

# Financial Section

## Consolidated Balance Sheet

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2023

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)
	2022	2023	2023
<b>ASSETS</b>			
Cash and due from banks (Notes 4, 14 and 22)	¥ 2,577,627	¥ 2,188,107	\$16,387
Call loans and bills purchased (Note 22)	5,899	34,784	260
Monetary claims bought (Notes 4 and 22)	8,000	8,682	65
Trading assets (Notes 4 and 22)	7,577	10,598	79
Money held in trust (Notes 5 and 22)	42,415	40,200	301
Securities (Notes 4, 6, 7, 10 and 22)	1,668,228	1,580,832	11,839
Loans and bills discounted (Notes 6, 7, 8 and 22)	6,901,858	7,224,123	54,101
Foreign exchanges (Note 6)	11,468	11,579	87
Lease receivables and investments in lease assets	63,275	66,358	497
Other assets (Notes 6, 7 and 22)	137,159	133,877	1,003
Tangible fixed assets (Note 15)	107,359	107,570	806
Intangible fixed assets	9,025	10,835	81
Net defined benefit assets (Note 17)	58,164	74,580	559
Deferred tax assets (Note 18)	6,060	2,473	19
Customers' liabilities for acceptances and guarantees (Note 6)	38,859	40,795	306
Reserve for possible loan losses (Note 22)	(39,070)	(39,372)	(295)
<b>Total assets</b>	<b>¥11,603,909</b>	<b>¥11,496,027</b>	<b>\$86,093</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Deposits (Notes 7 and 22)	¥ 9,067,878	¥ 9,252,256	\$69,290
Call money and bills sold (Note 22)	—	50,000	374
Payables under repurchase agreements (Notes 7 and 22)	229,457	130,533	978
Deposits received for bonds lending/borrowing transactions (Notes 7 and 22)	448,183	402,712	3,016
Trading liabilities	4,848	7,996	60
Borrowed money (Notes 7, 9 and 22)	1,201,839	1,013,860	7,593
Foreign exchanges	2,714	2,377	18
Due to trust account	51	51	0
Other liabilities (Notes 9 and 22)	97,409	81,212	608
Net defined benefit liabilities (Note 17)	697	709	5
Reserve for retirement benefits of directors and Audit & Supervisory Board members	130	144	1
Reserve for reimbursement of deposits	1,110	437	3
Reserve for point loyalty programs	150	176	1
Reserve for stock payments	799	914	7
Reserve for dismantling costs for fixed assets	307	—	—
Reserve under Special Laws	28	28	0
Deferred tax liabilities for land revaluation reserve	13,241	13,215	99
Acceptances and guarantees	38,859	40,795	306
<b>Total liabilities</b>	<b>¥11,107,708</b>	<b>¥10,997,422</b>	<b>\$82,359</b>
<b>Net Assets (Note 11):</b>			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 60,000	¥ 60,000	\$ 449
Issued – 312,370,921 shares			
Capital surplus	25,209	25,209	189
Retained earnings	377,217	381,782	2,859
Common stock in treasury	(1,237)	(1,071)	(8)
<b>Total stockholders' equity</b>	<b>¥ 461,189</b>	<b>¥ 465,920</b>	<b>\$ 3,489</b>
Net unrealized holding gains (losses) on available-for-sale securities (Note 4)	¥ 1,367	¥ (8,502)	\$ (64)
Net deferred gains on hedging instruments	908	3,490	26
Land revaluation reserve	26,993	26,971	202
Remeasurements of defined benefit plans	5,476	10,461	78
<b>Total accumulated other comprehensive income</b>	<b>¥ 34,745</b>	<b>¥ 32,421</b>	<b>\$ 243</b>
Stock acquisition rights (Note 23)	¥ 126	¥ 126	\$ 1
Non-controlling interests	138	135	1
<b>Total net assets</b>	<b>¥ 496,200</b>	<b>¥ 498,604</b>	<b>\$ 3,734</b>
<b>Total liabilities and net assets</b>	<b>¥11,603,909</b>	<b>¥11,496,027</b>	<b>\$86,093</b>

See notes to consolidated financial statements.

# Consolidated Statement of Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥ 57,085	¥ 67,726	\$ 507
Interest and dividends on securities	11,959	15,586	117
Other interest income	4,454	3,799	28
Trust fees	178	142	1
Fees and commissions	33,624	33,262	249
Trading income	4,305	3,288	25
Other operating income	28,018	30,960	232
Other income	14,817	5,507	41
Total income	¥ 154,443	¥ 160,273	\$ 1,200
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	¥ 878	¥ 1,803	\$ 14
Interest on borrowings and rediscounts	843	7,609	57
Other interest expenses	2,241	11,422	86
Fees and commissions	12,686	12,590	94
Other operating expenses	30,957	41,969	314
General and administrative expenses (Note 12)	58,031	58,064	435
Other expenses (Note 13)	15,877	8,558	64
Total expenses	¥ 121,517	¥ 142,018	\$ 1,064
<b>Income before income taxes</b>	¥ 32,926	¥ 18,255	\$ 137
Income taxes (Note 18):			
Current income taxes	¥ 8,296	¥ 1,160	\$ 9
Deferred income taxes	1,687	4,556	34
Total income taxes	¥ 9,984	¥ 5,717	\$ 43
<b>Net income</b>	¥ 22,942	¥ 12,538	\$ 94
<b>Net income attributable to noncontrolling interests</b>	¥ 36	¥ 29	\$ 0
<b>Net income attributable to owners of the parent</b>	¥ 22,906	¥ 12,508	\$ 94

	Yen	U.S. dollars (Note 1)
<b>Amounts per share of common stock (Note 26):</b>		
Net assets	¥1,596.79	¥1,603.30
Net income	73.75	40.25
Diluted net income	73.71	40.22
Cash dividends applicable to the year (Note 11)	24.00	27.00

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
<b>Net income</b>	¥ 22,942	¥12,538	\$ 94
<b>Other comprehensive income (Note 24):</b>			
Net unrealized holding losses on available-for-sale securities	(25,960)	(9,869)	(74)
Net deferred gains on hedging instruments	3,073	2,582	19
Remeasurements of defined benefit plans	(12,872)	4,984	37
Total other comprehensive income	¥ (35,759)	¥ (2,302)	\$(17)
<b>Comprehensive income</b>	¥ (12,817)	¥10,235	\$ 77
Attributable to:			
Comprehensive income attributable to owners of the parent	¥ (12,853)	¥10,206	\$ 76
Comprehensive income attributable to noncontrolling interests	36	29	0

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2023

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				
	2023				
	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	¥377,217	¥(1,237)	¥461,189
Changes of items during the period					
Dividends from surplus			(7,965)		(7,965)
Net income attributable to owners of the parent			12,508		12,508
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury				166	166
Reversal of land revaluation reserve			21		21
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	—	4,565	165	4,730
Balance at the end of current period	¥60,000	¥25,209	¥381,782	¥(1,071)	¥465,920

Item	Millions of yen							
	2023							
	Accumulated other comprehensive income							
	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains 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	¥ 1,367	¥ 908	¥26,993	¥ 5,476	¥34,745	¥126	¥138	¥496,200
Changes of items during the period								
Dividends from surplus								(7,965)
Net income attributable to owners of the parent								12,508
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								166
Reversal of land revaluation reserve								21
Net changes of items other than stockholders' equity	(9,869)	2,582	(21)	4,984	(2,324)	—	(2)	(2,327)
Total changes of items during the period	(9,869)	2,582	(21)	4,984	(2,324)	—	(2)	2,403
Balance at the end of current period	¥(8,502)	¥3,490	¥26,971	¥10,461	¥32,421	¥126	¥135	¥498,604

Millions of U.S. dollars (Note 1)					
2023					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	\$449	\$189	\$2,825	\$(9)	\$3,454
Changes of items during the period					
Dividends from surplus			(60)		(60)
Net income attributable to owners of the parent			94		94
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury				1	1
Reversal of land revaluation reserve			0		0
Net changes of items other than stockholders' equity					
Total changes of items during the period	—	—	34	1	35
Balance at the end of current period	\$449	\$189	\$2,859	\$(8)	\$3,489

Millions of U.S. dollars (Note 1)								
2023								
Accumulated other comprehensive income								
Item	Net unrealized holding gains (losses) on available-for-sale securities	Net deferred gains 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	\$ 10	\$ 7	\$202	\$41	\$260	\$1	\$ 1	\$3,716
Changes of items during the period								
Dividends from surplus								(60)
Net income attributable to owners of the parent								94
Purchase of common stock in treasury								(0)
Disposal of common stock in treasury								1
Reversal of land revaluation reserve								0
Net changes of items other than stockholders' equity	(74)	19	(0)	37	(17)	—	(0)	(17)
Total changes of items during the period	(74)	19	(0)	37	(17)	—	(0)	18
Balance at the end of current period	\$(64)	\$26	\$202	\$78	\$243	\$1	\$ 1	\$3,734

# Consolidated Statement of Cash Flows

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 1)
	2022	2023	2023
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 32,926	¥ 18,255	\$ 137
Depreciation of fixed assets	6,052	6,111	46
Impairment losses on fixed assets	2,272	228	2
Gain on return of retirement benefit trust	(7,035)	—	—
Net change in reserve for possible loan losses	(2,002)	302	2
Net change in net defined benefit assets	34,736	(16,416)	(123)
Net change in net defined benefit liabilities	27	12	0
Net change in reserve for retirement benefits of directors and Audit & Supervisory Board members	34	13	0
Net change in reserve for reimbursement of deposits	(635)	(672)	(5)
Net change in reserve for point loyalty programs	12	25	0
Net change in reserve for stock payments	190	114	1
Net change in reserve under special laws	(0)	(0)	(0)
Net change in reserve for dismantling costs for fixed assets	(461)	(307)	(2)
Interest income	(73,499)	(87,112)	(652)
Interest expense	3,963	20,835	156
Net losses on securities transactions	2,157	19,093	143
Net losses (gains) on dispositions of fixed assets	(1,092)	308	2
Net change in trading assets	(1,075)	(3,021)	(23)
Net change in trading liabilities	1,240	3,148	24
Net change in loans	(421,016)	(322,265)	(2,413)
Net change in deposits	397,802	184,377	1,381
Net change in borrowed money excluding subordinated loans	191,966	(187,978)	(1,408)
Net change in due from banks other than from the Bank of Japan	(943)	(21,481)	(161)
Net change in call loans and bills purchased	(5,424)	(29,567)	(221)
Net change in call money and bills sold	(26,228)	(48,923)	(366)
Net change in deposits received for bonds lending/borrowing transactions	65,737	(45,470)	(341)
Net change in foreign exchanges (assets)	3,994	(110)	(1)
Net change in foreign exchanges (liabilities)	729	(337)	(3)
Amortization of goodwill	135	140	1
Interest received	78,205	88,340	662
Interest paid	(4,051)	(19,458)	(146)
Other – net	(50,254)	(23,457)	(176)
Subtotal	228,464	(465,272)	(3,484)
Income taxes paid	(11,574)	(3,469)	(26)
Net cash provided by (used in) operating activities	216,889	(468,742)	(3,510)
<b>Cash flows from investing activities:</b>			
Purchases of securities	(921,805)	(587,510)	(4,400)
Proceeds from sales of securities	597,047	583,708	4,371
Proceeds from redemption of securities	126,735	76,726	575
Increase in money held in trust	(7)	(6,006)	(45)
Decrease in money held in trust	3,004	8,004	60
Purchases of tangible fixed assets	(5,211)	(4,546)	(34)
Purchases of intangible fixed assets	(2,706)	(4,748)	(36)
Proceeds from sales of tangible fixed assets	4,752	239	2
Payments for retirement of tangible fixed assets	(97)	(39)	(0)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(39)	—	—
Net cash provided by (used in) investing activities	(198,327)	65,827	493
<b>Cash flows from financing activities:</b>			
Repayments of subordinated borrowings	(15,000)	—	—
Dividends paid	(7,509)	(7,957)	(60)
Dividends paid to noncontrolling interests	(19)	(32)	(0)
Purchases of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	—	—
Payments of lease liabilities	(107)	(109)	(1)
Net cash used in financing activities	(22,637)	(8,100)	(61)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	23	12	0
<b>Net change in cash and cash equivalents</b>	(4,052)	(411,002)	(3,078)
<b>Cash and cash equivalents at the beginning of year</b>	2,570,007	2,565,955	19,216
<b>Cash and cash equivalents at the end of year (Note 14)</b>	¥2,565,955	¥2,154,953	\$16,138

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

HIROGIN HOLDINGS, INC. AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2023

## 1 Basis of presenting consolidated financial statements

Hirogin Holdings, Inc. (the "Company"), incorporated on October 1, 2020, is a holding company of The Hiroshima Bank, Ltd. (the "Bank") and other 19 subsidiaries and two affiliated companies (collectively the "Group"). The Group engages mainly in banking business together with leasing business, financial instruments business, managing and collecting loans, consulting business, investment business, IT-related services and other.

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, 2023, which was ¥133.53 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 12 (13 in 2022) subsidiaries for the year ended March 31, 2023.

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.

Mighty Net Plus Co., Ltd., a consolidated subsidiary of the Company, was dissolved in an absorption-type merger with Hirogin Human Resource Co., Ltd., which is also a consolidated subsidiary of the Company, as the surviving company. Accordingly, it was excluded from the scope of consolidation from the year ended March 31, 2023.

All significant intercompany balances and transactions have been eliminated.

There are eight 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, 2023.

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 eight 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, 2023, the fiscal year ending dates are March 31 for 12 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.

#### 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, 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, 2022 and 2023 amounted to ¥47,646 million and ¥48,078 million (\$360 million), respectively.

Deferred revenue deducted from the acquisition cost was ¥12,733 million and ¥12,733 million (\$95 million) as of March 31, 2022 and 2023, 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 revaluated pursuant to Article 10 of the Act as of March 31, 2022 and 2023 was ¥21,606 million and ¥20,751 million (\$155 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, 2022 and 2023 were and ¥30,861 million and ¥24,879 million (\$186 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, 2023 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, 2022 and 2023

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Reserve for possible loan losses	¥ 39,070	¥ 39,372	\$ 295
(Of which amount recorded by consolidated subsidiaries engaged in the banking business)	¥(36,864)	¥(37,124)	\$(278)

### (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, 2023

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, 2023, 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, 2023

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, the Group continues to assume that credit risk is highly likely to materialize.

The Group determines the debtor classification, based on the credit risk rating system, by comprehensively taking into account the following: i) projections about business continuity and profitability, considering not only the immediate business continuity but also the absence of significant concerns about eventual collectability, ii) reasonableness of management improvement plans, etc., iii) ability to repay debt and iv) 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, 2022, 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 credit risk is highly likely to increase in the future for debtors in specific industries that are significantly impacted by the spread of COVID-19, although 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.

As of March 31, 2023, although such assumption that significant losses would not arise from the loans is not changed, the Company records reserve for possible loan losses, taking the impact of previous years into account, based on assumptions that credit risk is highly likely to materialize for debtors in specific industries that are still significantly impacted by the spread of COVID-19.

The Company, in consideration of the economic environment and changes in internal credit rating for the year ended March 31, 2023, 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 re-spread of COVID-19 and changes in its impact on the economy.

## Accounting changes

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the year ended March 31, 2023. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the Company has decided to apply this new accounting policy stipulated by the Fair Value Measurement Accounting Standard Implementation Guidance prospectively. Accordingly, for certain investment trusts, previously included in securities whose fair values are very difficult to be determined and shown in the consolidated balance sheet at acquisition cost, they were changed to be recorded at fair value in the consolidated balance sheet.

Further, in accordance with Paragraph 27-3 of the Fair Value Measurement Accounting Standard Implementation Guidance, the notes on investment trusts for the year ended March 31, 2022 is not disclosed in Note 22 "Financial instruments and related disclosures, 3. Fair value information by level within the fair value hierarchy."

### Unapplied new accounting standards

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

#### (1) Overview

The standards and guidance prescribe the accounting category of income taxes when other comprehensive income is subject to taxation and the treatment of tax effect accounting for sale of subsidiaries' shares when the group taxation system is applied.

#### (2) Date of adoption

These standards and guidance are scheduled to be applied from the beginning of the year ending March 31, 2025.

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

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

### 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 ¥1,235 million and ¥1,069 million (\$8 million) at March 31, 2022 and 2023, respectively.
3. The number of the shares of the Company remaining in the trust is 1,786 thousand and 1,545 thousand shares at March 31, 2022 and 2023, 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, 2022 and 2023 are as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Equity securities	¥ 33	¥ 118	\$ 1
Investments in capital	5,207	4,670	35

- (2) The following tables summarize acquisition costs and carrying amounts of securities with available fair values as of March 31, 2022 and 2023:

#### a) Trading securities:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Amount of net unrealized gains included in the consolidated statement of income	¥(4)	¥(5)	\$ (0)

#### b) Held-to-maturity debt securities:

There were no held-to-maturity debt securities as of March 31, 2022.

March 31, 2023	Millions of yen		
Fair value exceeding carrying amount:	Carrying amount	Fair value	Gross unrealized gains (losses)
National government bonds	¥ —	¥ —	¥—
Local government bonds	9,080	9,121	41
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	9,080	9,121	41

Fair value not exceeding carrying amount:			
National government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	¥9,080	¥9,121	¥41

March 31, 2023	Millions of U.S. dollars		
	Carrying amount	Fair value	Gross unrealized gains (losses)
<b>Fair value exceeding carrying amount:</b>			
National government bonds	\$—	\$—	\$—
Local government bonds	68	68	0
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	68	68	0
<b>Fair value not exceeding carrying amount:</b>			
National government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
<b>Total</b>	<b>\$68</b>	<b>\$68</b>	<b>\$ 0</b>

c) Available-for-sale securities:

March 31, 2022	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
<b>Carrying amount exceeding acquisition cost:</b>			
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
<b>Carrying amount not exceeding acquisition cost:</b>			
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)
<b>Total</b>	<b>¥1,655,684</b>	<b>¥1,654,202</b>	<b>¥ 1,482</b>

March 31, 2023	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
<b>Carrying amount exceeding acquisition cost:</b>			
Equity securities	¥ 91,902	¥ 50,301	¥ 41,601
Bonds:	127,063	126,262	801
National government bonds	10,089	9,993	95
Local government bonds	58,594	58,339	254
Corporate bonds	58,379	57,928	451
Others	60,515	57,856	2,658
Subtotal	279,482	234,419	45,062

<b>Carrying amount not exceeding acquisition cost:</b>			
Equity securities	13,012	13,948	(936)
Bonds:	902,700	924,898	(22,198)
National government bonds	421,117	435,215	(14,098)
Local government bonds	250,230	254,808	(4,578)
Corporate bonds	231,352	234,874	(3,522)
Others	382,224	416,717	(34,493)
Subtotal	1,297,937	1,355,565	(57,628)
<b>Total</b>	<b>¥1,577,419</b>	<b>¥1,589,985</b>	<b>¥(12,566)</b>

March 31, 2023	Millions of U.S. dollars		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
<b>Carrying amount exceeding acquisition cost:</b>			
Equity securities	\$ 688	\$ 377	\$ 312
Bonds:	952	946	6
National government bonds	76	75	1
Local government bonds	439	437	2
Corporate bonds	437	434	3
Others	453	433	20
Subtotal	2,093	1,756	337

<b>Carrying amount not exceeding acquisition cost:</b>			
Equity securities	97	104	(7)
Bonds:	6,760	6,927	(166)
National government bonds	3,154	3,259	(106)
Local government bonds	1,874	1,908	(34)
Corporate bonds	1,733	1,759	(26)
Others	2,862	3,121	(258)
Subtotal	9,720	10,152	(432)
<b>Total</b>	<b>\$11,813</b>	<b>\$11,907</b>	<b>\$ (94)</b>

d) Held-to-maturity debt securities sold

There were no held-to-maturity debt securities sold during the years ended March 31, 2022 and 2023.



(3) Available-for-sale securities sold during the years ended March 31, 2022 and 2023 were as follows:

	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 yen		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2023			
Equity securities	¥ 8,902	¥2,008	¥ 125
Bonds:	210,084	3,832	3,243
National government bonds	208,012	3,832	3,205
Local government bonds	—	—	—
Corporate bonds	2,072	0	38
Others	354,271	2,855	19,065
Total	¥573,258	¥8,696	¥22,434

	Millions of U.S. dollars		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
March 31, 2023			
Equity securities	\$ 67	\$15	\$ 1
Bonds:	1,573	29	24
National government bonds	1,558	29	24
Local government bonds	—	—	—
Corporate bonds	16	0	0
Others	2,653	21	143
Total	\$4,293	\$65	\$168

(4) Securities whose holding purpose was reclassified  
There were no securities whose holding purpose was reclassified during the years ended March 31, 2022 and 2023.

(5) Impairment of securities

Impairment losses in an amount of ¥525 million and ¥5,314 million (\$40 million) were recognized on equity securities for the years ended March 31, 2022 and 2023, respectively.

(6) Net unrealized holding gains (losses) on available-for-sale securities and other money held in trust at March 31, 2022 and 2023 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net unrealized holding gains (losses):			
Available-for-sale securities	¥1,482	¥(12,566)	\$ (94)
Other money held in trust	(361)	(578)	(4)
	1,121	(13,144)	(98)
Deferred tax assets	9,481	16,750	125
Deferred tax liabilities	(9,234)	(12,108)	(91)
Net unrealized holding gains (losses) on available-for-sale securities	¥1,367	¥(8,502)	\$ (64)

## 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, 2022 and 2023.

### (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, 2022 and 2023.

### (3) Other money held in trust

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 yen					
March 31, 2023	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	¥40,200	¥40,779	¥(578)	¥86	¥664

Millions of U.S. dollars					
March 31, 2023	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Other money held in trust	\$301	\$305	\$(4)	\$1	\$5

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, 2022 and 2023 is ¥21,925 million and ¥21,349 million (\$160 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
	2022	2023	2023
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 7,999	¥ 6,955	\$ 52
Risk loans	37,271	48,306	362
Delinquent loans past due over three months	3,601	1,909	14
Restructured loans	36,525	28,977	217
Total	¥85,398	¥86,150	\$645

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.



(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 ¥17,039 million and ¥16,597million (\$124 million) at March 31, 2022 and 2023, respectively.

## 7 Assets pledged

At March 31, 2022 and 2023, the following assets were pledged as collateral for certain liabilities of the Group.

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Securities	¥1,028,256	¥ 865,727	\$ 6,483
Loans and bills discounted	1,291,274	981,578	7,351
Other assets	1,218	1,313	10
Total	¥2,320,749	¥1,848,620	\$13,844

The collateral was pledged to secure:

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Deposits	¥ 1,659	¥ 1,704	\$ 13
Payables under repurchase agreements	229,457	130,533	978
Deposits received for bonds lending/borrowing transactions	448,183	402,712	3,016
Borrowed money	1,153,966	957,119	7,168

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
	2022	2023	2023
Securities	¥ 2,118	¥ 2,143	\$ 16
Other assets	50,000	50,000	374

Other assets include the following:

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Deposits for financial instruments	¥38,762	¥27,976	\$210
Security deposits	2,188	2,037	15
Deposits for future trading	551	540	4

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 ¥19,881 million and ¥17,604 million (\$132 million) at March 31, 2022 and 2023, 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 ¥5 million and ¥4 million (\$0 million) at March 31, 2022 and 2023, 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 ¥1,874,438 million and ¥1,836,913 million (\$13,757 million) relating to these contracts at March 31, 2022 and 2023, respectively. Among them, the amounts of unused commitment of which term of contracts is less than one year or revocable at any time totaled ¥1,766,592 million and ¥1,726,243 million (\$12,928 million) at March 31, 2022 and 2023, 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

The weighted average interest rate on the term-end balance of borrowed money maturing in October 2058 was 0.03%. 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, 2023 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
2024	¥403,640	\$3,023	¥70	\$1
2025	153,196	1,147	68	1
2026	88,207	661	67	1
2027	329,808	2,470	63	0
2028	3,505	26	62	0

## 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 ¥44,277 million and ¥47,645 million (\$357 million) at March 31, 2022 and 2023, 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, 2023 include the amount representing the year-end cash dividend of ¥4,216 million (\$32 million), ¥13.50 (\$0.10) per share, which was approved at the Board of Directors' meeting held on May 12, 2023.

## 12 General and administrative expenses

The general and administrative expenses include salaries and allowances in the amounts of ¥26,451 million and ¥27,143 million (\$203 million) for the years ended March 31, 2022 and 2023, respectively.

## 13 Other expenses

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

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Loss on sales of equity securities, etc.	¥ 343	¥ 131	\$ 1
Impairment losses on equity securities, etc.	552	5,355	40
Write-off of loans	957	—	—
Loss on sales of loans, etc.	240	572	4
Provision for possible loan losses	11,251	1,923	14
Loss on disposal of fixed assets	229	335	3
Impairment losses on fixed assets	2,272	228	2

## 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, 2022 and 2023 was as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Cash and due from banks	¥2,577,627	¥2,188,107	\$16,387
Foreign currency deposits with banks	(11,672)	(33,154)	(248)
Cash and cash equivalents	¥2,565,955	¥2,154,953	\$16,138

## 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, 2022 and 2023 were as follows:

As lessee:  
Not applicable

As lessor:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Due within 1 year	¥ 484	¥ 522	\$ 4
Due after 1 year	949	896	7
Total	¥1,434	¥1,419	\$11

## 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, 2022 and 2023 were as follows:

Interest related:

March 31, 2022	Type	Millions of yen			
		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

March 31, 2023	Type	Millions of yen			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
OTC	Interest rate swaps:				
	Receive fixed, pay variable	¥165,395	¥153,536	¥(2,582)	¥(2,582)
	Receive variable, pay fixed	165,395	153,536	3,995	3,995
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	3,150	3,150	(36)	27
	Buy	3,150	3,150	35	(0)
	Total	¥ —	¥ —	¥ 1,411	¥ 1,440

		Millions of U.S. dollars			
		Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
March 31, 2023	Type				
OTC	Interest rate swaps:				
	Receive fixed, pay variable	\$1,239	\$1,150	\$(19)	\$(19)
	Receive variable, pay fixed	1,239	1,150	30	30
	Receive variable, pay variable	—	—	—	—
	Interest rate options:				
	Sell	24	24	(0)	0
	Buy	24	24	0	(0)
	Total	\$ —	\$ —	\$ 11	\$ 11

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, 2022	Type	Contracted amount		Fair value	Unrealized gains (losses)
			Over one year		
	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 yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
			Over one year		
	Currency swaps	¥1,142,503	¥846,060	¥ (155)	¥ 789
	Forward foreign exchange contracts:				
	Sell	124,008	34,483	(2,392)	(2,392)
	Buy	97,607	33,890	3,368	3,368
	Currency options:				
	Sell	239,953	164,164	(8,131)	1,703
	Buy	239,953	164,164	8,048	(446)
	Total	¥ —	¥ —	¥ 737	¥ 3,022

		Millions of U.S. dollars			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Currency swaps	\$8,556	\$6,336	\$ (1)	\$ 6
	Forward foreign exchange contracts:				
	Sell	929	258	(18)	(18)
	Buy	731	254	25	25
	Currency options:				
	Sell	1,797	1,229	(61)	13
	Buy	1,797	1,229	60	(3)
	Total	\$ —	\$ —	\$ 6	\$ 23

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, 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 yen			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivatives:				
OTC	Sell	¥6,220	¥—	¥(46)	¥—
	Buy	6,220	—	46	—
	Total	¥ —	¥—	¥ —	¥—

		Millions of U.S. dollars			
March 31, 2023	Type	Contracted amount		Fair value	Unrealized gains (losses)
		Over one year			
	Earthquake derivative:				
	Sell	\$47	\$—	\$ (0)	\$—
	Buy	47	—	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, 2022 and 2023 were as follows:

#### Interest related:

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	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			Note 2
	Receive variable, pay fixed		43,412	43,197	
	Total		¥ —	¥ —	¥1,024

March 31, 2023

March 31, 2023			Millions of yen		
Method of hedge accounting	Type	Main hedge items	Contracted amount		Fair value
			Over one year		
Deferral method	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted, securities	¥62,367	¥62,367	¥2,873
Exceptional treatment of interest rate swaps	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted	41,422	40,422	Note 2
Total			¥ —	¥ —	¥2,873

March 31, 2023

March 31, 2023			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: Receive variable, pay fixed	Loans and bills discounted, securities	\$467	\$467	\$22
Exceptional treatment of interest rate swaps	Interest rate swaps: Receive variable, pay fixed	Loans and bills discounted	310	303	Note 2
Total			\$ —	\$ —	\$22

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 "22. Financial instruments and related disclosures."

#### Currency related:

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, 2023

March 31, 2023			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	¥189,774	¥180,928	¥(21,201)
	Forward foreign exchange contracts		313,409	411	(4,644)
	Total		¥ —	¥ —	¥(25,846)

March 31, 2023

March 31, 2023			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	\$ 1,421	\$ 1,355	\$(159)
	Forward foreign exchange contracts		2,347	3	(35)
	Total		\$ —	\$ —	\$(194)

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 mainly 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
	2022	2023	2023
Projected benefit obligation at beginning of the year	¥42,390	¥42,652	\$319
Service costs during the year	1,143	1,131	8
Interest cost on projected benefit obligation	15	16	0
Actuarial differences incurred	1,461	408	3
Benefits paid	(2,511)	(2,665)	(20)
Other	152	142	1
Projected benefit obligation at end of the year	¥42,652	¥41,686	\$312

#### Changes in plan assets during the period

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Plan assets at beginning of the year	¥127,585	¥100,119	\$750
Expected return on plan assets	5,013	4,004	30
Actuarial differences incurred	(8,204)	8,772	66
Contribution by the business owner (Note)	865	4,506	34
Benefits paid	(1,900)	(1,944)	(15)
Partial return of equity securities of retirement benefit trust	(23,341)	—	—
Other	101	98	1
Plan assets at end of the year	¥100,119	¥115,557	\$865

Note: For the year ended March 31, 2023, the Company made a contribution to cover risks that may arise in the future,

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

At March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Funded projected benefit obligation	¥ 41,954	¥ 40,976	\$ 307
Plan assets	(100,119)	(115,557)	(865)
	(58,164)	(74,580)	(559)
Unfunded projected benefit obligation	697	709	5
Net on consolidated balance sheets	¥ (57,466)	¥ (73,871)	\$(553)

At March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net defined benefit liability	¥ 697	¥ 709	\$ 5
Net defined benefit asset	(58,164)	(74,580)	(559)
Net on consolidated balance sheets	¥(57,466)	¥(73,871)	\$(553)

#### Components of severance and retirement benefit expenses

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Service costs—benefits earned during the year	¥ 1,143	¥ 1,131	\$ 8
Interest cost on projected benefit obligation	15	16	0
Expected return on plan assets	(5,013)	(4,004)	(30)
Amortization of actuarial differences	(1,952)	(1,139)	(9)
Severance and retirement benefit expenses calculated by simplified method	51	43	0
Gain on return of retirement benefit trust (Note)	(7,035)	—	—
Severance and retirement benefit expenses	¥(12,792)	¥(3,952)	\$(30)

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)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Actuarial differences	¥(18,655)	¥7,224	\$54

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

At March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Unrecognized actuarial differences	¥(7,937)	¥(15,161)	\$(114)

### Matters concerning plan assets:

Percentage of total plan assets by major category at March 31, 2022 and 2023 is as follows:

	2022	2023
Debt securities	2.2%	1.7%
Equity securities	68.1	70.7
Cash and due from banks	0.1	0.1
Other	29.6	27.5
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 60.3% (56.3% in 2022) and the retirement benefit trust established for lump-sum payment plans by 14.8% (17.2% in 2022) at March 31, 2023.

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, 2022 and 2023 are as follows:

	2022	2023
Discount rate	0.2%	0.2%
Rates of expected return on plan assets	4.0%	4.0%
Expected salary increase rate	2.9%	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 ¥292 million and ¥289 million (\$2 million) for the years ended March 31, 2022 and 2023, 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, 2022 and 2023 were as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Reserve for possible loan losses	¥ 20,437	¥ 18,818	\$ 141
Net unrealized holding losses on available-for-sale securities	246	4,641	35
Write-down of securities	683	663	5
Depreciation	1,023	969	7
Other	3,605	3,256	24
Subtotal of deferred tax assets	25,995	28,349	212
Valuation allowance for tax loss carryforwards	—	—	—
Valuation allowance for total temporary differences deductible in future periods	(1,236)	(1,266)	(9)
Subtotal of valuation allowance	(1,236)	(1,266)	(9)
Total deferred tax assets	24,759	27,082	203
Deferred tax liabilities:			
Net defined benefit assets	(15,414)	(20,262)	(152)
Gain on contribution or cancellation of securities to employee retirement benefit trust	(2,872)	(2,771)	(21)
Other	(411)	(1,574)	(12)
Total deferred tax liabilities	(18,698)	(24,609)	(184)
Net deferred tax assets (liabilities)	¥ 6,060	¥ 2,473	\$ 19

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the years ended March 31, 2022 and 2023 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.

### 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													
	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

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 includes intersegment elimination of ¥(9,416) million and amortization of goodwill of ¥(135) million.

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

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

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

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

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

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



Millions of yen								
2023								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	¥ 22,575	¥ —	¥ 22,575	¥ 12,028	¥ 34,603	¥ (4,828)	¥ 29,775	
Other revenue	106,463	22,276	128,740	22,143	150,883	(20,424)	130,458	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Revenue from external customers	¥ 126,442	¥21,969	¥ 148,411	¥ 11,823	¥ 160,234	¥ —	¥ 160,234	
Intersegment revenue	2,597	307	2,904	22,348	25,252	(25,252)	—	
Total	¥ 129,039	¥22,276	¥ 151,316	¥ 34,171	¥ 185,487	¥ (25,252)	¥ 160,234	
Segment profit	16,445	928	17,374	18,636	36,011	(17,230)	18,780	
Segment assets	11,432,524	80,732	11,513,257	504,422	12,017,680	(521,653)	11,496,027	
Segment liabilities	10,984,650	73,677	11,058,327	25,376	11,083,704	(86,281)	10,997,422	
Other items:								
Depreciation	¥ 5,382	¥ 523	¥ 5,906	¥ 212	¥ 6,118	¥ (6)	¥ 6,111	
Interest income	88,257	0	88,258	16,083	104,341	(17,229)	87,112	
Interest expense	20,795	209	21,005	39	21,044	(208)	20,835	

Millions of U.S. dollars								
2023								
	Reportable segment			Other	Total	Adjustments	Consolidated	
	Banking business	Leasing business	Total					
Ordinary revenue:								
Revenue from contracts with customers	\$ 169	\$ —	\$ 169	\$ 90	\$ 259	\$ (36)	\$ 223	
Other revenue	797	167	964	166	1,130	(153)	977	
Total	\$ 966	\$167	\$ 1,133	\$ 256	\$ 1,389	\$ (189)	\$ 1,200	
Revenue from external customers	\$ 947	\$165	\$ 1,111	\$ 89	\$ 1,200	\$ —	\$ 1,200	
Intersegment revenue	19	2	22	167	189	(189)	—	
Total	\$ 966	\$167	\$ 1,133	\$ 256	\$ 1,389	\$ (189)	\$ 1,200	
Segment profit	123	7	130	140	270	(129)	141	
Segment assets	85,618	605	86,222	3,778	90,000	(3,907)	86,093	
Segment liabilities	82,264	552	82,815	190	83,005	(646)	82,359	
Other items:								
Depreciation	\$ 40	\$ 4	\$ 44	\$ 2	\$ 46	\$ (0)	\$ 46	
Interest income	661	0	661	120	781	(129)	652	
Interest expense	156	2	157	0	158	(2)	156	

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 ¥(17,230) million (\$ (129) million) includes intersegment elimination of ¥(17,095) million (\$ (128) thousand) and amortization of goodwill of ¥(135) million (\$ (1) million).

(2) "Adjustment" of "Segment assets" in the amount of ¥(521,653) million (\$ (3,907) million) represents intersegment elimination.

(3) "Adjustment" of "Segment liabilities" in the amount of ¥(86,281) million (\$ (646) million) represents intersegment elimination.

(4) "Adjustment" of "Depreciation" in the amount of ¥(6) million (\$ (0) million) represents reconciliation related to unrealized gains and losses

(5) "Adjustment" of "Interest income" in the amount of ¥(17,229) million (\$ (129) million) represents intersegment elimination.

(6) "Adjustment" of "Interest expenses" in the amount of ¥(208) 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
	2022	2023	2023
Ordinary revenue from external customers:			
Lending	¥ 57,061	¥ 67,563	\$ 506
Investment in securities	26,312	26,112	196
Fees and commissions	33,624	33,262	249
Leasing	21,308	21,955	164
Other	7,778	11,340	85
Total	¥146,085	¥160,234	\$1,200

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				
	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 yen				
	2023				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	¥—	¥ 88	¥ 88	¥ 52	¥140
Unamortized balance at year-end	—	265	265	161	426

	Millions of U.S. dollars				
	2023				
	Reportable segment			Other	Total
	Banking business	Leasing business	Total		
Amortization for the period	\$—	\$1	\$1	\$0	\$1
Unamortized balance at year-end	—	2	2	1	3

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, 2022 and 2023 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, 2023, the entire VaR of the Group was ¥10 million (\$0 million) (¥4 million in 2022).

*(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, 2023 was ¥108,871 million (\$815 million) (¥52,915 million in 2022).

*(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), call money and bills sold, 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, 2022	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* <sup>1</sup>			
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* <sup>3</sup>	(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\*<sup>4</sup>:

Hedge accounting is not applied	¥ 1,970	¥ 1,970	¥ —
Hedge accounting is applied* <sup>5</sup>	(22,846)	(22,846)	—
Total derivative instruments	¥ (20,875)	¥ (20,875)	¥ —

March 31, 2023	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Trading assets* <sup>1</sup>			
Trading securities	¥ 1,345	¥ 1,345	¥ —
(2) Money held in trust	40,200	40,200	—
(3) Securities:			
Held-to-maturity debt securities	9,080	9,121	41
Available-for-sale securities* <sup>2</sup>	1,561,285	1,561,285	—
(4) Loans and bills discounted	7,224,123		
Reserve for possible loan losses* <sup>3</sup>	(36,878)		
Net	7,187,245	7,280,080	92,835
Total assets	¥ 8,799,156	¥ 8,892,033	¥92,876
(1) Deposits	¥ 9,252,256	¥ 9,252,435	¥ 179
(2) Borrowed money	1,013,860	1,012,019	(1,840)
Total liabilities	¥10,266,116	¥10,264,455	¥ (1,661)
Derivative instruments* <sup>4</sup> :			
Hedge accounting is not applied	¥ 2,149	¥ 2,149	¥ —
Hedge accounting is applied* <sup>5</sup>	(22,972)	(22,972)	—
Total derivative instruments	¥ (20,823)	¥ (20,823)	¥ —

March 31, 2023	Millions of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Trading assets* <sup>1</sup>			
Trading securities	\$ 10	\$ 10	\$ —
(2) Money held in trust	301	301	—
(3) Securities:			
Held-to-maturity debt securities	68	68	0
Available-for-sale securities* <sup>2</sup>	11,692	11,692	—
(4) Loans and bills discounted	54,101		
Reserve for possible loan losses* <sup>3</sup>	(276)		
Net	53,825	54,520	695
Total assets	\$65,896	\$66,592	\$696
(1) Deposits	\$69,290	\$69,291	\$ 1
(2) Borrowed money	7,593	7,579	(14)
Total liabilities	\$76,882	\$76,870	\$(12)
Derivative instruments* <sup>4</sup> :			
Hedge accounting is not applied	\$ 16	\$ 16	\$ —
Hedge accounting is applied* <sup>5</sup>	(172)	(172)	—
Total derivative instruments	\$ (156)	\$ (156)	\$ —

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

\*2. Available-for-sale securities include investment trusts whose standard value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance.

\*3. 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."

\*4. 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.

\*5. 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
	2022	2023	2023
Unlisted equity securities (*1) (*2)	¥5,731	¥5,796	\$43
Investments in partnerships (*3)	5,207	4,670	35
Real estate investment trusts (*4)	2,925	—	—
Other	0	0	0

(\*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 ¥26 million and ¥40 million (\$0 million) on unlisted equity securities for the years ended March 31, 2022 and 2023, respectively.

(\*3) Investments in partnerships are investments in unconsolidated subsidiaries.

(\*4) Real estate investment trusts are subject to fair value disclosure requirement by applying Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance from the year ended March 31, 2023.

(Note 2) Maturity analysis for financial assets with contractual maturities at March 31, 2022 and 2023

	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
<b>At March 31, 2022</b>						
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
<b>Total</b>	<b>¥3,670,816</b>	<b>¥785,690</b>	<b>¥927,108</b>	<b>¥719,793</b>	<b>¥1,358,807</b>	<b>¥2,715,730</b>

	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
<b>At March 31, 2023</b>						
Due from banks	¥2,110,344	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills purchased	34,784	—	—	—	—	—
Monetary claims bought	8,682	—	—	—	—	—
Money held in trust	40,200	—	—	—	—	—
Securities	40,448	145,651	175,499	113,141	413,580	450,385
Held-to-maturity:	—	—	1,150	—	7,930	—
Local government bonds	—	—	1,150	—	7,930	—
Available-for-sale:	40,448	145,651	174,349	113,141	405,650	450,385
National government bonds	—	—	15,000	34,000	292,000	95,200
Local government bonds	4,590	53,300	81,920	43,835	77,744	51,000
Corporate bonds	17,132	69,388	50,784	19,653	5,870	128,810
Others	18,725	22,963	26,644	15,652	30,035	175,374
Loans and bills discounted*	1,133,914	652,738	830,004	650,766	887,858	2,283,532
<b>Total</b>	<b>¥3,368,375</b>	<b>¥798,389</b>	<b>¥1,005,503</b>	<b>¥763,908</b>	<b>¥1,301,438</b>	<b>¥2,733,917</b>

	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
<b>At March 31, 2023</b>						
Due from banks	\$15,804	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills purchased	260	—	—	—	—	—
Monetary claims bought	65	—	—	—	—	—
Money held in trust	301	—	—	—	—	—
Securities	303	1,091	1,314	847	3,097	3,373
Held-to-maturity:	—	—	9	—	59	—
Local government bonds	—	—	9	—	59	—
Available-for-sale:	303	1,091	1,306	847	3,038	3,373
National government bonds	—	—	112	255	2,187	713
Local government bonds	34	399	613	328	582	382
Corporate bonds	128	520	380	147	44	965
Others	140	172	200	117	225	1,313
Loans and bills discounted*	8,492	4,888	6,216	4,874	6,649	17,101
<b>Total</b>	<b>\$25,226</b>	<b>\$5,979</b>	<b>\$7,530</b>	<b>\$5,721</b>	<b>\$9,746</b>	<b>\$20,474</b>

\* 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 ¥43,583 million and ¥53,880 million (\$404 million), are not included in the above table as of March 31, 2022 and 2023, respectively. Loans that do not have contractual maturity, amounting to ¥711,020 million and ¥731,429 million (\$5,478 million), are not included either.

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

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
<b>Total</b>	<b>¥10,123,994</b>	<b>¥670,187</b>	<b>¥107,714</b>	<b>¥14,112</b>	<b>¥7,887</b>	<b>¥23,462</b>

At March 31, 2023	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*	¥ 9,052,709	¥171,900	¥ 20,989	¥ 5,858	¥ 798	¥ —
Call money and bills sold	50,000	—	—	—	—	—
Payables under repurchase agreements	130,533	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	402,712	—	—	—	—	—
Borrowed money	403,640	241,404	333,313	5,958	4,478	25,065
<b>Total</b>	<b>¥10,039,595</b>	<b>¥413,305</b>	<b>¥354,302</b>	<b>¥11,817</b>	<b>¥5,276</b>	<b>¥25,065</b>

At March 31, 2023	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*	\$67,795	\$1,287	\$ 157	\$44	\$ 6	\$ —
Call money and bills sold	374	—	—	—	—	—
Payables under repurchase agreements	978	—	—	—	—	—
Deposits received for bonds lending/ borrowing transactions	3,016	—	—	—	—	—
Borrowed money	3,023	1,808	2,496	45	34	188
<b>Total</b>	<b>\$75,186</b>	<b>\$3,095</b>	<b>\$2,653</b>	<b>\$88</b>	<b>\$40</b>	<b>\$188</b>

\* 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

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2022				
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

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Money held in trust	¥ —	¥ 40,200	¥ —	¥ 40,200
Trading assets and securities				
Trading securities:				
National and local government bonds	118	1,227	—	1,345
Available-for-sale securities:				
National and local government bonds	431,206	308,824	—	740,031
Corporate bonds	—	235,321	54,411	289,732
Equity securities	104,915	—	—	104,915
Other	76,545	336,286	—	412,832
Derivatives:				
Interest related	—	8,050	—	8,050
Currency related	—	14,673	3,614	18,288
Other	—	—	46	46
Total assets	¥612,786	¥944,584	¥58,071	¥1,615,442
Derivatives:				
Interest related	¥ —	¥ 3,765	¥ —	¥ 3,765
Currency related	—	39,609	3,786	43,396
Other	—	—	46	46
Total liabilities	¥ —	¥ 43,375	¥ 3,833	¥ 47,208



	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Money held in trust	\$ —	\$ 301	\$ —	\$ 301
Trading assets and securities				
Trading securities:				
National and local government bonds	1	9	—	10
Available-for-sale securities:				
National and local government bonds	3,229	2,313	—	5,542
Corporate bonds	—	1,762	407	2,170
Equity securities	786	—	—	786
Other	573	2,518	—	3,092
Derivatives:				
Interest related	—	60	—	60
Currency related	—	110	27	137
Other	—	—	0	0
<b>Total assets</b>	<b>\$4,589</b>	<b>\$7,074</b>	<b>\$435</b>	<b>\$12,098</b>
Derivatives:				
Interest related	\$ —	\$ 28	\$ —	\$ 28
Currency related	—	297	28	325
Other	—	—	0	0
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 325</b>	<b>\$ 29</b>	<b>\$ 354</b>

(\*1) As of March 31, 2022, 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.

As of March 31, 2023, investment trusts whose net asset value is deemed as fair value by applying the treatment prescribed in Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance are not included in the above table. The amount of such investment trusts recorded in the consolidated balance sheet is ¥3,990 million (\$30 million).

(\*2) As of March 31, 2022, investments 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, are not included in the above table. The carrying amount of such investments in partnerships recorded in the consolidated balance sheet is ¥9,350 million.

As of March 31, 2023, investments in partnerships to which Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance is applied are not included in the above table. The carrying amount of such investments in partnerships recorded in the consolidated balance sheet is ¥9,782 million (\$73 million).

(\*3) The carrying amount of derivatives to which hedge accounting is applied recorded in the consolidated balance sheet is ¥22,846 million and ¥22,972 million (\$172 million) as of March 31, 2022 and 2023, respectively.

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

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

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2023</b>				
Securities				
Held-to-maturity debt securities:				
National and local government bonds	¥—	¥ 9,121	¥ —	¥ 9,121
Loans and bills discounted	—	—	7,280,080	7,280,080
<b>Total assets</b>	<b>¥—</b>	<b>¥ 9,121</b>	<b>¥7,280,080</b>	<b>¥ 7,289,201</b>
Deposits	¥—	¥ 9,252,435	¥ —	¥ 9,252,435
Borrowed money	—	1,002,454	9,565	1,012,019
<b>Total liabilities</b>	<b>¥—</b>	<b>¥10,254,889</b>	<b>¥ 9,565</b>	<b>¥10,264,455</b>

March 31, 2023	Millions of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities:				
National and local government bonds	\$—	\$ 68	\$ —	\$ 68
Loans and bills discounted	—	—	54,520	54,520
Total assets	\$—	\$ 68	\$54,520	\$54,588
Deposits	\$—	\$69,291	\$ —	\$69,291
Borrowed money	—	7,507	72	7,579
Total liabilities	\$—	\$76,798	\$ 72	\$76,870

(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. In addition, for money held in trust whose primary purpose is not to manage securities, the carrying amount is considered to be the fair value and classified as Level 2 since the contract terms is short and the fair value approximates the carrying amount.

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, national government bonds and listed investment trusts 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. In addition, for investment trusts with no transaction prices in the market, the standard value is considered to be the fair value and classified as Level 2 if there are no material restrictions that would require compensation for the risk from market participants with respect to cancelation or repurchase requests.

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				

At March 31, 2023

Category	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities	Present value method	Discount rate	0.27%-8.09%	0.53%
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 yen	
	Securities:	Derivatives:
	Available-for-sale securities Private placement bonds	Currency related (*3)
March 31, 2023		
Beginning balance	¥50,759	¥(124)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	18	(47)
Recorded in other comprehensive income (*2)	114	—
Net amount of purchases, sales, issuances, and settlements	3,517	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	54,411	(172)
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)	—	(47)

March 31, 2023	Millions of U.S. dollars	
	Securities:	Derivatives:
	Available-for-sale securities Private placement bonds	Currency related (*3)
Beginning balance	\$380	\$(1)
Profit or loss or other comprehensive income:		
Recorded in profit or loss (*1)	0	(0)
Recorded in other comprehensive income (*2)	1	—
Net amount of purchases, sales, issuances, and settlements	26	—
Transfer into Level 3	—	—
Transfer out of Level 3	—	—
Ending balance	407	(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)	—	(0)

(\*1) Included in "Interest income," "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, 2023.

2. Outline, size and changes of stock options in the year ended March 31, 2023

### (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, 2023

	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, 2022	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding at March 31, 2023	—	—	—	—	—	—	—
Vested:							
Outstanding at April 1, 2022	15,800	16,750	38,100	22,650	25,650	18,000	34,500
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Outstanding at March 31, 2023	15,800	16,750	38,100	22,650	25,650	18,000	34,500

b. Price information for the year ended March 31, 2023

	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	4.88	644	4.82	446	3.34	820	6.14

	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	6.84	1,346	10.08	654	4.90

(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, 2022 and 2023 were as follows:

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net unrealized holding losses on available-for-sale securities:			
Amount arising during the period	¥(39,954)	¥(32,820)	\$(246)
Reclassification adjustments	2,372	18,554	139
Before adjustments for tax effect	(37,582)	(14,265)	(107)
Amount of tax effect	11,621	4,395	33
Net unrealized holding losses on available-for-sale securities	(25,960)	(9,869)	(74)
Net deferred gains (losses) on hedging instruments, net of tax:			
Amount arising during the period	2,936	(2,626)	(20)
Reclassification adjustments	1,517	6,368	48
Before adjustments for tax effect	4,454	3,742	28
Amount of tax effect	(1,380)	(1,160)	(9)
Net deferred gains on hedging instruments, net of tax	3,073	2,582	19
Remeasurements of defined benefit plans:			
Amount arising during the period	(9,666)	8,364	63
Reclassification adjustments	(8,988)	(1,139)	(9)
Before adjustments for tax effect	(18,655)	7,224	54
Amount of tax effect	5,783	(2,239)	(17)
Remeasurements of defined benefit plans	(12,872)	4,984	37
Total other comprehensive income	¥(35,759)	¥ (2,302)	\$ (17)

## 25 Business combinations

### (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).

## 26 Per share information

Per share information at March 31, 2022 and 2023 for the years then ended is as follows:

	Yen		U.S. dollar
	2022	2023	2023
Net assets per share	¥1,596.79	¥1,603.30	\$12.01
Net income per share	73.75	40.25	0.30
Diluted net income per share	73.71	40.22	0.30

Notes:

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

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Net assets	¥496,200	¥498,604	\$3,734
Amounts to be deducted from net assets	265	262	2
(Of which, stock acquisition rights)	126	126	1
(Of which, non-controlling interests)	138	135	1
Net assets at March 31 attributable to common stock	¥495,935	¥498,342	\$3,732

	Number of shares (in thousands)	
	2022	2023
Number of shares of common stock at end of the year which was used to compute net assets per share	310,581	310,821

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
	2022	2023	2023
Net income per share:			
Net income attributable to owners of the parent	¥22,906	¥12,508	\$94
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥22,906	¥12,508	\$94

	Number of shares (in thousands)	
	2022	2023
Average number of shares of common stock outstanding during the year	310,556	310,772

	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Diluted net income per share:			
Adjustment to net income attributable to owners of the parent	¥—	¥—	\$—

	Number of shares (in thousands)	
	2022	2023
Number of shares of common stock that increased during the year	171	171
(Of which, stock acquisition rights)	171	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, 2022 and 2023 and the average number of shares of the treasury stock during the years were 1,786 thousand and 1,545 thousand shares, respectively and 1,812 thousand shares and 1,595 thousand shares, respectively.

## **27 Significant subsequent events**

### **(Merger between subsidiaries)**

Hirogin Guarantee Co., Ltd., a subsidiary of the Company, absorbed Hirogin Card Service Co., Ltd., a subsidiary of the Company, on April 1, 2023.

#### **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

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 Credit Service 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).

### **(Purchase of treasury stock)**

At the Board of Directors' meeting held on May 12, 2023, the Company resolved the following matters pertaining to the purchase of treasury stock, pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same act.

#### **1. Reason for purchase of treasury stock**

In order to enhance corporate value through the improvement of capital efficiency, while comprehensively considering performance trends, market conditions, etc. with maintaining the Company's consolidated capital adequacy ratio of approximately 11%, based on the Company's "Shareholder Return Policy."

#### **2. Details of purchase**

- (1) Class of shares subject to purchase

Common stock

- (2) Total number of shares to be purchased

5,000,000 shares (Maximum)

(Percentage of total number of shares issued (including treasury stock): approximately 1.6%)

- (3) Total purchase amount

¥3,000 million (\$22 million) (Maximum)

- (4) Purchase period

From May 15, 2023 to March 29, 2024



# Non-Consolidated Balance Sheets

THE HIROSHIMA BANK, LTD.  
As of March 31, 2022 and 2023

	Millions of yen		Millions of U.S. dollars (Note)
	2022	2023	2023
<b>ASSETS</b>			
Cash and due from banks	¥ 2,576,507	¥ 2,187,010	\$16,378
Call loans and bills purchased	5,899	34,784	260
Monetary claims bought	6,525	6,906	52
Trading assets	7,577	10,598	79
Money held in trust	29,815	29,600	222
Securities	1,669,030	1,581,536	11,844
Loans and bills discounted	6,965,573	7,275,335	54,485
Foreign exchanges	11,468	11,579	87
Other assets	116,945	111,995	839
Tangible fixed assets	104,713	104,912	786
Intangible fixed assets	8,222	10,172	76
Prepaid pension cost	50,226	59,419	445
Deferred tax assets	6,980	5,788	43
Customers' liabilities for acceptances and guarantees	37,956	40,008	300
Reserve for possible loan losses	(36,864)	(37,124)	(278)
<b>Total assets</b>	<b>¥11,560,579</b>	<b>¥11,432,524</b>	<b>\$85,618</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Deposits	¥ 9,095,033	¥ 9,277,473	\$69,479
Call money	—	50,000	374
Payables under repurchase agreements	229,457	130,533	978
Deposits received for bonds lending/borrowing transactions	448,183	402,712	3,016
Trading liabilities	4,848	7,996	60
Borrowed money	1,198,104	1,002,041	7,504
Foreign exchanges	2,714	2,377	18
Due to trust account	51	51	0
Other liabilities	70,868	56,849	426
Reserve for reimbursement of deposits	1,110	437	3
Reserve for point loyalty programs	110	133	1
Reserve for stock payments	759	818	6
Reserve for dismantling costs for fixed assets	307	—	—
Deferred tax liabilities for land revaluation reserve	13,241	13,215	99
Acceptances and guarantees	37,956	40,008	300
<b>Total liabilities</b>	<b>¥11,102,747</b>	<b>¥10,984,650</b>	<b>\$82,264</b>
<b>Net Assets:</b>			
Common stock:			
Authorized – 1,000,000,000 shares	¥ 54,573	¥ 54,573	\$ 409
Issued – 312,370,921 shares in 2022 and 2023			
Capital surplus	30,634	30,634	229
Retained earnings	343,334	340,693	2,551
<b>Total stockholders' equity</b>	<b>¥ 428,543</b>	<b>¥ 425,902</b>	<b>\$ 3,190</b>
Net unrealized holding gains (losses) on available-for-sale securities	¥ 1,386	¥ (8,489)	\$ (64)
Net deferred gains on hedging instruments	908	3,490	26
Land revaluation reserve	26,993	26,971	202
<b>Total valuation and translation adjustments</b>	<b>¥ 29,288</b>	<b>¥ 21,972</b>	<b>\$ 165</b>
<b>Total net assets</b>	<b>¥ 457,831</b>	<b>¥ 447,874</b>	<b>\$ 3,354</b>
<b>Total liabilities and net assets</b>	<b>¥11,560,579</b>	<b>¥11,432,524</b>	<b>\$85,618</b>

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, 2023, which was ¥133.53 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, 2022 and 2023

	Millions of yen		Millions of U.S. dollars (Note)
	2022	2023	2023
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥ 57,071	¥ 67,714	\$507
Interest and dividends on securities	13,177	16,768	126
Other interest income	4,428	3,774	28
Trust fees	178	142	1
Fees and commissions	24,560	24,345	182
Trading income	641	1,497	11
Other operating income	6,670	8,954	67
Other income	15,034	5,881	44
<b>Total income</b>	<b>¥121,761</b>	<b>¥129,078</b>	<b>\$967</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	¥ 879	¥ 1,804	\$ 14
Interest on borrowings and rediscounts	821	7,570	57
Other interest expenses	2,239	11,420	86
Fees and commissions	10,185	10,278	77
Other operating expenses	11,912	22,325	167
General and administrative expenses	51,612	51,520	386
Other expenses	15,300	8,230	62
<b>Total expenses</b>	<b>¥ 92,950</b>	<b>¥113,151</b>	<b>\$847</b>
<b>Income before income taxes</b>	<b>¥ 28,811</b>	<b>¥ 15,927</b>	<b>\$119</b>
Income taxes:			
Current income taxes	¥ 6,417	¥ (12)	\$ (0)
Deferred income taxes	1,733	4,403	33
<b>Total income taxes</b>	<b>¥ 8,150</b>	<b>¥ 4,390</b>	<b>\$ 33</b>
<b>Net income</b>	<b>¥ 20,660</b>	<b>¥ 11,536</b>	<b>\$ 86</b>

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, 2023, which was ¥133.53 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, 2023)

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.	34,456	11.03
Custody Bank of Japan, T.	18,630	5.96
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
Hirogin Holdings For Employee Stock Ownership Plans	5,920	1.89
The Bank of Fukuoka	5,500	1.76
Nippon Life Ins.	4,833	1.54
JP MORGAN CHASE BANK 385781	3,965	1.26

\*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 (3,000 shares).

## Stock Information

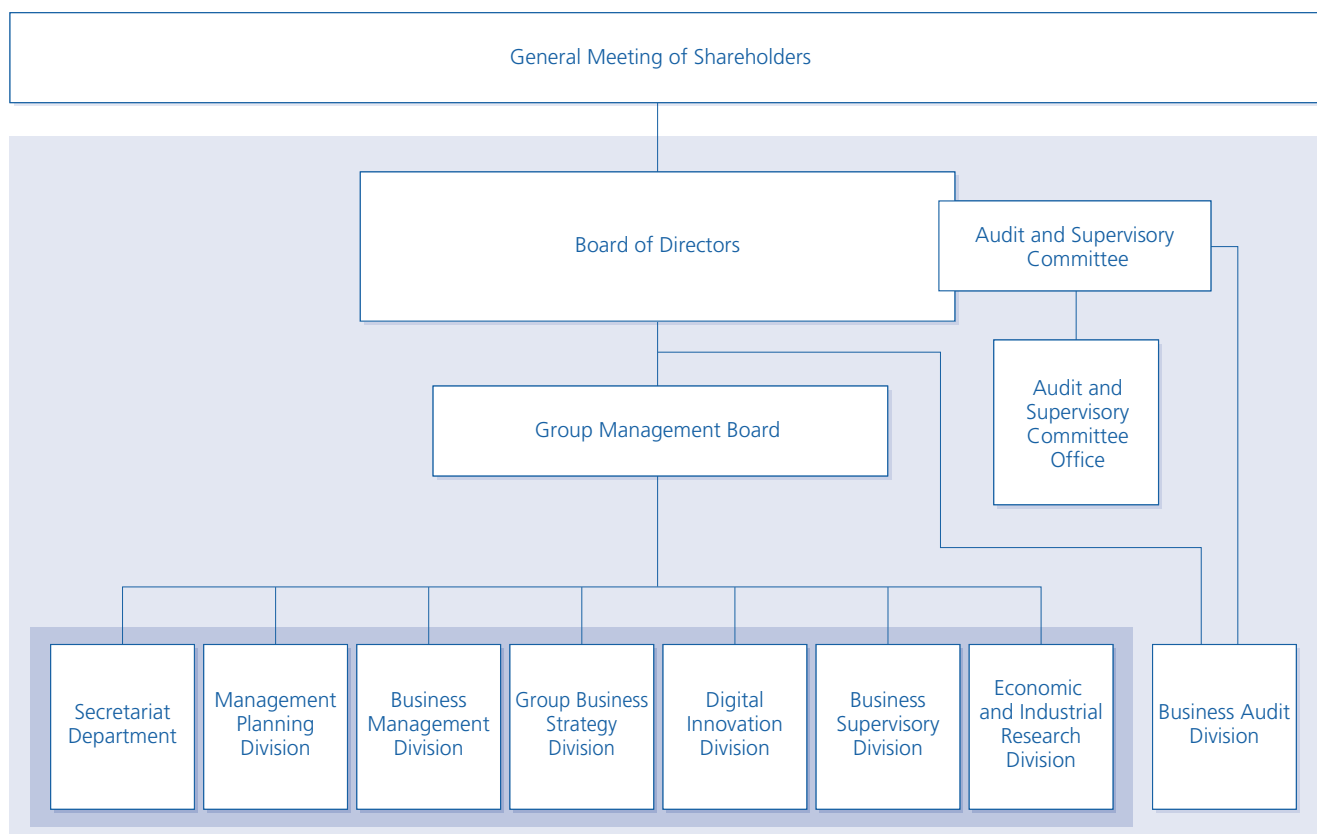
(As of March 31, 2023)

Number of Shares Authorized	1,000,000 thousand
Number of Shares Issued	312,367 thousand (excluding treasury stock (3,000 shares))
Number of Shareholders	103,232

## Organization

HIROGIN HOLDINGS

(As of April 1, 2023)



# Organization

HIROSHIMA BANK  
(As of April 1, 2023)

