions of yen		Millions of U.S. dollars (Note 1)
	2021	2022	2022
Income:			
Interest income:			
Interest on loans and discounts	¥ 58,614	¥ 57,071	\$466
Interest and dividends on securities	13,770	13,177	108
Other interest income	2,385	4,428	36
Trust fees	128	178	1
Fees and commissions	24,366	24,560	201
Trading income	809	641	5
Other operating income	5,521	6,670	54
Other income	5,775	15,034	123
Total income	¥111,372	¥121,761	\$995
Expenses:			
Interest expenses:			
Interest on deposits	¥ 1,292	¥ 879	\$ 7
Interest on borrowings and rediscounts	1,087	821	7
Other interest expenses	2,170	2,239	18
Fees and commissions	10,517	10,185	83
Other operating expenses	797	11,912	97
General and administrative expenses	52,605	51,612	422
Other expenses	11,878	15,300	125
Total expenses	¥ 80,348	¥ 92,950	\$759
Income before income taxes	¥ 31,024	¥ 28,811	\$235
Income taxes:			
Current income taxes	¥ 9,223	¥ 6,417	\$ 52
Deferred income taxes	(592)	1,733	14
Total income taxes	¥ 8,630	¥ 8,150	\$ 67
Net income	¥ 22,393	¥ 20,660	\$169

Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Major Shareholders

(As of March 31, 2022)

Shareholders	Number of shares (Thousand)	Ratio of the number of shares owned to the total number of shares issued (excluding treasury stock) (%)
Master Trust Bank of Japan, T.	39,711	12.71
Custody Bank of Japan, T.	18,308	5.86
Meiji Yasuda Life Insurance	9,504	3.04
Sompo Japan Insurance	7,500	2.40
CP Chemical Inc.	7,463	2.38
Sumitomo Life Ins.	6,038	1.93
Chugoku Electric Power	5,864	1.87
Hirogin Holdings For Employee Stock Ownership Plans	5,758	1.84
Bank of Fukuoka	5,500	1.76
Nippon Life Ins.	4,833	1.54

*1 Numbers of shares less than one thousand have been omitted.

*2 Percentage of shares issued is rounded down at the second decimal place.

*3 Shareholding ratio is calculated by deducting treasury stock (2,000 shares).

Stock Information

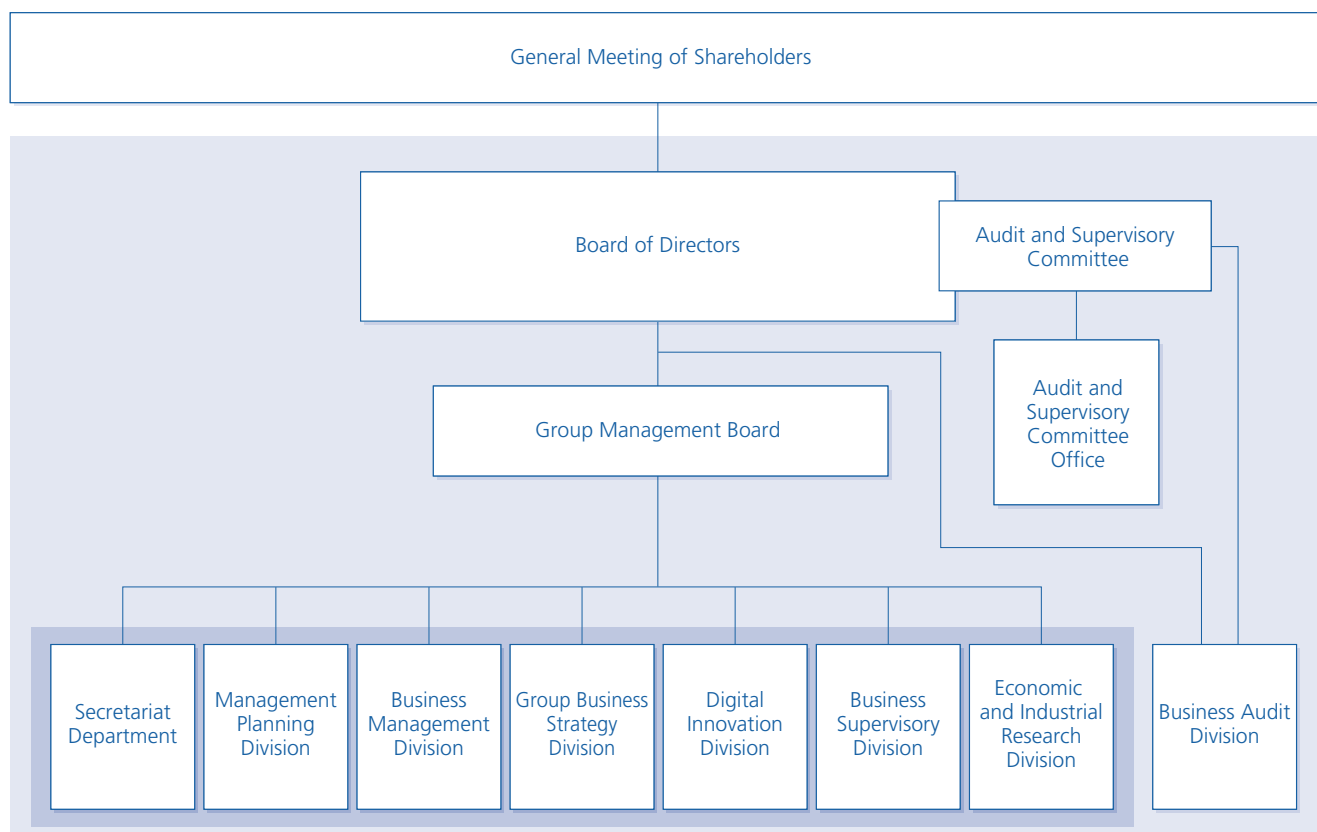
(As of March 31, 2022)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	312,368 thousand (excluding treasury stock (2,000 shares))
Number of Shareholders	96,114

Organization

HIROGIN HOLDINGS

(As of April 1, 2022)



Organization

HIROSHIMA BANK
(As of April 1, 2022)

