

# INTEGRATED REPORT 2022

Year ended March 31, 2022

The Hyakujushi Bank, Ltd.



## The Bank's Operational Foundation

Whereas the Bank's home location of Kagawa Prefecture may be Japan's smallest prefecture in terms of size, it boasts comfortable living conditions with few natural disasters, blessed with a warm climate, overlooking the calm Seto Inland Sea with its beautiful archipelago scenery. Takamatsu is Shikoku's regional hub, featuring the local branches of many central government agencies and companies, in addition to being the seat of the prefectural government. The region boasts convenient access to the Tokyo metropolitan area, as well as abundant natural scenery and urban functions within a compact area.

### Fundamental data on Kagawa Prefecture

	Japan	Kagawa	Ranking
Area (km <sup>2</sup> )	377,976	1,876	47th
Population (thousand)	126,140	950	39th
Per capita GDP (thousand yen)	4,473	4,007	24th
Average bank balance per household (thousand yen)	13,953	17,510	4th
Active job openings-to-applicants ratio	1.10	1.33	4th

\* Source: "Kagawa from the Perspective of 100 Indicators 2022" Kagawa Prefecture

## 1 Industrial structure adapts well to change

Home to factories of Japan's top-ranking corporations engaged in fields that include construction machinery, automotive components, and electrical machinery, Kagawa Prefecture attracts a large number of such companies' partner enterprises equipped with sophisticated core manufacturing technologies mainly in those fields. The prefecture also hosts large factories that handle basic materials such as chemicals and non-ferrous metals, mainly located in industrial zones situated in the prefecture's coastal region. In

addition, many food-related companies handling frozen foods, seasonings, and other such products have operations there. As such, Kagawa Prefecture tends to be resilient to economic shocks due to its well-balanced industrial structure not skewed toward any particular industry. Another distinctive feature of Kagawa is its many niche leaders that are active in numerous specialized market segments.

## 2 Transportation and logistics hub

Kagawa Prefecture serves as a gateway to Japan's Shikoku region. It is accordingly equipped with an extensive regional transportation network that includes Seto Ohashi Bridge, Shikoku Odan Expressway, Takamatsu Airport, and Takamatsu Port. The prefecture features convenient transport access to the Tokyo metropolitan area and the Kansai region, and occupies a key position in transport networks connecting Shikoku and Honshu. In addition, Takamatsu Airport aims to be the leading international airport in the Shikoku-Seto Inland Sea region, progressively transforming into a base for several low-cost carriers from Asia and elsewhere.



Number of ships entering Takamatsu Port (overseas + coastal)

**34,820** ships

No. 10 in Japan  
No. 1 in Shikoku (2019)

\*Source: Ministry of Land, Infrastructure, Transport and Tourism website

## 3 Development of information and communications-related industries

Kagawa Prefecture is working to foster the development of information and communications-related industries. In November 2020, it launched the Setouchi-i-Base, a facility for developing human resources and generating business models in information and communications-related fields, featuring a co-working space and 5G-equipped communications environment, to support aspiring young entrepreneurs as well as businesses that are eager to utilize ICT.

The Bank actively cooperates with this initiative, dispatching instructors to seminars held at the Setouchi-i-Base, and making efforts to provide a broad range of its customers with related information.

## Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2019	2018	2022
<b>FOR THE YEAR:</b>						
Total income	¥73,147	¥68,989	¥76,895	¥77,292	¥80,890	\$597,655
Total expenses	58,108	63,877	65,928	68,477	65,775	474,777
Profit before income taxes	15,039	5,111	10,966	8,814	15,114	122,877
Income taxes-current	1,705	3,402	3,518	3,565	3,720	13,930
Income taxes-deferred	1,631	(855)	(266)	(450)	807	13,326
Profit attributable to non-controlling interests	—	—	—	115	359	—
Profit attributable to owners of parent	11,702	2,565	7,715	5,584	10,227	95,612
<b>AT YEAR-END:</b>						
Loans and bills discounted	3,159,889	3,035,782	2,847,316	2,825,869	2,833,526	25,818,195
Securities and trading account securities	1,274,877	1,272,956	1,259,734	1,046,956	1,031,025	10,416,512
Foreign exchange assets	6,236	9,429	9,793	5,750	6,997	50,951
Other assets	1,306,258	1,057,396	837,097	1,017,044	905,507	10,672,914
Total assets	5,747,266	5,375,569	4,953,946	4,895,624	4,777,061	46,958,624
Deposits and negotiable certificates of deposit	4,632,815	4,525,292	4,155,267	4,044,109	4,053,820	37,852,888
Foreign exchange liabilities	321	1,341	296	352	241	2,622
Other liabilities	829,786	557,229	548,544	564,580	419,385	6,779,851
Total liabilities	5,462,929	5,083,870	4,704,115	4,609,048	4,473,454	44,635,419
Common stock	37,322	37,322	37,322	37,322	37,322	304,943
Capital surplus	30,486	30,486	30,486	30,486	30,486	249,088
Retained earnings	183,444	173,620	173,374	167,615	164,359	1,498,847
Treasury stock	(2,030)	(2,071)	(1,999)	(2,041)	(2,096)	(16,586)
Total stockholders' equity	249,223	239,357	239,184	233,382	230,072	2,036,301
Net unrealized gains on other securities, net of taxes	25,891	42,595	15,048	47,822	49,722	211,545
Net deferred gains (losses) on hedging instruments, net of taxes	2,611	2,720	(7,447)	(1,121)	(39)	21,333
Revaluation reserve for land	7,927	7,928	7,976	8,540	8,741	64,768
Remeasurements of defined benefit plans	(1,339)	(945)	(4,971)	(2,109)	4,984	(10,940)
Total accumulated other comprehensive income	35,091	52,299	10,605	53,131	63,408	286,714
Share subscription rights	21	41	41	61	124	171
Non-controlling interests	—	—	—	—	10,000	—
Total net assets	284,336	291,699	249,831	286,576	303,606	2,323,196
Total liabilities and net assets	¥5,747,266	¥5,375,569	¥4,953,946	¥4,895,624	¥4,777,061	\$46,958,624

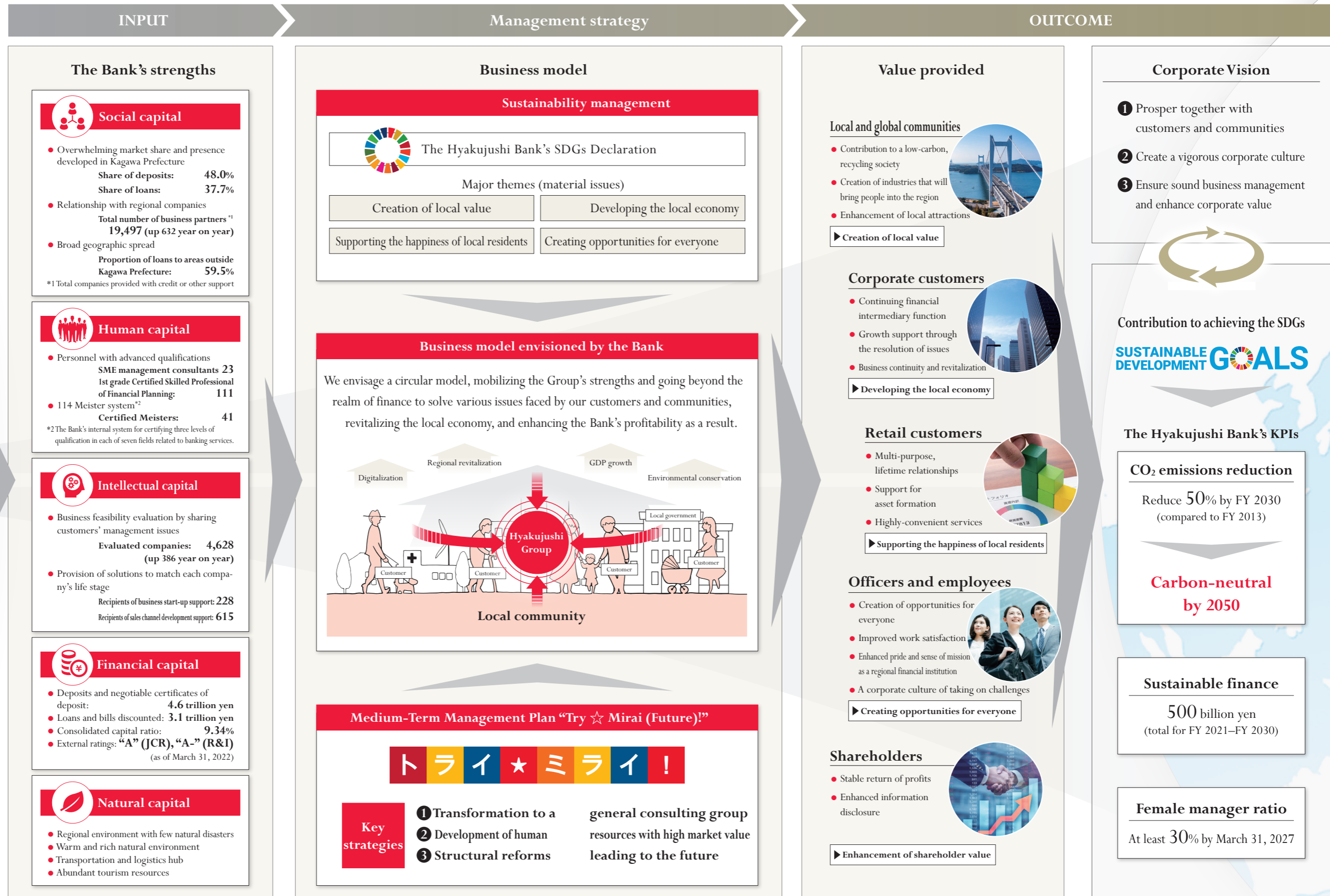
Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the common accounting practice in Japan.

2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥122.39 to US\$1.00 on March 31, 2022.

### Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank's management as of the time of writing. Actual results may therefore differ substantially from such statements.

# Hyakujushi Group's Value Creation Process



## Message from the President



*Yujiro Ayada*  
Yujiro Ayada, President

### Foreword

I sincerely thank you for your continued patronage of the Hyakujushi Bank.

FY 2021 brought the continuation of unstable economic conditions with numerous issues emerging at once, including geopolitical risks, rising interest rates overseas, and the depreciation of the Japanese yen, in addition to the COVID-19 pandemic. In this external environment, we worked together with our customers, endeavoring to build deeper relationships

of trust through initiatives to address issues in partnership with them. As a result, our performance for the fiscal year ended March 31, 2022 recovered significantly, and we recorded an increase in both income and profit for the first time in six years. I am deeply grateful to our customers, shareholders, employees, and all our other stakeholders, as this would not have been possible without your warm support.

### Practicing sustainability management

The business environment surrounding the Bank is undergoing rapid and dramatic changes. Factors that increase future uncertainty such as the COVID-19 pandemic and climate change risk, in particular, are increasing every year. As a regional financial institution, the Bank must engage in addressing the issues resulting from these factors.

Since making The Hyakujushi Bank's SDGs Declaration in 2019, we have worked to address various issues associated with the environment, society, and the local economy, practicing sustainability management linked to the Bank's own growth.

#### ● Initiatives to achieve a decarbonized society

Environmental problems are directly linked to the earth's sustainability and are the primary challenge for sustainability initiatives. Responding to climate change risk is an especially urgent task. Almost every year, localized torrential rains due to global warming strike the Bank's local regions, causing damage to many of our customers.

We have established targets for the reduction of CO<sub>2</sub> emissions from our own business activities towards the achievement of a decarbonized society. These include a reduction of 50% from FY 2013 levels by FY 2030, and net zero by 2050.

We have also established a target of a cumulative total of 500 billion yen in sustainable finance over a 10-year period to support our customers' initiatives, and launched the Hyakujushi Carbon Neutral Initiatives Support Package to provide integrated support for initiatives including CO<sub>2</sub> emissions measurement, the introduction of energy-saving equipment, and the implementation of internal training.

We hope to contribute to achieving a decarbonized society by further developing these initiatives and extending their scope to include a local shift towards carbon neutrality.

#### ● Initiatives for diversity and inclusion

We are working to increase diversity and inclusion with an awareness of the strength that the inclusion of diverse human resources and views can bring to organizations, and how they can significantly change societies.

For example, the Bank has created workplace environments and introduced systems to support women's career development and work-family balance, and implemented measures to promote diverse working styles. As a result, as of March 31, 2022, 25.1% of our managers were women, far exceeding the national average of 14.6%\*. We will continue to engage in creating workplace environments that provide opportunities for everyone, regardless of gender, and plan for at least 30% of all our managers to be female by March 31, 2027.

\* Ministry of Health, Labour and Welfare, Basic Survey of Gender Equality in Employment Management 2020

We are also endeavoring to respond to the diverse needs of our customers. For housing loans, we expanded the scope of those eligible for joint and several obligations, for example, to include same-sex partners. We hope to deepen our insight and understanding to further enhance our LGBT inclusion initiatives.

### Medium-term management plan "Try ☆ Mirai (Future)!"

The "Try ☆ Mirai (Future)!" medium-term management plan, our current business strategy aimed at practicing sustainability management, ended its second year with progress on track.

Under this plan, we have set forth the vision of being a general consulting group that co-creates the future of customers and communities. We aspire to work, unconstrained by the framework of finance, to resolve any issues faced by our local customers. We believe that this vision will have three effects on the Bank.

The first effect is that, by working together to resolve issues, we will be able to build strong relationships of trust with customers, leading to deeper and longer-lasting business relationships.

The second effect is that the Bank will be reborn with a lean earnings structure, resilient to factors such as the level of interest rates in the market environment, by transitioning from a business model centered on interest income and increasing the proportion of profit from fees and commissions.

The third effect is that the creation of diverse opportunities for taking on challenges, and the increase in occasions to make customers happy, will give our employees satisfaction and pride in their work, revitalizing the organization.

Over the past two years, we have made substantial progress on initiatives to realize this vision.

#### ● Initiatives for regional revitalization

It is anticipated that a shrinking population, in conjunction with a declining birthrate and aging population, is likely to substantially affect the Bank as well as local economic growth in Kagawa Prefecture, which serves as the primary base of the Bank's operations, with some forecasts pointing to a decline of almost 30% in the working age population over the next 30 years.

The Bank has been working with local government authorities on initiatives to revitalize the local region, such as supporting tourism development and entrepreneurship and uncovering local resources. With the local economy left reeling by the COVID-19 pandemic, we believe that we must further strengthen our engagement with the region.

To this end, in FY 2021, we carried out a regional revitalization survey of the eight cities and nine towns in Kagawa Prefecture to discover the existing challenges and needs of each local government. We intend to offer various suggestions and engage in a range of initiatives based on the results of this survey, with the concept of designing the region ourselves.

#### ● Initiatives for corporate customers

We aim to resolve the various issues that trouble business managers and grow together with our corporate customers. To this end, we are engaged in building connecting consultancy

## Message from the President

services to extend our support for customers beyond one-off assistance, and engage in a process of dialogue, sharing challenges, and supporting implementation to link to the provision of support in other fields.

In FY 2021, we identified five areas where customer needs were especially high (business management and revitalization, business continuity, ICT, human resources, and overseas support) and focused on strengthening our support in these areas. We went on to establish the new Consulting Division in April 2022, consolidating the corporate consulting functions that had previously been spread between different Head Office divisions.

### ● Initiatives for retail customers

We aim to support our retail customers to enable them to live in security, without anxiety for the future. We are therefore endeavoring to build and maintain systems to provide diverse and relevant services and information at appropriate times throughout our customers' lives.

In FY 2021, we formed a strategic business alliance in the digital field with Resona Holdings, Inc., to expand our

customer contact points. In addition to embarking on the joint development of a new banking app, we also fully renewed our account opening app to enable customers to open accounts more safely and simply. We increased the number of locations where customers could make inquiries on bank holidays, while also forming a new private banking team within the Head Office, establishing a framework to undertake asset management for wealthy customers.

### ● Consulting services that only a regional financial institution can offer

In promoting these consulting initiatives, we cannot hope to win the support of our customers if we simply mimic regular consulting companies, providing the same sort of services as them. Instead, we aim to draw on the trust, connections with people, and information that we have acquired throughout the Bank's long history, and leverage our advantage in the provision of financial services as well, to support the growth of the local community and our customers in new ways that only a regional financial institution can offer.

## Initiatives for human capital

The Bank's greatest strength is its outstanding human resources. However, we will not be able to make full use of this strength unless we recruit and train personnel flexibly to match the changing times and business environments.

We are continually reviewing the Bank's training system to develop personnel who possess the advanced knowledge and skills needed to resolve the challenges faced by customers and local communities.

We also engage in the placement of trainees with outside entities and the mid-career recruitment of personnel with

specialist knowledge, as appropriate, to secure more specialized human resources. This has resulted in higher motivation for self-development among the Bank's employees, including many employees attempting to obtain difficult qualifications such as Certified Skilled Professional of Financial Planning and Small and Medium Enterprise (SME) Management Consultant.

We expect these human resources to generate innovation within the organization, and provide new value to local communities and customers.

## Initiatives for digital transformation (DX)

The power of digital technology is indispensable for enhancing the sustainability of local communities, customers, and the Bank. In this context, we believe it is vital not simply to aim for the adoption of new systems, but to find ways to use these changes as opportunities to transform the organization's own business model and generate new value.

In the ICT consulting that we provide to corporate customers, we practice accompanied ICT consulting services that go beyond simply proposing the adoption of new systems to offer services from work-flow diagnosis and improvement proposals to post-adoption follow-up. For our retail customers, we established the new Digital Strategy Office in April 2022 to analyze past transaction data and customers' behavioral traits

for the purpose of conducting digital marketing, which enables us to offer proposals at appropriate times and through appropriate means; we are now establishing a framework and training personnel accordingly. Moreover, we are using digital technology to reform our own operational processes so as to free up time and personnel for supporting customers resolve their challenges.

Going forward, we also hope to contribute to community-wide DX through coordination with local government authorities, to achieve administrative DX (the digital transformation of government services to enhance the convenience of citizens).

## Strengthening governance

To maintain the soundness of the Bank's operations as we address new challenges and strive for growth, it is crucial that we ensure clear roles, chains of command, and accountability, and appropriately manage risks. It is also important for corporate growth that we construct mechanisms to reflect diverse views.

In FY 2021, we established the Sustainability Committee, under the supervision of the Bank's Board of Directors, to engage in the cross-organizational discussion of initiatives

related to the enhancement of environmental and community sustainability. And for the systematic development of management personnel, we identified the skills and expertise required to serve as a member of the Bank's Board of Directors in light of factors such as business strategy and the internal and external environments. These skills and expertise were reflected in the Bank's successor training policy. Free discussion sessions were also held with Outside Directors to facilitate fuller discussion on changes in the business environment.

## Conclusion

FY 2022 is the final year of the "Try ☆ Mirai (Future)!" medium-term management plan. We will work even harder to support the growth of our customers, and we hope to create their future, and the future of the region, together with them.

The speed of change in the business environment is increasing exponentially, and the outlook is uncertain. However, the Bank's strong relationships of trust with customers lie at the

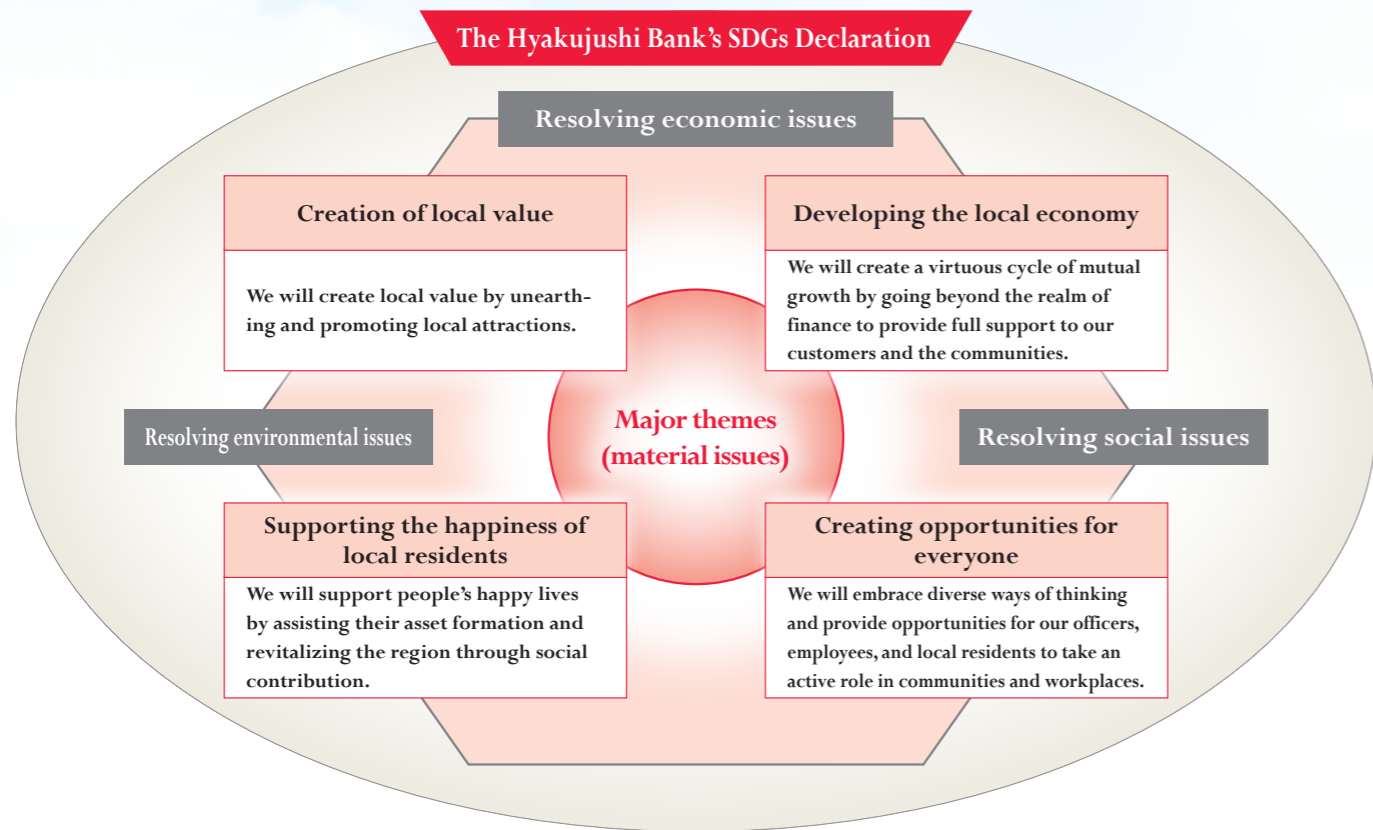
core of its sustainability management, and this remains unaltered through the changing times. We will boldly take on new challenges so that we can continue to build strong relationships of trust with our customers.

I sincerely thank you and humbly request your continued support and patronage of the Bank.



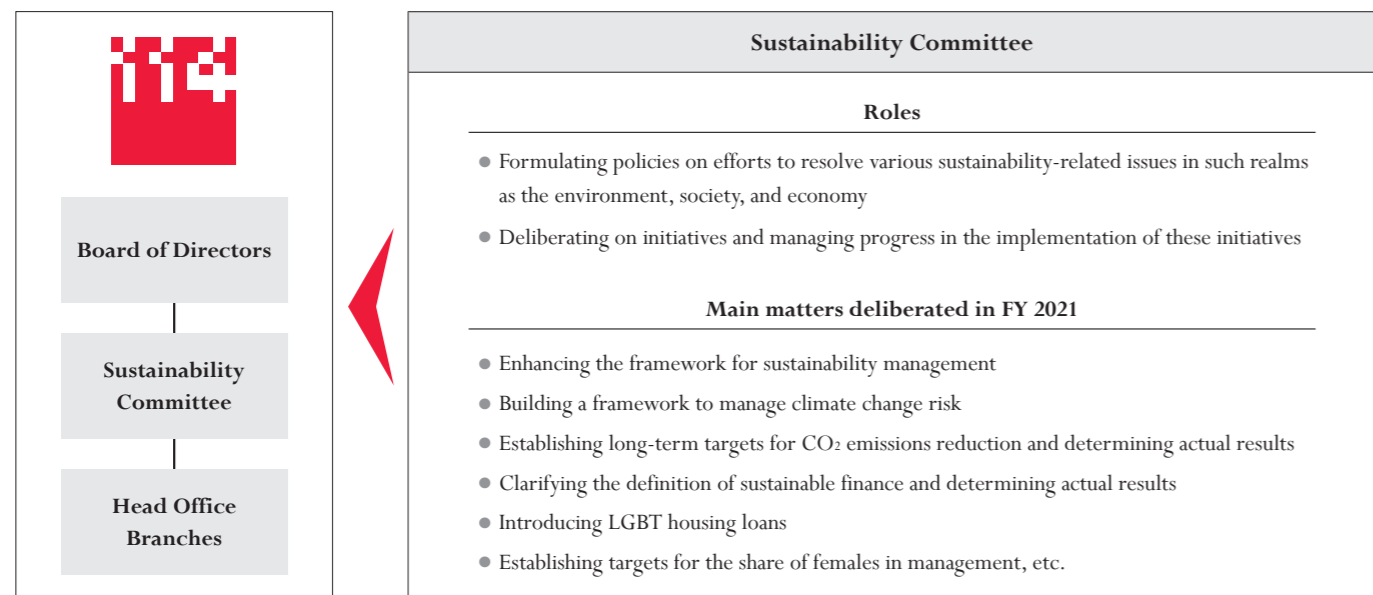
# Sustainability Management: Linking the Resolution of Local Issues with the Bank's Growth

We aim to achieve our Corporate Vision to “prosper together with customers and communities” through the practice of sustainability management: engaging in the resolution of the diverse range of issues confronting local communities from a long-term perspective, and linking this to our own growth. We are engaged in four major themes (material issues), selected from among the 17 Sustainable Development Goals (SDGs) that have the highest affinity with the Bank's Corporate Vision and business activities.



## <Promotion framework>

We established the Sustainability Committee in November 2021, under the supervision of the Board of Directors and chaired by the President, to further promote and strengthen sustainability management.



## Creation of local value

### Support for new business creation

We support the creation of new businesses in Kagawa Prefecture. In addition to providing information on various subsidies, such as business start-up and manufacturing subsidies, as well as assistance in preparing subsidy application documents, we hold seminars and individual consultation sessions in collaboration with local government authorities and related agencies.

We also actively engage in supporting new businesses and second-time start-ups such as business line changes in anticipation of a post-pandemic world.

- Number of new start-ups (as of March 31, 2022): **228**
- Number of second-time start-ups (as of March 31, 2022): **49**

### Support for the promotion of tourism

The Tourism Promotion Desk, established to contribute to regional revitalization through the promotion of tourism, plays a central part in our activities to unearth, investigate, and promote traditional businesses and hidden local attractions in Kagawa Prefecture. We also hold monitoring workshops in collaboration with local government authorities, companies in other sectors, and other parties to provide useful information and ideas for new destination-based tourism plans.\*1 The results of these workshops have been commercialized by a travel company, and a plan proposed in the workshops has been launched as an experience program by a company welcoming tourist visits.

\*1 The design and operation of travel products and experiential tourism programs by the local destination based on tourism resources unique to the region.

In March 2022, these activities were recognized in an award from the minister of state for regional revitalization, awarded by the secretariat of the Council for the Realization of the Vision for a Digital Garden City Nation (established by the Cabinet Secretariat) for characteristic efforts of financial institutions contributing to regional revitalization in FY 2021.



	Main results of the Bank's activities
Shodoshima Island	Published a brochure spotlighting Shodoshima somen noodles (July 2014)
Teshima Island	Published the multilingual edition (four languages including Japanese) of Teshima Island's tourism leaflet (April 2019)
Higashikagawa City Tadotsu City Sanuki City Zentsuji City	Tourism plan from the workshops was commercialized by a travel company (Higashikagawa City: November 2015; Tadotsu City: June 2019; Sanuki City: February 2020; Zentsuji City: May 2021)

## Developing the local economy

### Response to COVID-19

We have established consultation counters at all branches, and respond swiftly and flexibly to customer requests for new financing, revised repayment terms, etc.

- COVID-19-related loans provided (as of March 31, 2022): 8,058 loans **247.2** billion yen

### Support for customers' SDGs initiatives

In August 2021, we launched the Hyakujushi SDGs Initiatives Support Service for confirming and evaluating customers' initiatives to address the SDGs and assisting them in corporate PR through the establishment of an SDGs Declaration, as well as supporting customers as they engage in initiatives to address issues in the future.

- Number of applications for the Hyakujushi SDGs Initiatives Support Service (as of March 31, 2022): **126**

### Launch of 114 Sustainable Loans

In January 2022, we launched 114 Green Loans and 114 Social Loans, limited to use for projects with a positive effect on the environment and society, as well as 114 Sustainability-Linked Loans, where the Bank offers favorable interest rates based on the achievement of targets set in accordance with corporate strategy.

### Public-private partnerships aimed at resolving local issues

We have established the Kagawa PPP/PFI Regional Platform in collaboration with Kagawa Prefecture, Takamatsu City, and the Development Bank of Japan, to assist in developing projects that utilize PPP/PFI\*2 methods within Kagawa Prefecture. In April 2021, we obtained certification for these efforts from the Cabinet Office and the Ministry of Land, Infrastructure, Transport and Tourism.

So far, in addition to holding seminars on PPP/PFI projects, we have undertaken sounding surveys to obtain, through direct dialogue, opinions and proposals from private-sector businesses regarding the possible private-sector utilization of public facilities, leading to the commencement of public offerings.

\*2 Public-private partnerships (PPP) are schemes to provide public services through collaboration between the public and private sectors. Private finance initiatives (PFI) are schemes utilizing private-sector funds and know-how, and are a typical form of PPP.

### Conclusion of a partnership agreement with Kagawa Medical Association

In April 2022, we concluded a partnership agreement concerning the succession of medical practices, aimed at resolving medical practice succession issues arising from the aging of practitioners and the absence of successors, and building a sustainable framework for the provision of local medical services.



## Supporting the happiness of local residents

## Support for customers' asset formation

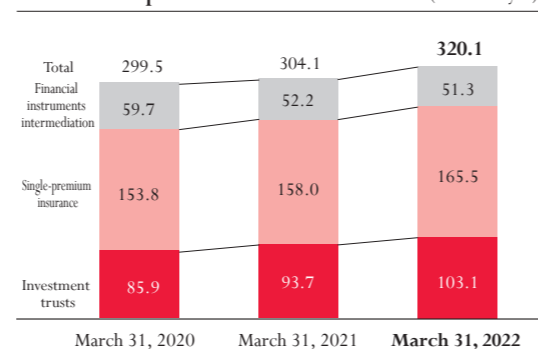
## ■ Proposals tailored to customer needs

Provided with information such as income, expenditure, and assets of customers and their families, our Life Planning Service can estimate customers' lifetime income and expenditure. The service enables us to propose products and services tailored to each customer's life stage.

## ■ Responding to customer diversity

We have responded to the diverse needs of housing loan customers by revising our products to expand the scope of those eligible for joint and several obligations and income aggregation, and those eligible to provide collateral and other securities, to include not only legally-married heterosexual couples but also same-sex partners.

Balance of deposit assets (Billions of yen)



## Support for customers' decarbonization efforts

## ■ Support for achieving carbon neutrality

We offer the Hyakujushi Carbon Neutral Initiatives Support Package, providing integrated support for initiatives to achieve carbon-neutrality, from CO<sub>2</sub> emissions measurement to proposals and implementation support for measures to reduce CO<sub>2</sub> emissions.

Phase	Support for initiatives to reduce CO <sub>2</sub> emissions
Phase 1	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions measurement (energy usage measurement)</li> <li>Emissions reduction proposals tailored to each company's situation</li> </ul>
Phase 2	<ul style="list-style-type: none"> <li>All aspects of financing (subsidies, finance product proposals, etc.)</li> <li>Installation of renewable energy equipment (solar power generation, etc.)</li> <li>Replacement with energy-efficient equipment (air conditioners, lighting, boilers, etc.)</li> <li>Proposal for deepening internal awareness and educating employees</li> </ul>

## Creating opportunities for everyone

## Promoting diversity and inclusion

## ■ Establishment of targets for the share of females in management, etc.

We have established a target for the share of females in management under a plan of action for general employers\*<sup>1</sup> formulated in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and we are engaged in raising the share of females in management and promoting female participation and career advancement.

## Long-term targets

Target date	March 31, 2027
Targets	[Target 1] 30% or more female managers (25.1% as of March 31, 2022) [Target 2] 80% or more childcare leave* <sup>2</sup> usage rate among male employees (new target)

\* Spousal maternity leave: five days of special paid leave that can be taken by a spouse within one month of the birth of a child. Leave may be split over several occasions, in half-day or full-day units.

## Creating comfortable workplaces

## ■ Support for the child-rearing generation

We hold individual interviews with employees about to commence maternity leave, to address any questions or concerns about childbirth and related procedures. We also use social media to distribute information on the Bank and hold seminars for employees on maternity leave.

In addition, we hold *ikumen* (child-rearing men) seminars to encourage male employees to take an active role in caring for their children.

## ■ Promoting health and productivity management

We have made senior management responsible for health promotion, as we engage in initiatives to maintain and improve the health of employees and their families across the entire organization, and strive to create comfortable workplace environments. The Bank has received White 500 certification in the large enterprise category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program for four consecutive years.

## Initiatives to Address the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

## Governance

- We have built a framework for the promotion of sustainability-related measures under the supervision of the Board of Directors, to further promote and strengthen our initiatives related to sustainability management.
- We established the Sustainability Committee, chaired by the President, to formulate and implement policies, plans, and initiatives to address

social and environmental opportunities and risks, including climate change. Important matters are also submitted or reported to the Board of Directors.

- In April 2020, we established the Hyakujushi Bank's Environmental Policy, clearly stating the Bank's policy on the environment.

## Strategy

We have designated addressing climate change and environmental conservation as a key management issue for the Bank, with the aim of achieving a sustainable society. We are implementing initiatives from the perspectives of both opportunities and risks.

- Anticipated physical risks include credit risk due to damage to customers' assets resulting from abnormal weather conditions, and operational risk due to causes such as damage to the Bank's branches.
- Anticipated transition risks include an increase in credit risk for customers affected by factors such as more stringent climate-related regulation and the advance of technological innovation aimed at decarbonization.

## Opportunities

- We are working toward achievement of a decarbonized society through initiatives such as financing renewable energy businesses, assisting customers to reduce their greenhouse gas emissions, and providing services aimed at alleviating environmental burden.

Carbon-related assets\*<sup>1</sup>

- Carbon-related assets account for 1.7% of the Bank's loan balance. (As of March 31, 2022)

## Risks

- We perceive climate change risks in terms of physical risks and transition risks.

\*1 Total loans to the energy (petroleum and coal) and utilities (electricity and gas) sectors; not including loans to water utilities, renewable energy power generation businesses, etc.

## Risk management

- We recognize that the transition risks and physical risks caused by climate change may significantly impact the Bank's business operations, strategies, and financial planning, and we are making preparations to manage these risks through an integrated risk management framework.

- We established the "Environmental and Social Management Policy for Financing and Investment Activity" in December 2020, and we support businesses striving to resolve environmental and social issues, while also working to mitigate or avoid the impact of transactions with businesses and business operators with a significant negative impact.

## Indicators and targets

Long-term targets for the reduction of CO<sub>2</sub> emissions

We have established long-term targets for the reduction of CO<sub>2</sub> emissions to mitigate climate change risks. By striving for these targets, we aim to reduce the CO<sub>2</sub> emissions from our business activities over the medium to long term and contribute to the goal, established by the Japanese government, of achieving carbon neutrality by 2050.

In FY 2021, we achieved a 34.2% reduction in CO<sub>2</sub> emissions compared to FY 2013, through measures such as the introduction of environment-friendly commercial vehicles, appropriate air conditioning temperature control, and the use of renewable energy.

Definition	Scope 1 and Scope 2 CO <sub>2</sub> emissions* <sup>2</sup>		
Targets	[Interim target] 50% reduction vs. FY 2013 by FY 2030 [Ultimate target] Achieve carbon neutrality by 2050	Result for FY 2021	34.2% reduction vs. FY2013

\*2 Scope 1: CO<sub>2</sub> emissions directly resulting from such processes as the combustion of fuel (gasoline, etc.) by the Bank.  
Scope 2: CO<sub>2</sub> emissions indirectly resulting from the use of electricity, etc. provided by other companies to the Bank.

## Long-term targets for sustainable finance

We have established long-term targets for sustainable finance to support efforts by local communities and customers to increase sustainability

through our financing and investment activities. We are striving to achieve these targets.

Definition	Financing and investment activities that support and promote initiatives by local communities and customers to resolve environmental and social issues		
Target	[Target period] 10 years from FY 2021 to FY 2030 [Target amount] Cumulative financing and investment of 500 billion yen (including 200 billion yen for environmental initiatives)	Results FY 2021	54.9 billion yen (including 20.4 billion yen for environmental initiatives)

# Overview of the Medium-Term Management Plan

**Title** **トライ★ミライ!** (April 2020 to March 2023)

Try ☆ Mirai (Future)!  
Co-create a future where stakeholders can live their lives with a smile

**Basic policy** The Hyakujushi Group has become a “local platformer” that goes beyond the realm of finance toward achieving a sustainable society amid increasingly severe social circumstances locally. As such, the Bank will take on the challenges of co-creating a future where various stakeholders are able to live their lives with a smile by resolving issues faced by its customers and local communities.

**Vision**  
By providing new value in our unique way, we aim to become a general consulting group that co-creates the future of customers and communities.



## Key strategy 1

### Transformation to a general consulting group

#### Achieving the Vision

## Key strategy 2

### Development of human resources with high market value

#### Securing human resources necessary for the execution of strategies

## Key strategy 3

### Structural reforms leading to the future

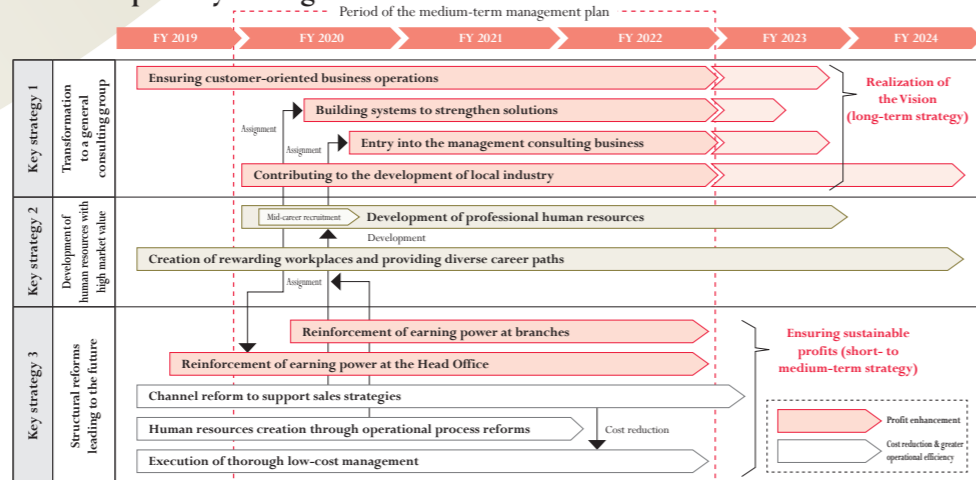
#### Ensuring sustainable profitability

### ■ Achievement of management targets (Millions of yen)

			FY 2020 results	FY 2021 results	Management target (FY 2022)
Profitability	Consolidated	Consolidated profit*	2,565	11,702	6,000 or higher
Soundness	Consolidated	Consolidated capital ratio	9.35%	9.34%	9.0% or higher
Efficiency	Non-consolidated	OHR (gross operating profit basis)	76.76%	71.64%	75% or lower

Consolidated profit is “Profit attributable to owners of parent”

### ■ Roadmap of key strategies



## Key strategy 1

### Transformation to a general consulting group



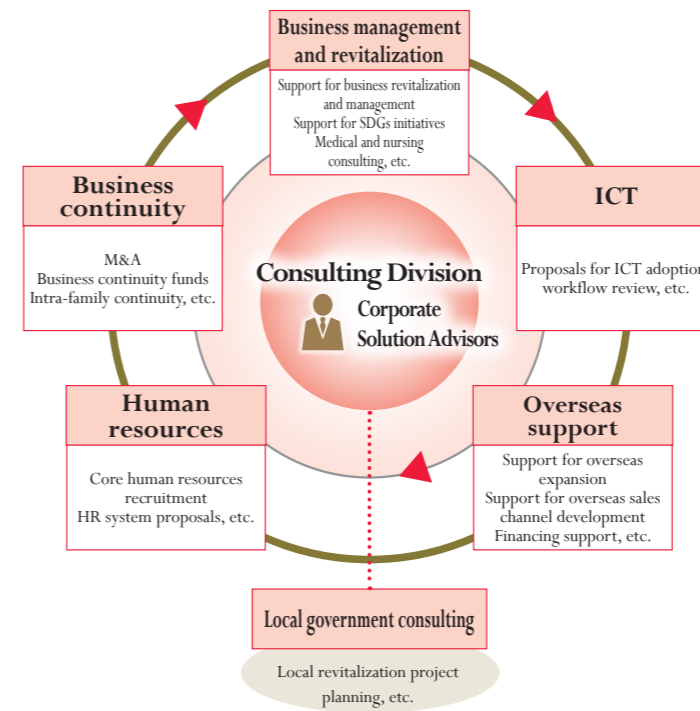
We aim to leverage the financial experience and expertise that the Group has developed in non-financial fields as well, to fulfill our role as a “local platformer,” guiding local communities and customers to resolve diverse challenges so that they can achieve growth.

### ► Corporate customers

We have established five key consulting fields where the needs of our corporate customers are especially high: business management and revitalization, business continuity, ICT, human resources, and overseas support. We are focusing on these fields as we enhance the Group’s framework, to provide customers with optimal proposals to resolve the various issues they face. We also intend to focus on initiatives for local government consulting, to support the development of attractive local communities.

We do not simply aim to provide one-off consulting services but aspire to build connecting consultancy services, where a process of dialogue with customers, the sharing of challenges, and implementation support leads to the provision of continuing consulting services. We will make sustained efforts to achieve this.

#### Vision: connecting consultancy services



### ■ Establishment of the Consulting Division

We established the new Consulting Division in April 2022, consolidating functions that had previously been spread between different divisions, to achieve connecting consultancy services.

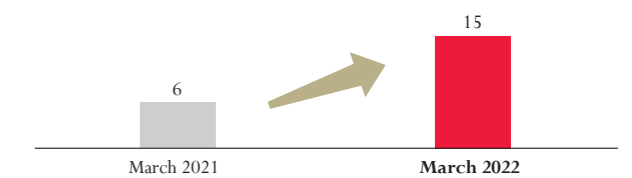
#### -Flexible seating

With the establishment of the Consulting Division, we have transitioned part of our Head Office to a flexible seating office system, to facilitate close information sharing.

### ■ Full-scale activities by Corporate Solution Advisors (SAs)

In the Consulting Division, we have assigned Corporate Solution Advisors (SAs) tasked with working together with customers, through dialogue, to identify the issues customers face and examine ways to resolve them. Corporate SAs collaborate with consultants in other fields within the Bank to support customers to resolve issues.

#### Companies assisted by Corporate SAs (cumulative) (Cases)



### ■ Others services provided

We also provide a range of services in areas apart from those shown above, to meet the needs of our customers. We will continue to progressively expand and enhance our range of services in the future.

- Subsidy application support
- Sales channel development support
- Foreign exchange derivatives
- Operating leases
- Business matching services, etc.
- Financing support
  - Green loans
  - Social loans
  - Sustainability-linked loans
  - Transition-linked loans, etc.





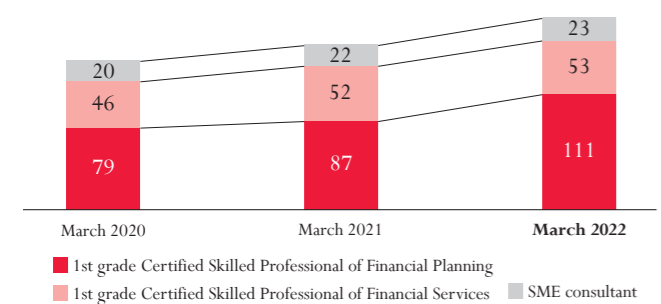
## Key strategy 2 Development of human resources with high market value

We are engaged in measures such as the development of professional human resources and the recruitment of diverse personnel, to develop and secure the human resources we need to become a general consulting group.

### ■ Encouragement to acquire qualifications

Many of our employees are taking the challenge to gain qualifications such as SME consultant, and we boast an increasing number of personnel with the advanced skills necessary to support customers resolve the issues they face.

Number of employees with qualifications (Persons)



**Housing Loan Advisor**  
Best organization award

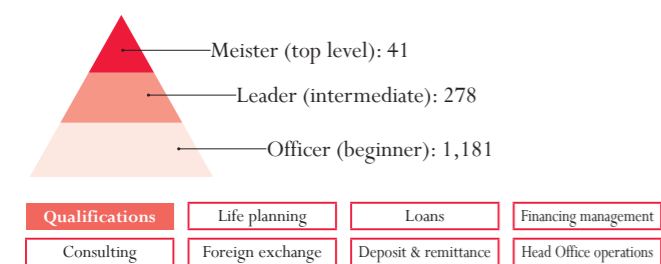
164 employees passed the exam in FY 2021 (cumulative total: 745 employees)

Award received from the Financial Official Approval Association in recognition of an outstanding pass rate and average grade on the exam (April 2022)

### ■ 114 Meister system

Through our 114 Meister system for certifying the knowledge and business proficiency of employees, we strive to develop professionals equipped both with knowledge and practical skills by encouraging them to take initiative with respect to self-improvement.

Employees certified under the system (as of March 31, 2022)



**Shiho Takabatake**  
Fuji Grand Marugame Sub-Branch  
Marugame Branch

My job is to sell asset management products at the branch. I began to engage in self-improvement after hearing about the 114 Meister system. The people around me were very supportive of my obtaining qualifications, and I now hold two Meister qualifications: deposits and life planning. I would like to help the Meister system become better known so that our customers can feel even more secure in consulting us.

2015 Joined the Bank  
2015 Marugame Branch  
2020 Qualified as a 1st grade Certified Skilled Professional of Financial Services  
Dec. 2021 Obtained Meister deposits certification  
Mar. 2022 Obtained Meister life planning certification

### ■ Placement of trainees with outside entities and mid-career recruitment

We strive to develop highly-skilled professionals who will take on responsibility for future consulting work by placing our employees in training courses that help them gain professional qualifications, as well as seconding them to enterprises such as IT and consulting companies.

Placement of trainees with outside entities (as of March 31, 2022)

<b>Administrative trainees</b>	Long-term placement in overseas financial institutions, IT and specialized consulting firms, and other such entities	11 employees
<b>Qualification courses</b>	Long-term placement involving the acquisition of professional qualifications such as SME consultant	4 employees

### Mid-career recruitment

<b>Duties</b>	Risk management, business revitalization, money laundering countermeasures, etc.
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**Kenji Kuroda**  
Assistant Manager, M&A Consulting Team  
Consulting Group I  
Consulting Division

I make various proposals to address the business continuity issues faced by customers. In my consulting work, I am acutely aware of the importance of experience and the ability to grasp the crux of issues, as well as knowledge, of course. The experience I gained during my time at Deloitte Tohmatsu Financial Advisory LLC, where I was placed by the Bank as a trainee, has proven extremely useful in my everyday work, and I would like to continue to hone my skills.

2014 Joined the Bank  
2014 Okayama Branch  
2022 Consulting Division  
2020 Qualified as a 1st grade Certified Skilled Professional of Financial Planning  
2021 Qualified as a CMA  
Mar. 2022 Obtained Meister corporate business (currently consulting) certification

## Key strategy 3 Structural reforms leading to the future

We are promoting measures such as reinforcing earning power at branches and Head Office and thorough low-cost management with the aim of transforming into a robust earnings structure resilient to changes in the business environment.

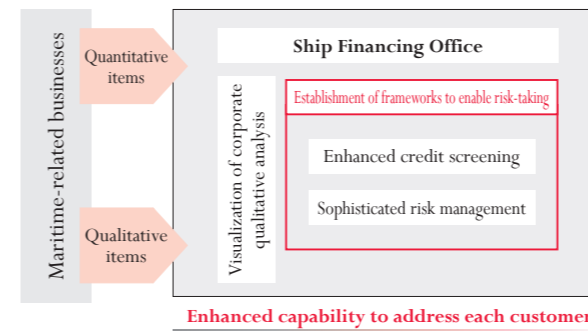
### ▶ Reinforcing earning power at branches and Head Office

We are reinforcing our earning power by focusing on the Bank's special areas of expertise and strengthening our efforts in areas where we can expect relatively high revenues.

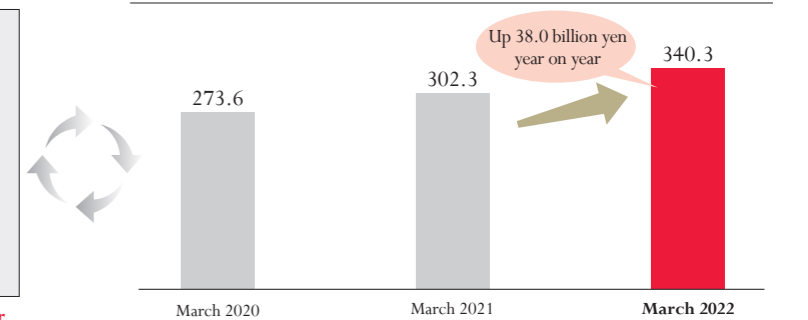
### ■ Lending to the maritime industry

We are focusing on lending related to the maritime industry to foster local industry. The scale of this lending has increased significantly as a result of the establishment of the Ship Financing Office within the Credit Supervision Division and our efforts to increase our credit screening capabilities and enable more sophisticated risk management, in addition to proactively handling both new shipbuilding projects and used ship purchase projects to meet customer needs. Looking ahead, we intend to respond to demand for additional funding associated with environmental measures linked to the global trend towards decarbonization.

### Initiatives to raise credit screening capabilities



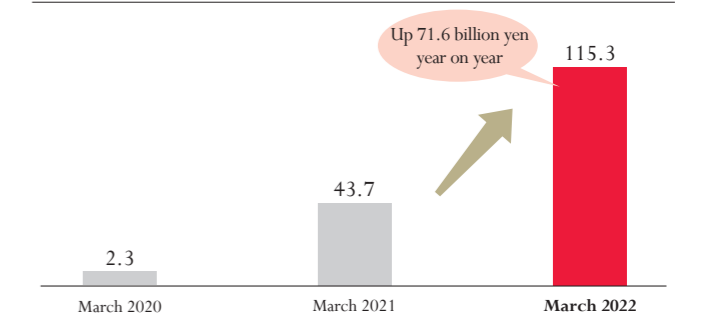
Outstanding loan balance related to the maritime industry (Billions of yen)



### ■ Structured finance

We are actively engaged in structured finance initiatives with the aim of diversifying funds management. As our outstanding balance grows, we are diversifying risk through the selection and diversification of projects.

Outstanding balance of structured finance (Billions of yen)



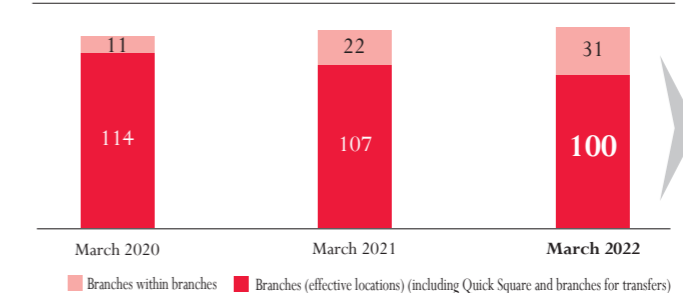
### ▶ Practicing low-cost management

We are endeavoring to control personnel costs and reduce non-personnel costs by eliminating and consolidating branches and improving operational efficiency.

### ■ Reorganization of branch network

In FY 2021, we consolidated 4 branches and 4 sub-branches, using the branch within a branch approach of relocating branches, whereby one integrated branch is placed within another integrated branch. We will continue to strive for greater efficiency while giving maximum consideration to customer convenience.

Effective number of locations (Locations)



Number of effective locations down by seven from previous fiscal year

We have established Quick Square at some former sites of consolidated branches to maintain customer convenience.



# Corporate Governance

We are striving to improve our governance and compliance structures based on the recognition that such efforts are indispensable when it comes to the Bank's sustainable growth and medium- to long-term enhancement of corporate value. And in April 2022, the Bank was listed on the Tokyo Stock Exchange Prime Market.

## ▶ Initiatives to strengthen governance and compliance systems

To strengthen its governance structure, the Bank established the "Nomination and Remuneration Governance Committee" as an advisory body to the Board of Directors, chaired by Outside Directors who constitute a majority of its membership. The committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; matters concerning the assessment of the effectiveness of the Board of Directors; and other important matters in terms of governance and

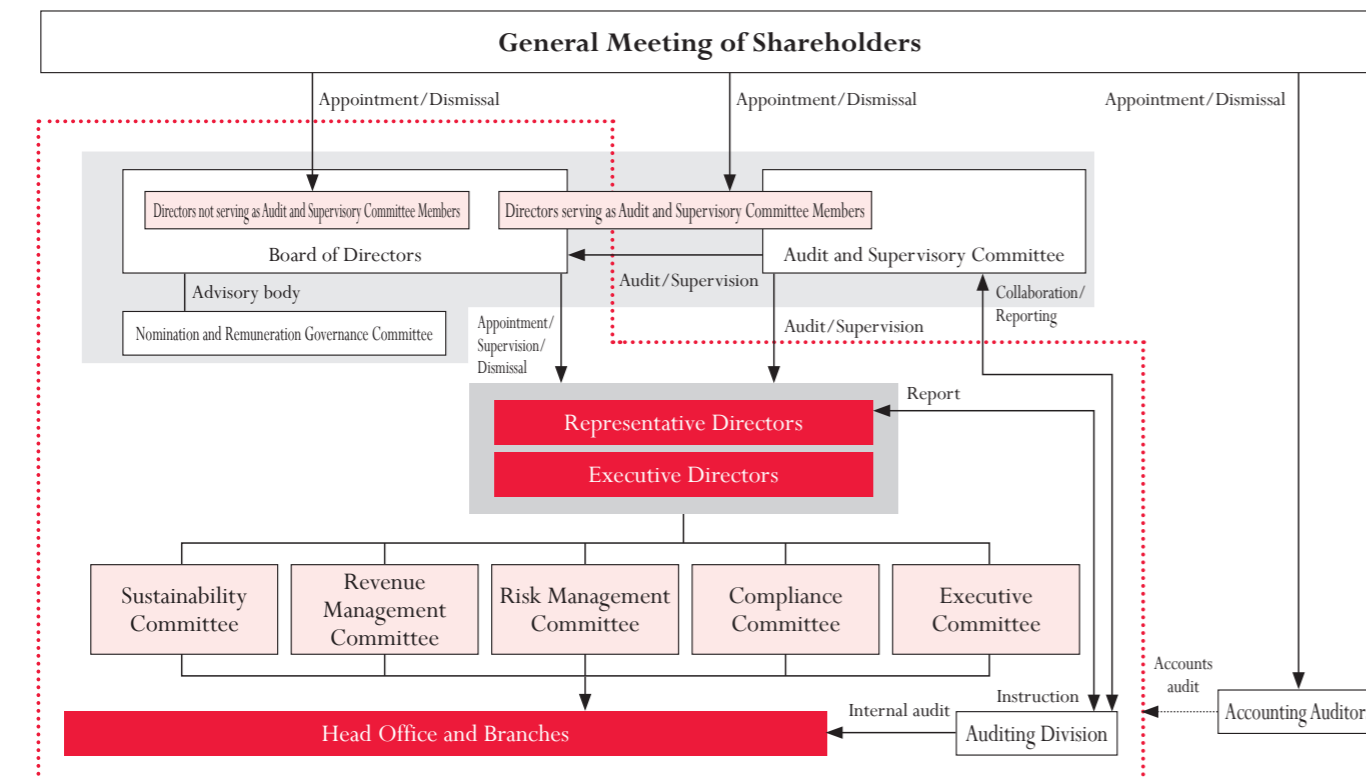
management. The Board of Directors is to respect the findings of the committee.

Furthermore, the Bank appointed a Chief Compliance Officer (CCO), who has the highest responsibility to centrally manage the overall compliance, in an aim to bolster the compliance systems. In addition to conducting investigations on compliance and reporting the results to the Board of Directors, the CCO gives instructions for prompt improvement and response in case of finding any compliance-related problem in measures and responses taken by each division.

## ▶ Corporate governance framework (as of July 1, 2022)

### ● System

Institutional Design	Number of Directors	Number of (Independent) Outside Directors	Term of Office of Directors	Adoption of an Executive Officer System	Accounting Auditors
Company with Audit and Supervisory Committee	15 <small>(including 7 Audit and Supervisory Committee Members)</small>	5	1 year <small>(2 years for Audit and Supervisory Committee Members)</small>	Yes	Ernst & Young ShinNihon LLC



### ● Overview

Board of Directors	The Board of Directors consists of 15 Directors (including 5 Outside Directors). In principle, it meets once a month, and also meets as necessary. In addition to matters stipulated by laws and regulations or the Articles of Incorporation, the Board passes resolutions on important matters concerning management and oversees the business execution by Directors.
Audit and Supervisory Committee	The Audit and Supervisory Committee consists of 7 Directors (including 5 Outside Directors) serving as Audit and Supervisory Committee Members. In principle, the committee meets once a month, and occasionally as necessary to audit and supervise the execution of duties by Directors.
Executive Committee and other committees	The Executive Committee, which consists of Managing Executive Officers and above, holds periodic or occasional meetings as a decision-making body for important matters related to business execution. In addition, the Bank has established a "Sustainability Committee," "Revenue Management Committee," "Risk Management Committee," and "Compliance Committee," and set up a system to make consultation and decisions on specialized matters.
Nomination and Remuneration Governance Committee (Voluntary committee)	The Nomination and Remuneration Governance Committee is chaired by an Outside Director appointed by mutual election. It is comprised of the President of the Bank, the Chairperson of the Audit and Supervisory Committee, and Outside Directors, and meets at least twice per year as a general rule (9 meetings held in FY 2021). As an advisory body to the Board of Directors, the committee deliberates on the following: nomination of candidate Directors and dismissal of Directors; nomination and dismissal of Representative Directors; remuneration and other matters concerning Directors not serving as Audit and Supervisory Committee Members; and other important matters in terms of governance and management. The Board of Directors is to respect the findings of the committee.
Executive Officer System	In order to expedite management decision-making and strengthen business execution functions, the Bank has introduced an Executive Officer System, and 19 Executive Officers (of whom six serve concurrently as Directors) appointed by the Board of Directors, are responsible for business execution, with the aim of achieving agile decision-making and speedy corporate management.
Auditing Division	From the perspective of maintaining and improving the soundness and appropriateness of operations, the Auditing Division, which is an outside department, also fulfills an internal audit role and conducts inspections of assets and risks as needed, as well as internal audits of the Head Office and branches as well as subsidiaries etc. to determine whether their operations are conducted appropriately in accordance with laws and regulations and administrative procedures. The results of audits are reported to the Board of Directors, the Audit and Supervisory Committee, and others.
Accounting Auditors	The Bank's Accounting Auditors are Ernst & Young ShinNihon LLC. As Accounting Auditors, they conduct appropriate audits from an independent standpoint.

## Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2022)

<b>Yujiro Ayada</b> President (Representative Director)	<b>Ryohei Kagawa</b> Director, Deputy President and CCO (Representative Director)	<b>Kiichiro Oyama</b> Director and Senior Managing Executive Officer (Representative Director)	<b>Masakazu Toyoshima</b> Director and Managing Executive Officer
<b>Hiroyuki Kurokawa</b> Director and Managing Executive Officer	<b>Hideaki Kanamoto</b> Director and Managing Executive Officer	<b>Kazuhito Tada</b> Director and Managing Executive Officer	<b>Masashi Mori</b> Director and Managing Executive Officer
<b>Toshiya Yoritomi</b> Director (Audit and Supervisory Committee Member)	<b>Kazuhiro Kumihashi</b> Director (Audit and Supervisory Committee Member)	<b>Junichi Itoh</b> Director (Audit and Supervisory Committee Member) (Outside)	<b>Yasuko Yamada</b> Director (Audit and Supervisory Committee Member) (Outside)
<b>Nobuyuki Souda</b> Director (Audit and Supervisory Committee Member) (Outside)	<b>Tomoko Fujimoto</b> Director (Audit and Supervisory Committee Member) (Outside)	<b>Noriyuki Konishi</b> Director (Audit and Supervisory Committee Member) (Outside)	

## Board of Directors skills matrix

### Internal Directors (Executive Directors and Audit and Supervisory Committee Members)

Name	Expected areas of expertise				
	Management control	Business operation	Risk management	Human resources	IT/DX strategy
Yujiro Ayada <small>Internal Male</small>	●	●	●		
Ryohei Kagawa <small>Internal Male</small>	●		●	●	
Kiichiro Oyama <small>Internal Male</small>	●	●	●		
Masakazu Toyoshima <small>Internal Male</small>	●		●		●
Hiroyuki Kurokawa <small>Internal Male</small>		●			
Hideaki Kanamoto <small>Internal Male</small>		●		●	
Kazuhito Tada <small>Internal Male</small>	●	●			
Masashi Mori <small>Internal Male</small>	●	●	●		
Toshiya Yoritomi <small>Internal Male</small>		●			
Kazuhiro Kumihashi <small>Internal Male</small>	●		●		

### Outside Directors (Audit and Supervisory Committee Members)

Name	Expected areas of expertise				
	Corporate management	Finance	Financial accounting	Legal affairs	Regional revitalization
Junichi Itoh <small>Outside Male Independent</small>	●	●	●		
Yasuko Yamada <small>Outside Female Independent</small>			●		●
Nobuyuki Souda <small>Outside Male Independent</small>	●	●	●		
Tomoko Fujimoto <small>Outside Female Independent</small>				●	
Noriyuki Konishi <small>Outside Male Independent</small>			●		●

(Note) The above skills matrix does not represent all the expertise and experience each Director has.

# Risk Management

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. We regard sophisticated risk management techniques as being of primary importance for maintaining the soundness of a bank's business, and we also recognize the importance of appropriate responses to changing customer needs. To achieve these goals, we make every effort to properly recognize, assess and manage risks.

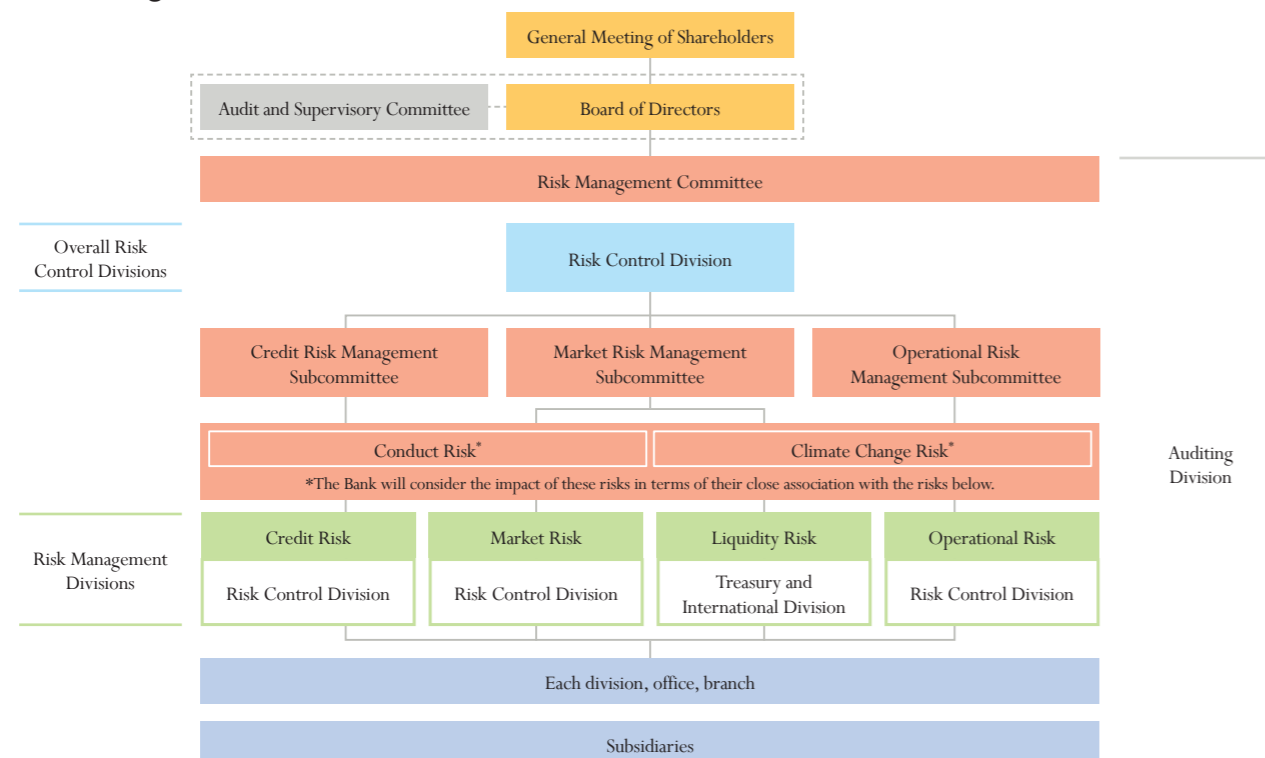
## Efforts toward Comprehensive Risk Management

### Basic concepts of risk management

Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. We apply proper management to each risk depending on the characteristics of the operation and the risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we strive to achieve soundness and stability in our overall management and also to improve the efficiency of our operations: in other words, to practice integrated risk management.

Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

### Risk Management Framework



### Risk Management Framework

We have defined the types of risks to manage in our risk management rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category, along with management rules. We have also established an independent Risk Control Division to integrate risk management and carry out comprehensive management.

Additionally, through the establishment of the Risk Management Committee and subcommittees for each risk category as organizations under the Committee, and cross-sectional consultations on matters regarding risk management on a regular basis, we have put in place a highly sophisticated framework for the maintenance and management of risk.

## Risks Subject to Management

Risk Classification	Outline of Risks	Division in Charge
Credit Risk	Risk of reduction in the value of assets or their loss altogether due to deteriorating financial position at customers to which the Bank has granted credit	Risk Control Division
Market Risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Control Division
Interest Rate Risk	Risk of reduced profits or total losses due to changes in interest rates arising because of discrepancies in interest rates on assets and liabilities, and in instrument maturities	
Foreign Exchange Risk	Risk of suffering loss due to a decrease in the yen-converted amount of foreign currency denominated assets and liabilities due to exchange market fluctuations	
Price Volatility Risk	Risk of a fall in asset values due to changes in the value of securities	
Liquidity Risk	Risk of suffering loss from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
Operational Risk	Risk of suffering loss due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Control Division
Process Risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System Risk	Risk of suffering loss due to partial or complete system breakdown, malfunction, system deficiency, or improper use of the computer system	
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Compliance Management Division
Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	Personnel Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	General Administration Division
Conduct Risk	Risk of damage to the Bank's credibility as a result of behavior or actions by the Bank or its officers or employees that fail to meet the fair and reasonable expectations of the Bank's customers and counterparties, employees, society in general, shareholders, or others, and cause losses to these stakeholders or damages their interests	Auditing Division
Climate Change Risk	Risk of impact on the soundness and stability of business management from the physical risks or transition risks associated with climate change, materializing in the form of other risks	

### Practice of comprehensive risk management

We have introduced a framework for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity. Under this framework, based on the amount of equity capital (core capital) less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance are monitored, enabling ascertainment and management of risk-adjusted profitability and efficiency.

In addition, stress tests are conducted on a regular basis and the impact that major changes in the economic and market environments have on Bank profits and management stability is monitored, and the management soundness is also assessed.

Definitions
<b>Core capital:</b> Equity capital established under Basel III (domestic standard)
<b>Operational risk equivalent amount:</b> Calculated using the Basic Indicator Approach
<b>Return on risk-adjusted capital (RORAC):</b> Profit and loss indicator, arrived at by deducting expenses, deemed allowance costs and capital costs from gross operating profits

## Risk Audit System

In order to enhance and strengthen risk management, it is necessary to verify whether the risk management system is functioning effectively. The Audit Department periodically audits the operations of the Bank's head office, subsidiaries and branches to verify the adequacy of the risk management system.

In this way, the Bank is committed to the development of a risk management system that will enable us to manage a variety of risks appropriately and to identify and address issues at an early stage in order to gain the trust of our customers.

# Compliance System

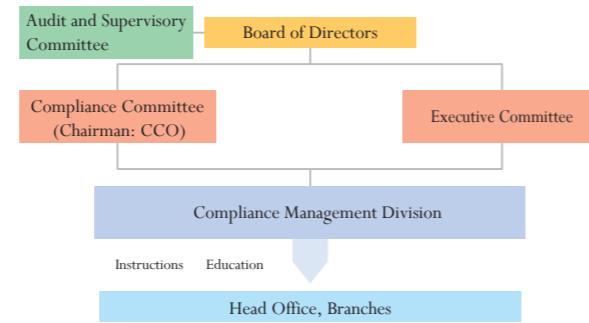
## Basic Policy

Regional financial institutions have highly public and social nature and bear the social mission of contributing to the development of a sound regional economy. The Bank strives to practice thorough compliance as one of the top priorities in its management in order to win trust from customers, local residents, and shareholders. Specifically, we ensure that each officer and employee execute their duties in compliance with laws, regulations, and other rules, while they take actions based on high level of ethics.

## Compliance System

At the Bank, under the oversight of CCO (Chief Compliance Officer), who has the highest responsibility for compliance, the Compliance Management Division centrally manages all compliance-related issues. We also appoint a manager or a person in charge at each department, office, and branch to put into practice and instill compliance, while aiming to spread compliance culture by checking the compliance status with a checklist and conducting study sessions. Furthermore, the Compliance Committee, chaired by the CCO, holds cross-organizational discussions to improve and upgrade the system.

## Compliance System



## Anti-Money Laundering Policy

In response to stern demands from the international community, the Bank regards the prevention of money laundering as one of the important issues in its management strategy and

other relevant policies, and strives to enhance its anti-money laundering system. Furthermore, we have in place an anti-money laundering policy and disclose it on our website.

The Hyakujushi Bank, Ltd. (hereinafter, "the Bank") strongly recognizes the importance of measures to prevent money laundering and terrorism financing (hereinafter, "money laundering"). In response to stern demands from the international community, the Bank regards the prevention of money laundering as one of the important issues in its management strategy and other relevant policies, and will build an internal control system as described below to conduct the Bank's business on that basis.

### Operation policy

- The Bank will comply with anti-money laundering laws and regulations.

### Organizational structure

- The Bank will build a centralized management system by designating a person and a department responsible for anti-money laundering measures. In addition, we will advance our measures across the organization through the involvement of management.

### Risk-based approach

- The Bank will identify and assess its own risks pertaining to money laundering, and take measures commensurate with the risks in order to effectively reduce them.

### Customer management policy

- To protect our customers from money laundering, the Bank will determine and implement risk reduction measures to be taken and appropriately manage customers, by creating a customer acceptance policy, as well as investigating and analyzing customer information and transaction details.

### Notification of suspicious transactions

- The Bank will build a system utilizing IT systems and other tools to accurately detect, monitor, and analyze suspicious customers and transactions, while notifying authorities without delay in case of suspected money laundering.

### Management of correspondent banks

- The Bank will collect information on correspondent banks, evaluate it properly, and take appropriate measures according to risks. In addition, we will cut off relationships with fictitious banks that have no actual status.

### Training for officers and employees

- The Bank will provide appropriate and continuous training to all officers and employees to deepen their professional understanding of anti-money laundering as a whole organization.

### Internal audit

- The Bank's internal audit department with an independent standpoint, conducts regular audits on the status of the Bank's anti-money laundering and other preventive measures, and will improve the Bank's system based on the audits results.

# Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	(Note 1)
<b>Assets:</b>			
Cash and due from banks	¥1,115,997	¥ 893,016	\$ 9,118,367
Call loans and bills bought	9,730	—	79,499
Monetary claims bought	28,445	23,598	232,412
Trading account securities	—	13	—
Securities (Notes 6, 8, 9 and 10)	1,274,877	1,272,943	10,416,512
Loans and bills discounted (Notes 8, 10 and 11)	3,159,889	3,035,782	25,818,195
Foreign exchange assets (Note 8)	6,236	9,429	50,951
Lease receivables and investments in leases	21,265	22,866	173,747
Other assets (Notes 8 and 10)	75,424	63,243	616,259
Tangible fixed assets (Notes 13 and 14)	37,134	37,368	303,407
Intangible fixed assets	4,654	5,041	38,025
Net defined benefit asset	8,276	7,721	67,619
Deferred tax assets	737	777	6,021
Customers' liabilities for acceptances and guarantees (Note 8)	22,881	21,938	186,951
Reserve for possible loan losses	(18,285)	(18,172)	(149,399)
<b>Total assets</b>	<b>¥5,747,266</b>	<b>¥5,375,569</b>	<b>\$46,958,624</b>

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	(Note 1)
<b>Liabilities and net assets</b>			
<b>Liabilities:</b>			
Deposits (Note 10)	¥4,558,239	¥4,440,571	\$37,243,557
Negotiable certificates of deposit	74,576	84,721	609,330
Call money and bills sold	23,254	12,089	189,999
Payables under securities lending transactions (Note 10)	12,696	56,643	103,733
Borrowed money (Notes 10 and 30)	700,615	393,331	5,724,446
Foreign exchange liabilities	321	1,341	2,622
Other liabilities	58,400	55,302	477,163
Reserve for bonuses for directors and corporate auditors	57	20	465
Net defined benefit liability	208	204	1,699
Reserve for retirement benefits for directors and corporate auditors	39	49	318
Reserve for claims on dormant accounts	125	247	1,021
Reserve for contingent liabilities	107	127	874
Reserve for stock-based compensation plan	147	123	1,201
Deferred tax liabilities	6,180	12,074	50,494
Deferred tax liability for land revaluation (Note 14)	5,077	5,082	41,482
Acceptance and guarantees	22,881	21,938	186,951
<b>Total liabilities</b>	<b>5,462,929</b>	<b>5,083,870</b>	<b>44,635,419</b>

### Net assets :

Stockholders' equity:			
Common stock	37,322	37,322	304,943
Capital surplus	30,486	30,486	249,088
Retained earnings	183,444	173,620	1,498,847
Treasury stock	(2,030)	(2,071)	(16,586)
<b>Total stockholders' equity</b>	<b>249,223</b>	<b>239,357</b>	<b>2,036,301</b>
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities, net of taxes	25,891	42,595	211,545
Net deferred gains on hedging instruments, net of taxes	2,611	2,720	21,333
Revaluation reserve for land (Note 14)	7,927	7,928	64,768
Remeasurements of defined benefit plans	(1,339)	(945)	(10,940)
<b>Total accumulated other comprehensive income</b>	<b>35,091</b>	<b>52,299</b>	<b>286,714</b>
Share subscription rights	21	41	171
<b>Total net assets</b>	<b>284,336</b>	<b>291,699</b>	<b>2,323,196</b>
<b>Total liabilities and net assets</b>	<b>¥5,747,266</b>	<b>¥5,375,569</b>	<b>\$46,958,624</b>

As of March 31	Yen		U.S. dollars
	2022	2021	(Note 1)
<b>Per share</b>			
Net assets	¥9,639.96	¥9,892.54	\$78.764

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Income:</b>			
Interest on loans and bills discounted	¥26,513	¥26,792	\$216,627
Interest and dividends on securities	13,167	13,208	107,582
Other interest income	1,454	652	11,880
Fees and commissions	12,191	11,647	99,607
Other operating income	7,361	3,959	60,143
Other income (Note 17)	12,457	12,728	101,781
Total income	73,147	68,989	597,655
<b>Expenses:</b>			
Interest on deposits and negotiable certificates of deposit	524	682	4,281
Interest on call money and bills sold	94	112	768
Interest on borrowed money	160	379	1,307
Other interest expenses	728	1,110	5,948
Fees and commissions	3,052	3,249	24,936
Other operating expenses	7,931	3,905	64,801
General and administrative expenses (Note 18)	35,204	37,046	287,637
Other expenses (Note 19)	10,411	17,390	85,064
Total expenses	58,108	63,877	474,777
<b>Profit before income taxes</b>	15,039	5,111	122,877
Income taxes :			
Current	1,705	3,402	13,930
Deferred	1,631	(855)	13,326
Subtotal	3,336	2,546	27,257
<b>Profit</b>	11,702	2,565	95,612
<b>Profit attributable to owners of parent</b>	¥11,702	¥ 2,565	\$ 95,612

For the years ended March 31

Per share	Yen		U.S. dollars (Note 1)
	2022	2021	2022
Basic earnings	¥396.83	¥ 86.95	\$3.242

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Profit	¥ 11,702	¥ 2,565	\$ 95,612
Other comprehensive income (loss) (Note 20)	(17,207)	41,741	(140,591)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(16,703)	27,547	(136,473)
Net deferred gains (losses) on hedging instruments, net of taxes	(109)	10,167	(890)
Remeasurements of defined benefit plans	(394)	4,026	(3,219)
Total comprehensive income (loss)	¥ (5,504)	¥44,306	\$ (44,970)
Total comprehensive income (loss) attributable to:			
Owners of parent	¥ (5,504)	¥44,306	\$ (44,970)

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

For the years ended March 31	Millions of yen				
	Stockholders' equity				Total stockholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
<b>Balance as of March 31, 2020</b>	¥37,322	¥30,486	¥173,374	¥(1,999)	¥239,184
Changes in items during the period					
Dividends from surplus	—	—	(2,366)	—	(2,366)
Profit attributable to owners of parent	—	—	2,565	—	2,565
Purchase of treasury stock	—	—	—	(72)	(72)
Disposal of treasury stock	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	47	—	47
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	246	(72)	173
<b>Balance as of March 31, 2021</b>	¥37,322	¥30,486	¥173,620	¥(2,071)	¥239,357
Cumulative effects of changes in accounting policies	—	—	(97)	—	(97)
Restated balance	¥37,322	¥30,486	¥173,523	¥(2,071)	¥239,260
Changes in items during the period					
Dividends from surplus	—	—	(1,774)	—	(1,774)
Profit attributable to owners of parent	—	—	11,702	—	11,702
Purchase of treasury stock	—	—	—	(1)	(1)
Disposal of treasury stock	—	—	(7)	43	36
Transfer from revaluation reserve for land	—	—	0	—	0
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	9,921	41	9,963
<b>Balance as of March 31, 2022</b>	¥37,322	¥30,486	¥183,444	¥(2,030)	¥249,223

For the years ended March 31	Millions of yen						
	Accumulated other comprehensive income				Total accumulated other comprehensive income	Share subscription rights	Total net assets
	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans			
<b>Balance as of March 31, 2020</b>	¥15,048	¥ (7,447)	¥7,976	¥(4,971)	¥10,605	¥41	¥249,831
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(2,366)
Profit attributable to owners of parent	—	—	—	—	—	—	2,565
Purchase of treasury stock	—	—	—	—	—	—	(72)
Disposal of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	47
Net changes in items other than stockholders' equity	27,547	10,167	(47)	4,026	41,694	—	41,694
Total changes in items during the period	27,547	10,167	(47)	4,026	41,694	—	41,867
<b>Balance as of March 31, 2021</b>	¥42,595	¥ 2,720	¥7,928	¥ (945)	¥52,299	¥41	¥291,699
Cumulative effects of changes in accounting policies	—	4	—	—	4	—	(93)
Restated balance	¥42,595	¥ 2,724	¥7,928	¥ (945)	¥52,303	¥41	¥291,605
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(1,774)
Profit attributable to owners of parent	—	—	—	—	—	—	11,702
Purchase of treasury stock	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	—	36
Transfer from revaluation reserve for land	—	—	—	—	—	—	0
Net changes in items other than stockholders' equity	(16,703)	(113)	(0)	(394)	(17,212)	(19)	(17,231)
Total changes in items during the period	(16,703)	(113)	(0)	(394)	(17,212)	(19)	(7,268)
<b>Balance as of March 31, 2022</b>	¥25,891	¥ 2,611	¥7,927	¥(1,339)	¥35,091	¥21	¥284,336

## Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the years ended March 31					
<b>Balance as of March 31, 2021</b>	\$304,943	\$249,088	\$1,418,579	\$(16,921)	\$1,955,690
Cumulative effects of changes in accounting policies	—	—	(792)	—	(792)
Restated balance	\$304,943	\$249,088	\$1,417,787	\$(16,921)	\$1,954,898
Changes in items during the period					
Dividends from surplus	—	—	(14,494)	—	(14,494)
Profit attributable to owners of parent	—	—	95,612	—	95,612
Purchase of treasury stock	—	—	—	(8)	(8)
Disposal of treasury stock	—	—	(57)	351	294
Transfer from revaluation reserve for land	—	—	0	—	0
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	81,060	334	81,403
<b>Balance as of March 31, 2022</b>	<b>\$304,943</b>	<b>\$249,088</b>	<b>\$1,498,847</b>	<b>\$(16,586)</b>	<b>\$2,036,301</b>

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Total net assets
For the years ended March 31							
<b>Balance as of March 31, 2021</b>	\$348,026	\$22,224	\$64,776	\$ (7,721)	\$427,314	\$334	\$2,383,356
Cumulative effects of changes in accounting policies	—	32	—	—	32	—	(759)
Restated balance	\$348,026	\$22,256	\$64,776	\$ (7,721)	\$427,347	\$334	\$2,382,588
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(14,494)
Profit attributable to owners of parent	—	—	—	—	—	—	95,612
Purchase of treasury stock	—	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	—	—	—	294
Transfer from revaluation reserve for land	—	—	—	—	—	—	0
Net changes in items other than stockholders' equity	(136,473)	(923)	(0)	(3,219)	(140,632)	(155)	(140,787)
Total changes in items during the period	(136,473)	(923)	(0)	(3,219)	(140,632)	(155)	(59,383)
<b>Balance as of March 31, 2022</b>	<b>\$211,545</b>	<b>\$21,333</b>	<b>\$64,768</b>	<b>\$(10,940)</b>	<b>\$286,714</b>	<b>\$171</b>	<b>\$2,323,196</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2022	2021	(Note 1)
For the years ended March 31			
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 15,039	¥ 5,111	\$ 122,877
Depreciation	3,249	3,331	26,546
Impairment losses	72	161	588
Net change in reserve for possible loan losses	113	775	923
Net change in reserve for bonuses for directors and corporate auditors	36	(8)	294
Net change in net defined benefit asset	(1,121)	(223)	(9,159)
Net change in net defined benefit liability	4	6	32
Net change in reserve for retirement benefits for directors and corporate auditors	(9)	11	(73)
Net change in reserve for claims on dormant accounts	(121)	(117)	(988)
Net change in reserve for contingent liabilities	(20)	0	(163)
Net change in reserve for stock-based compensation plan	24	42	196
Interest income	(41,136)	(40,653)	(336,105)
Interest expenses	1,508	2,286	12,321
Net loss related to securities transactions	3,343	6,094	27,314
Net gain related to foreign exchange	(17,619)	(9,313)	(143,957)
Net gain on disposal of fixed assets	(279)	(454)	(2,279)
Net change in trading account securities	13	(8)	106
Net change in loans and bills discounted	(124,107)	(188,465)	(1,014,028)
Net change in deposits	117,668	375,488	961,418
Net change in negotiable certificates of deposit	(10,145)	(5,464)	(82,890)
Net change in borrowed money excluding subordinated borrowings	307,283	87,723	2,510,687
Net change in due from banks other than Bank of Japan	68	267	555
Net change in call loans and others	(14,576)	5,665	(119,094)
Net change in call money and others	11,164	(22,692)	91,216
Net change in payables under securities lending transactions	(43,947)	(56,056)	(359,073)
Net change in foreign exchange assets	3,193	364	26,088
Net change in foreign exchange liabilities	(1,020)	1,045	(8,334)
Net change in lease receivables and investments in leases	1,601	1,619	13,081
Proceeds from fund operations	40,944	40,267	334,537
Payments on fund procurement	(1,503)	(2,836)	(12,280)
Other	7,962	15,971	65,054
Subtotal	257,681	219,938	2,105,408
Payment of income taxes	(3,759)	(3,585)	(30,713)
Net cash provided by operating activities	253,921	216,353	2,074,687
<b>Cash flows from investing activities</b>			
Purchase of securities	(713,439)	(543,029)	(5,829,226)
Proceeds from sales of securities	440,070	408,491	3,595,636
Proceeds from redemption of securities	246,559	164,212	2,014,535
Purchases of tangible fixed assets	(1,358)	(1,780)	(11,095)
Purchases of intangible fixed assets	(1,322)	(1,046)	(10,801)
Proceeds from sales of tangible fixed assets	384	507	3,137
Net cash provided by (used in) investing activities	(29,105)	27,355	(237,805)
<b>Cash flows from financing activities</b>			
Purchase of treasury stock	(1)	(72)	(8)
Proceeds from sales of treasury stock	3	—	24
Dividends paid	(1,774)	(2,366)	(14,494)
Net cash used in financing activities	(1,772)	(2,438)	(14,478)
Effect of exchange rate changes on cash and cash equivalents	7	2	57
Net change in cash and cash equivalents	223,050	241,272	1,822,452
Cash and cash equivalents at beginning of year	863,671	622,399	7,056,712
Cash and cash equivalents at end of year (Note 3 (16))	¥1,086,721	¥ 863,671	\$ 8,879,164

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (hereinafter the “Bank”) and its consolidated subsidiaries (hereinafter collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S.\$1.00. The convenience 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. Fiscal year ends

The account closing date of the Bank and its consolidated subsidiaries is the same.

## 3. Significant accounting policies

### (1) Consolidation

The consolidated financial statements include the accounts of the Bank and all 9 subsidiaries.

There are no affiliates accounted for by the equity method as of March 31, 2022.

Shikoku Alliance Capital Co., Ltd. and SHIKOKU BRAND inc. are affiliates not accounted for by the equity method. Affiliated companies not accounted for by the equity method are excluded from the scope of the equity method because the Bank’s interests in their respective amounts of net profits or losses, retained earnings or other accumulated comprehensive income do not have a material impact on the consolidated financial statements.

### (2) Trading account securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value (cost of sales is calculated by the moving-average cost method).

### (3) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving-average cost method. Investments in affiliates not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities are stated at fair value (cost of sales is calculated by the moving-average cost method), whereas shares, etc. that do not have a market price are stated at cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

### (4) Derivatives

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value.

### (5) Depreciation

#### (a) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated principally using the declining-balance method (However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016). Useful lives of tangible fixed assets are as follows:

Buildings: 10 to 50 years

Equipment: 5 to 15 years

Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.

#### (b) Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized by the straight-line method. Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

#### (c) Lease assets

Lease assets held by the Bank are depreciated over the leasing contract periods by the straight-line method with residual value at zero.

### (6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for bankrupt or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.

Reserve for possible loan losses for borrowers not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided principally at the amounts of expected losses over the next 1 year or 3 years, which are determined by making necessary adjustments considering forecasts of loss rates calculated based on the average historical default rates corresponding to a certain period consistent with those for 1 year or 3 years.

In accordance with the Bank’s asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.

In the case of loans to borrowers who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥8,906 million (\$72,767 thousand) and ¥11,141 million as of March 31, 2022 and 2021, respectively.

A reserve for possible losses on ordinary loans held by the Bank’s consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible losses on specific loans held by the Bank’s consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.

### (7) Reserve for bonuses for directors and corporate auditors

A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.

### (8) Reserve for retirement benefits for directors and corporate auditors

In order to provide for the payment of retirement benefits to directors and corporate auditors of consolidated subsidiaries, a provision is made based on the estimated amount incurred at the end of the consolidated reporting period.

### (9) Reserve for claims on dormant accounts

A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank’s historical refund record.

### (10) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

### (11) Reserve for stock-based compensation plan

In order to provide for the delivery of the Bank’s shares from the BIP Trust, a provision is made for an estimated amount of benefits corresponding to the number of points allotted to directors in accordance with BIP Trust’s share delivery rules.

### (12) Accounting method for retirement benefits

To calculate retirement benefit obligations, the Bank used the benefit formula as a method for attributing estimated retirement benefits over the period until March 31, 2022. The amortization method for prior service costs and actuarial differences is as follows:

Prior Service Costs:

Prior service costs are charged fully to income at the time of occurrence.

Actuarial Differences:

Actuarial differences of the plans are to be amortized from the fiscal year following their occurrence by the straight-line method over a fixed period of 10 years, which is within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating net defined benefit liability and retirement benefit costs, some consolidated subsidiaries apply a simplified method that provides their retirement benefit obligation at an amount to be paid for voluntary termination at the balance sheet date.

### (13) Accounting standards for posting of significant earnings and expenses

#### (a) Finance lease transactions

The corresponding amounts are recognized in “Other income” and “Other expenses” at the time of receipt of lease payments.

#### (b) Revenue from contracts with customers

Revenue from contracts with customers is the revenue recognized from service provision related to financial services such as deposit and loan services, foreign currency exchange services, and securities-related services, and is recognized at the amount expected to be received in exchange for goods or services when control of such goods or services promised by such service provision is transferred to the customer.

### (14) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen primarily at the year-end rates. Translation differences arising from available-for-sale securities (bonds), including the effect of changes in exchange rates, are accounted for as net unrealized gains/losses on available-for-sale securities.

### (15) Hedge accounting

#### (a) Hedges against interest rate fluctuations

The Bank applies the deferred hedge accounting method to interest rate swaps used to hedge interest rate risk on certain financial assets when the critical terms of the underlying hedged items (Japanese Government Bonds and U.S. Treasury Bonds) and hedging instruments (interest rate swap transactions) match.

Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter.

#### (b) Hedging against currency fluctuations

The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Committee Practical Guideline No. 25 issued on October 8, 2020 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Committee Practical Guideline No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts (foreign securities and foreign currency loans) corresponding to the foreign-currency positions.

*Hedge transactions to which “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” is applied*

Among the above hedge transactions, all hedge transactions included in the scope of application of “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Revised Practical Solution No.40, March 17, 2022) are subject to the exceptional treatment prescribed in the Revised Practical Solution. The details of hedge transactions to which the Revised Practical Solution is applied are as follows.

Hedge accounting method: Deferred hedge accounting

Hedging instruments: Interest rate swaps

Hedged items: Securities

Types of hedge transactions: Offset market fluctuations

### (16) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks.....	¥1,115,997	¥893,016	\$9,118,367
Time deposits with banks other than Bank of Japan.....	(27,540)	(27,540)	(225,018)
Deposits with banks other than Bank of Japan.....	(574)	(601)	(4,689)
Other .....	(1,161)	(1,203)	(9,486)
Cash and cash equivalents .....	¥1,086,721	¥863,671	\$8,879,164

### (17) Other significant accounting policies adopted

Net gains and losses from the cancellation and redemption of investment trusts (excluding ETF) are included in “Interest and dividends on securities” in the case of gains for the investment trusts as a whole, and included in “Loss on redemption of bonds” under “Other operating expenses” in the case of losses.

Gains on cancellation and redemption of investment trusts of ¥3,092 million (\$25,263 thousand) and ¥3,196 million were recorded in “Interest and dividends on securities” for the fiscal years ended March 31, 2022 and 2021, respectively.

### (18) Significant accounting estimates

#### Reserve for possible loan losses

(i) Amounts recognized in the consolidated financial statements at the end of fiscal year  
Reserve for possible loan losses: ¥18,285 million (\$149,399 thousand) and ¥18,172 million as of March 31, 2022 and 2021, respectively.

(ii) Information on the nature of significant accounting estimates for identified items

(1) Method used in making the accounting estimates

The collectability of loans and other receivables fluctuates depending on factors such as domestic and international economic trends, the business conditions of the borrowers operating in areas where the Bank’s wide-area network exists, mainly in its home prefecture of Kagawa, the decline in the value of real estate used as collateral, and the status of the novel coronavirus disease (COVID-19) outbreak. For this reason, the Bank calculates the amount of expected losses from future bad debts for each borrower category and records it as reserve for possible loan losses.

The method of calculating the reserve for possible loan losses is described in “3. Significant accounting policies (6) Reserve for possible loan losses.”

(2) Key assumptions used in making accounting estimates

The main assumptions used in the calculation of the reserve for possible loan losses are “the future business prospects of each borrower in determining the borrower classification” and “when the COVID-19 pandemic will end.”

The “future business prospects of each borrower in determining the borrower classification” consist of the assessment of changes in the local economy and the individual evaluation of debt repayment capacity of each borrower based on the progress of each borrower’s management improvement plan and other factors.

Meanwhile, “when the COVID-19 pandemic will end” takes into consideration the impact on each borrower, based on the assumption that the pandemic will end in the next year or so with the expansion of vaccinations and that economic activities will gradually normalize against the backdrop of aggressive fiscal policies by the national and local governments.

(3) Impact on the consolidated financial statements for the next fiscal year

The above “2) Key assumptions used in making accounting estimates” is subject to uncertainty as it will be affected by changes in the business environment surrounding the borrowers and the success or failure of their business strategies. Therefore, in the event of an unexpected deterioration in the business conditions of major borrowers or a worsening of the COVID-19 outbreak that affects the assumptions used for the initial estimate, there may be a significant impact on the reserve for possible loan losses in the consolidated financial statements for the next fiscal year.

**(19) Changes in accounting policies***(a) Adoption of "Accounting Standard for Revenue Recognition"*

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Group recognizes revenue at the amount expected to be received in exchange for goods or services when control of such promised goods or services is transferred to the customer.

The Group applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is reflected as an adjustment to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

The impact of this change on the consolidated financial statements for the current fiscal year is immaterial.

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

*(b) Adoption of "Accounting Standard for Fair Value Measurement"*

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year. In accordance with Paragraph 8 of the Fair Value Measurement Standard, the Group has revised its method of adjusting the fair value of derivatives to maximize the use of observable inputs estimated from derivatives and other instruments traded in the market. This revision is due to the application of the Fair Value Measurement Standard, and in accordance with the transitional treatment provided in the additional clause in Paragraph 20 of the Fair Value Measurement Standard, the cumulative impact of retrospectively applying the new accounting policies to prior periods is reflected in retained earnings at the beginning of the current fiscal year.

As a result, the beginning balance of retained earnings decreased by ¥54 million (\$441 thousand), other assets decreased by ¥132 million (\$1,078 thousand), other liabilities decreased by ¥60 million (\$490 thousand), deferred tax liabilities decreased by ¥22 million (\$179 thousand), net deferred gains on hedging instruments, net of taxes increased by ¥4 million (\$32 thousand), and net assets per share decreased by ¥1.71 (\$0.013).

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

**(20) Accounting Standards Issued but Not Effective***"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)**(i) Overview*

Treatment of calculation of fair value of investment trusts and notes, and treatment of notes to fair value of investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded on the balance sheet are established.

*(ii) Scheduled date of adoption*

The Group expects to adopt the implementation guidance from the beginning of the fiscal year ending March 31, 2023.

*(iii) Impact of adopting the implementation guidance*

This does not affect the consolidated financial statements.

**4. Additional information***Board Incentive Plan (BIP) Trust*

The Bank has introduced a BIP Trust for directors (excluding directors serving as audit and supervisory committee members, outside directors and non-residents of Japan; hereinafter collectively referred to as the "Bank's directors").

*(i) Transaction overview*

The BIP Trust is a stock incentive plan for directors, aimed at further raising motivation to contribute to the medium- to long-term improvement of business performance and enhance the Bank's corporate value. Under the plan, a certain number of points are granted to the Bank's directors based on their ranks and the level of achievement of performance targets, and the Bank's shares corresponding to the aggregate number of points or money equivalent to the value of the Bank's shares are granted or delivered to the Bank's directors upon their retirement.

*(ii) Accounting treatment for transactions delivering the Company's own stock through the trust*

The Bank applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30, March 26, 2015).

*(iii) Matters relating to the Bank's shares held by the trust*

- (1) The book values of the shares held by the trust were ¥257 million (\$2,099 thousand) and ¥273 million as of March 31, 2022 and 2021, respectively.
- (2) The Bank's shares held by the trust have been recorded as treasury stock in stockholders' equity.
- (3) The numbers of shares at year-end were 87 thousand and 92 thousand as of March 31, 2022 and 2021, respectively. The average numbers of shares during the year were 88 thousand and 76 thousand for the fiscal years ended March 31, 2022 and 2021, respectively.
- (4) The number of shares at year-end and the average number of shares during the year in 3) above are included in the number of treasury stock to be deducted in the calculation of per share information.

**5. Changes in net assets****(1) Type and number of shares issued and treasury shares are as follows:**

2022	Thousands of shares			
	March 31, 2021	Increase	Decrease	March 31, 2022
Shares issued				
Common stock	30,000	—	—	30,000
Total	30,000	—	—	30,000
Treasury stock				
Common stock (Notes 1, 2 and 3)	517	1	11	506
Total	517	1	11	506

Notes: 1. The number of shares of common stock at the end of the fiscal years ended March 31, 2022 and 2021 includes 87 thousand and 92 thousand shares, respectively, of the Bank's shares held by the BIP Trust.  
2. The 1 thousand share increase in the number of common shares of treasury stock is due to a purchase demand for fractional shares from shareholders.  
3. The 11 thousand share decrease in the number of common shares of treasury stock consists of decreases of 6 thousand shares due to the exercise of share subscription rights, 5 thousand shares due to the delivery of shares to the beneficiaries from the BIP Trust, and 0 thousand shares due to an additional purchase demand for fractional shares from shareholders.

2021	Thousands of shares			
	March 31, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock	30,000	—	—	30,000
Total	30,000	—	—	30,000
Treasury stock				
Common stock (Notes 1 and 2)	478	39	—	517
Total	478	39	—	517

Notes: 1. The number of shares of common stock at the end of the fiscal years ended March 31, 2021 and 2020 includes 92 thousand and 54 thousand shares, respectively, of the Bank's shares held by the BIP Trust.  
2. The 39 thousand share increase in the number of common shares of treasury stock consists of increases of 38 thousand shares due to an acquisition by the BIP Trust and 1 thousand shares due to a purchase demand for fractional shares from shareholders.

**(2) Matters concerning share subscription rights and own share options**

The balance of share subscription rights (for stock options) at the end of March 31, 2022 and 2021 stood at ¥21 million (\$171 thousand) and ¥41 million, respectively. At end of the previous and current fiscal years, no shares had been earmarked for share subscription rights.

**(3) Information on dividends***(a) Dividends paid*

2022	Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
					Record date	Effective date
	June 29, 2021 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥887	¥30.0	March 31, 2021	June 30, 2021
	November 9, 2021 (Meeting of the Board of Directors) (Note 2)	Common stock	887	30.0	September 30, 2021	December 10, 2021

2021	Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
					Record date	Effective date
	June 26, 2020 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	¥1,183	¥40.0	March 31, 2020	June 29, 2020
	November 10, 2020 (Meeting of the Board of Directors) (Note 2)	Common stock	1,183	40.0	September 30, 2020	December 10, 2020



2022					
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2021 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	\$7,247	\$0.245	March 31, 2021	June 30, 2021
November 9, 2021 (Meeting of the Board of Directors) (Note 2)	Common stock	7,247	0.245	September 30, 2021	December 10, 2021

Notes: 1. In accordance with the resolutions approved at the Bank's Regular Annual General Meetings of Shareholders held on June 29, 2021 and June 26, 2020, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥2 million (\$16 thousand) and ¥2 million, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock.  
2. In accordance with the resolutions approved at the Meetings of the Board of Directors held on November 9, 2021 and November 10, 2020, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥2 million (\$16 thousand) and ¥3 million, respectively. These exclusions reflect the Bank's classification of the shares held by the Trust as treasury stock.

(b) Dividends paid after the balance-sheet date

2022						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2022 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	¥1,183	Retained earnings	¥40.0	March 31, 2022	June 30, 2022

2021						
Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2021 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	¥887	Retained earnings	¥30.0	March 31, 2021	June 30, 2021

2022						
Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2022 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	\$9,665	Retained earnings	\$0.326	March 31, 2022	June 30, 2022

Note: The total dividend amounts resolved on June 29, 2022 and June 29, 2021 include the dividends for the BIP Trust of ¥3 million (\$24 thousand) and ¥2 million, respectively.

## 6. Securities and trading account securities

### (1) Investments in affiliates

Investments in affiliates as of March 31, 2022 and 2021 totaled ¥50 million (\$408 thousand) and ¥50 million, respectively.

### (2) Securities lending transactions

National government bonds as of March 31, 2022 and 2021 included bonds of ¥28,327 million (\$231,448 thousand) and ¥37,638 million, respectively, which were lent to third parties without collateral under lending contracts.

### (3) Trading account securities

Valuation profit (losses) of nil and ¥0 million were recognized for the fiscal years ended March 31, 2022 and 2021, respectively.

### (4) Held-to-maturity debt securities

Not applicable.

### (5) Available-for-sale securities

(a) Consolidated balance sheet amount and acquisition cost of available-for-sale securities and their difference as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>2022</b>			
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock	¥ 104,155	¥ 45,784	¥ 58,371
Bonds:			
National	101,451	101,267	183
Local	69,188	68,754	434
Corporate	42,908	42,794	114
	213,548	212,817	731
Other	74,898	72,224	2,674
Subtotal	392,603	330,825	61,778
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock	10,643	12,132	(1,488)
Bonds:			
National	141,026	146,493	(5,466)
Local	314,032	317,764	(3,732)
Corporate	175,602	177,293	(1,690)
	630,661	641,551	(10,890)
Other	234,946	247,285	(12,338)
Subtotal	876,251	900,969	(24,717)
Total	¥1,268,855	¥1,231,794	¥ 37,060

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>2021</b>			
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock	¥ 110,915	¥ 43,304	¥ 67,610
Bonds:			
National	119,032	117,655	1,377
Local	119,968	118,919	1,048
Corporate	60,335	60,056	278
	299,336	296,632	2,704
Other	173,410	166,094	7,315
Subtotal	583,662	506,031	77,630
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock	17,435	19,075	(1,639)
Bonds:			
National	128,583	132,911	(4,328)
Local	215,525	216,444	(918)
Corporate	116,459	117,135	(675)
	460,568	466,491	(5,922)
Other	206,272	215,351	(9,078)
Subtotal	684,277	700,918	(16,640)
Total	¥1,267,939	¥1,206,950	¥ 60,989

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>2022</b>			
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock	\$ 851,009	\$ 374,082	\$476,926
Bonds:			
National	828,915	827,412	1,495
Local	565,307	561,761	3,546
Corporate	350,584	349,652	931
	1,744,815	1,738,843	5,972
Other	611,961	590,113	21,848
Subtotal	3,207,802	2,703,039	504,763
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock	86,959	99,125	(12,157)
Bonds:			
National	1,152,267	1,196,936	(44,660)
Local	2,565,830	2,596,323	(30,492)
Corporate	1,434,774	1,448,590	(13,808)
	5,152,880	5,241,857	(88,977)
Other	1,919,650	2,020,467	(100,808)
Subtotal	7,159,498	7,361,459	(201,952)
Total	\$10,367,309	\$10,064,498	\$302,802

(b) Gains and losses on sale of available-for-sale securities for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
<b>2022</b>			
Equity stock	¥ 6,079	¥2,308	¥ 692
Bonds:			
National	43,957	115	563
Local	138,608	236	174
Corporate	24,490	13	5
	207,056	364	743
Other	234,629	2,607	7,184
Total	¥447,765	¥5,281	¥8,620

	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
<b>2021</b>			
Equity stock	¥ 3,768	¥2,850	¥ 55
Bonds:			
National	163,087	197	647
Local	87,286	286	—
Corporate	18,960	40	—
	269,334	525	647
Other	135,690	1,555	3,257
Total	¥408,793	¥4,931	¥3,959

	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
<b>2022</b>			
Equity stock	\$ 49,669	\$18,857	\$ 5,654
Bonds:			
National	359,155	939	4,600
Local	1,132,510	1,928	1,421
Corporate	200,098	106	40
	1,691,772	2,974	6,070
Other	1,917,060	21,300	58,697
Total	\$3,658,509	\$43,148	\$70,430

### (6) Impairment losses on securities

For securities other than trading securities (excluding shares, etc. that do not have a market price and investments in partnerships), if the fair value has fallen significantly below their acquisition cost and the fair value is not expected to recover, said securities are recorded at fair value on the consolidated balance sheet and the valuation difference is treated as loss for the fiscal year ("impairment loss").

Impairment losses of nil and ¥7,065 million (¥7,065 million for equity stock) were recorded in the fiscal years ended March 31, 2022 and 2021, respectively.

The Bank determines whether fair value has decreased significantly based on the degree of such decrease. If the fair value as of the end of the fiscal year has decreased by 50 percent or greater than acquisition cost, all securities are deemed to have decreased materially. And if the fair value has decreased by 30 percent or more but less than 50 percent, the determination shall be made by taking into account changes in fair value over a certain period in the past and the performance of the issuing company concerned.

## 7. Net unrealized gains on available-for-sale securities

The following is a breakdown of net unrealized gains on available-for-sale securities recorded in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference	¥37,060	¥60,989	\$302,802
Available-for-sale securities	37,060	60,989	302,802
Money held in trust	—	—	—
Deferred tax liabilities	(11,168)	(18,394)	(91,249)
Net unrealized gains on available-for-sale securities (before equity equivalent)	25,891	42,595	211,545
Net unrealized gains attributable to non-controlling interests	—	—	—
Parent's ownership interest of affiliates' unrealized gains on available-for-sale securities	—	—	—
Net unrealized gains on available-for-sale securities	¥25,891	¥42,595	\$211,545

## 8. Loans and bills discounted

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions are as follows. Claims include corporate bonds in "Securities" in the consolidated balance sheets (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part, and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange assets, accrued interest and suspense payments in "Other assets," and customers' liabilities for acceptances and guarantees, as well as the securities in the case of a loan of securities (limited to those under a loan-for-use or lease agreement) that are indicated in the notes.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥ 5,435	¥ 4,513	\$ 44,407
Claims with risks	29,930	27,037	244,546
Claims requiring management	27,112	28,922	221,521
Loans overdue for three months or more	111	116	906
Restructured loans	27,000	28,806	220,606
Sub-total	62,478	60,473	510,482
Ordinary claims	3,149,563	3,023,366	25,733,826
Total	¥3,212,042	¥3,083,840	\$26,244,317

Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto mean the claim held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Claims with risks mean the claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, excluding the claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto.

Loans overdue for three months or more mean loans for which payment of principal or interest has been delayed for three months or more from the date following the agreed payment date, excluding the claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto and the claims with risks.

Restructured loans mean loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, concessions of principal repayment, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors, excluding the claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto, the claims with risks and the loans overdue for three months or more.

Ordinary claims mean the claims categorized as those other than the claims set forth above, whose debtors are not found to be problematic in terms of the financial status and business performance.

The above claim amounts are before deduction of reserve for possible loan losses.

(Changes in presentation)

Following the enforcement of the "Cabinet Office Order Partially Amending Ordinance for Enforcement of the Banking Act" (Cabinet Office Order No. 3, January 24, 2020) on March 31, 2022, the classification of "Risk-monitored loans" under the Banking Act is presented in accordance with the classification of disclosed claims under the Act on Emergency Measures for the Revitalization of Financial Functions.

Bills discounted are treated as financial transactions in accordance with "Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022)." Commercial bills and foreign bills bought are permitted to be sold or pledged and their total face value was as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Bills discounted	¥12,848	¥12,689	\$104,975

## 9. Guarantee obligations

Guarantee obligations for bonds in private placement (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) included in corporate bonds under "Securities" in the consolidated balance sheets were ¥26,354 million (\$215,328 thousand) and ¥23,339 million as of March 31, 2022 and 2021, respectively.

## 10. Assets pledged as collateral

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

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Assets pledged as collateral:			
Securities	¥484,461	¥463,257	\$3,958,338
Loans and bills discounted	256,221	97,207	2,093,479
Total	740,682	560,464	6,051,817
Liabilities corresponding to assets pledged as collateral:			
Deposits	17,212	15,526	140,632
Payables under securities lending transactions	12,696	56,643	103,733
Borrowed money	678,399	370,133	5,542,928

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2022 and 2021:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Securities	¥ 372	¥ 400	\$ 3,039
Other assets	30,000	30,000	245,118

As of March 31, 2022 and 2021, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥6,710 million (\$54,824 thousand) and ¥7,389 million, and guarantees and household deposits of ¥1,055 million (\$8,619 thousand) and ¥1,140 million, respectively.

## 11. Commitment line agreements on overdrafts and loans

Commitment line agreements on overdrafts and loans are agreements to lend funds to customers upon application up to a prescribed amount as long as there is no violation of any condition established in the contract. The balance of unused loans under these agreements as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Unused commitments	¥1,009,060	¥1,017,138	\$8,244,627
Contracts with less than a year of contract period or contracts that are cancellable unconditionally at any time	919,092	943,477	7,509,535

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily have effect on the future cash flow of the Group. Many of these commitments have clauses that allow the Group to refuse an application from customers or reduce the limit amount with proper reasons (e.g. changes in financial situation, to secure claims, etc.). In addition, the Group may request the customers to pledge collateral such as real estate and securities at the time of the contracts if necessary and take necessary measures periodically based on a prescribed internal procedure after conclusion of contracts such as monitoring customers' business status, revising contracts and securing claims.

## 12. Income taxes

### (1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Deferred tax assets:			
Net unrealized losses on available-for-sale securities	¥ 7,514	¥ 5,058	\$ 61,393
Excess reserve for possible loan losses	6,914	7,513	56,491
Net defined benefit liability	2,320	2,046	18,955
Excess depreciation	1,067	1,098	8,718
Reserve for bonuses	505	466	4,126
Loss on devaluation of equity securities	333	2,438	2,720
Net deferred losses on hedging instruments	35	389	285
Other	2,089	2,257	17,068
Subtotal	20,780	21,269	169,785
Valuation reserve	(6,218)	(7,386)	(50,804)
Deferred tax assets	14,562	13,882	118,980
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(18,682)	(23,453)	(152,643)
Net deferred gains on hedging instruments	(1,175)	(1,578)	(9,600)
Reserve for advanced depreciation of non-current assets	(119)	(119)	(972)
Other	(27)	(29)	(220)
Deferred tax liabilities	(20,005)	(25,180)	(163,452)
Net deferred tax liabilities	¥ (5,443)	¥(11,297)	\$ (44,472)

### (2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting for the fiscal years ended March 31, 2022 and 2021.

	2022	2021
Statutory income tax rate	30.4%	30.4%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	0.3	1.0
Non-taxable income, including dividend income	(2.6)	(6.5)
Per-capita resident tax	0.4	1.1
Increase (decrease) of valuation reserve	(7.8)	15.1
Other	1.4	8.7
Effective income tax rate under tax-effect accounting	22.1%	49.8%

## 13. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2022 and 2021 amounted to ¥37,546 million (\$306,773 thousand) and ¥37,763 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,452 million (\$20,034 thousand) and ¥2,452 million as of March 31, 2022 and 2021, respectively. Reduction entry for the fiscal years ended March 31, 2022 and 2021 amounted to nil, respectively.

## 14. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank's land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liability for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as revaluation reserve for land in stockholders' equity.

As of March 31, 2022 and 2021, the difference between the carrying amount and the fair value of the revalued land was ¥12,331 million (\$100,751 thousand) and ¥12,324 million, respectively.

## 15. Asset retirement obligations

Notes on asset retirement obligations have been omitted due to immateriality.

## 16. Investment and rental property

Notes on investment and rental property have been omitted due to immateriality.

## 17. Other income

Other income includes the following:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Lease revenue	¥7,594	¥7,754	\$62,047
Gain on sale of equity securities	2,308	2,850	18,857

## 18. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥14,546 million (\$118,849 thousand) and ¥14,797 million for the fiscal years ended March 31, 2022 and 2021, respectively.

## 19. Other expenses

(1) Other expenses include the following:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Cost of lease	¥6,255	¥6,442	\$51,107
Loan write-offs	1,912	1,362	15,622
Loss on devaluation of equity securities	1	7,065	8

## (2) Impairment losses

During the fiscal years ended March 31, 2022 and 2021, the Bank recorded impairment losses on fixed assets as described below:

		Millions of yen	
		Impairment losses	
		2022	2021
Kagawa Pref. ... Assets for business use and idle assets (2022: 19 locations, 2021: 13 locations)	Land, buildings and movables	¥67	¥118
	land:	57	71
	buildings:	8	44
	movables:	1	1
Other ..... Assets for business use and idle assets (2022: 5 locations, 2021: 7 locations)	Land and buildings and movables	¥ 5	¥ 41
	land:	0	26
	buildings:	4	13
	movables:	0	1
Total .....		¥72	¥161
		land: 57	land: 97
		buildings: 12	buildings: 59
		movables: 2	movables: 3
	Thousands of U.S. dollars		
	Impairment losses		
	2022		
Kagawa Pref. ... Assets for business use and idle assets (2022: 19 locations)	Land, buildings and movables	\$547	
	land:	465	
	buildings:	65	
	movables:	8	
Other ..... Assets for business use and idle assets (2022: 5 locations)	Land and buildings	\$ 40	
	land:	0	
	buildings:	32	
	movables:	0	
Total .....		\$588	
		land: 465	
		buildings: 98	
		movables: 16	

The Bank posted impairment losses of ¥72 million (\$588 thousand) and ¥161 million, respectively, during the fiscal years ended March 31, 2022 and 2021 on land, buildings and movables due to a fall in operating cash flows and continuous declines in land prices. The Bank reduced the carrying amounts of the corresponding assets to the recoverable amounts, and recorded the difference between the carrying amount and recoverable amount of each asset as impairment losses under other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment losses; however, jointly managed branches are treated as a single cash generating unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future.

At the Bank's consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

For the fiscal year ended March 31, 2022, the recoverable amounts are measured using the net selling prices. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal.

For the fiscal year ended March 31, 2021, the recoverable amounts are measured using the higher of either the net selling prices or value in use. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal, and value in use is calculated by discounting the future cash flow at discount rates of 0.1%.

## 20. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized gains (losses) on available-for-sale securities, net of taxes:			
Amount recognized during the year .....	¥(24,176)	¥36,576	\$(197,532)
Amount of recycling .....	247	2,898	2,018
Prior to income tax effect.....	(23,929)	39,474	(195,514)
Income tax effect .....	7,225	(11,927)	59,032
Net unrealized gains (losses) on available-for-sale securities, net of taxes .....	(16,703)	27,547	(136,473)
Net deferred gains (losses) on hedging instruments, net of taxes:			
Amount recognized during the year .....	(530)	13,857	(4,330)
Amount of recycling .....	373	751	3,047
Prior to income tax effect.....	(157)	14,609	(1,282)
Income tax effect .....	47	(4,441)	384
Net deferred gains (losses) on hedging instruments .....	(109)	10,167	(890)
Remeasurements of defined benefit plans:			
Amount recognized during the year .....	(657)	5,076	(5,368)
Amount of recycling .....	91	708	743
Prior to income tax effect.....	(566)	5,785	(4,624)
Income tax effect .....	172	(1,758)	1,405
Remeasurements of defined benefit plans .....	(394)	4,026	(3,219)
Total other comprehensive income	¥(17,207)	¥41,741	\$(140,591)

## 21. Finance leases

Information on finance leases for the fiscal years ended March 31, 2022 and 2021 are as follows:

### 1. As lessee

Finance lease transactions that do not transfer ownership

#### (1) Components of lease assets

(a) *Tangible fixed assets*

Primarily consisting of ATMs

(b) *Intangible fixed assets*

Not applicable.

#### (2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in "3. Significant accounting policies (5) Depreciation".

## 2. As lessor

### (1) Breakdown of investment in leases

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Lease receivables.....	¥20,140	¥21,746	\$164,555
Estimated residual value.....	3,025	3,152	24,716
Interest received .....	(2,255)	(2,578)	(18,424)
Investments in leases .....	¥20,910	¥22,320	\$170,847

### (2) Schedule for collection of lease receivables and receivables on investments in leases by leasing contract maturity

2022	Millions of yen	
	Lease receivables	Receivables on investments in leases
Up to 1 year .....	¥180	¥6,443
Over 1 year, up to 2 years.....	91	5,039
Over 2 years, up to 3 years .....	48	3,792
Over 3 years, up to 4 years .....	26	2,497
Over 4 years, up to 5 years .....	3	1,298
Over 5 years.....	4	1,069

2021	Millions of yen	
	Lease receivables	Receivables on investments in leases
Up to 1 year .....	¥251	¥6,504
Over 1 year, up to 2 years.....	186	5,429
Over 2 years, up to 3 years .....	67	4,151
Over 3 years, up to 4 years .....	28	2,883
Over 4 years, up to 5 years .....	11	1,616
Over 5 years.....	0	1,161

2022	Thousands of U.S. dollars	
	Lease receivables	Receivables on investments in leases
Up to 1 year .....	\$1,470	\$52,643
Over 1 year, up to 2 years.....	743	41,171
Over 2 years, up to 3 years .....	392	30,982
Over 3 years, up to 4 years .....	212	20,401
Over 4 years, up to 5 years .....	24	10,605
Over 5 years.....	32	8,734

### 3. Operating leases

As lessor

Future minimum lease payments related to non-cancellable operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Up to 1 year .....	¥0	¥1	\$0
Over 1 year .....	—	0	—
Total .....	¥0	¥2	\$0

## 22. Financial instruments

### 1. Disclosures related to financial instruments

#### (1) Financial instrument policies

The Group provides banking services, including leasing and other financial services. The Group limits risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. It categorizes capital (risk capital) according to the size of the risk, engaging in "integrated risk management," incorporating a capital allocation system that monitors risk versus return. The Group continues to improve efficiency in risk management, ensuring greater stability and soundness for the business as a whole.

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

The major types of financial assets held by the Group are loans and bills discounted and securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group's stockholders' equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are used as a pure investment vehicle or as part of a Group investment policy. In addition, certain bonds are held for resale. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and/or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

For certain interest rate swaps, individual deferred hedge accounting is applied so that the hedged items and hedging instruments directly match. Evaluation of hedge effectiveness is omitted as material terms related to the hedged items and hedging instruments are substantially identical and the market fluctuations or cash flow fluctuations are offset at the time of commencement and continuously thereafter. In addition, the Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Committee Practical Guideline No. 25 for currency swap and foreign exchange swap transactions that are concluded for the purpose of hedging foreign exchange rate risk associated with foreign currency denominated financial assets. Hedge effectiveness of these hedge transactions is evaluated by confirming the correspondence of the position to the amount of foreign currency denominated financial assets hedged.

#### (3) Risk management for financial instruments

(a) *Credit risk management*

The Group has compiled Credit Risk Management Rules and related documents, and the Risk Management Committee (Credit Risk Management Subcommittee) monitors and manages credit risk exposures.

In addition, the Risk Management Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits.

(b) *Market risk management*

The Group has established Market Risk Management Rules along with relevant documentation, and the Risk Management Committee (Market Risk Management Subcommittee) monitors market risk and maintains management systems. The Revenue Management Committee (Budget ALM Subcommittee) deliberates on the stability of medium and long-term profit in light of risk circumstances.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

(i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and/or profits and losses for securities, derivatives, and other market transactions. The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of ALM.

(ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

(iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

(iv) Quantitative information regarding market risks

a. Financial instruments held for trading purposes

In measuring the VaR of interest rate risks associated with trading securities, interest rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Group applies the historical simulation method with a holding period of 10 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2022 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥11 million (\$89 thousand) (compared with ¥6 million at the end of the previous fiscal year).

b. Financial instruments not held for trading purposes

In measuring the VaR of interest rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares and investment trusts, etc. the Group applies the historical simulation method with a holding period of 120 days, a confidence interval of 99% and an observation period of 1,200 business days.

The VaR of financial instruments not held for trading purposes amounted to ¥57,708 million (\$471,509 thousand) and ¥60,786 million as of March 31, 2022 and 2021, respectively.

c. VaR

The Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.

However, VaR determined using the historical simulation method is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances. To supplement the limitations of VaR, the Group conducts stress testing periodically in addition to the management using VaR.

(c) Liquidity risk management

The Group has established Liquidity Risk Management Rules and other related guidelines as a basis for managing liquidity risk. The Group has also established Liquidity Crisis Response Rules to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classify them into the categories of "caution" and "crisis", thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group's investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on the said risk.

(4) Supplementary information regarding fair value of financial instruments

Since certain assumptions are used to calculate the fair value of financial instruments, the said value may vary when differing assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2022 and 2021 are as follows. Shares, etc. that do not have a market price and investments in partnerships are not readily determinable are not included in the following table (Note 1). Notes to cash and due from banks, call loans and bills bought, monetary claims bought, foreign exchange (assets and liabilities), call money and bills sold, and payables under securities lending transactions are omitted because the fair values approximate book values due to their short maturities.

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
<b>2022</b>			
(1) Securities			
Available-for-sale securities .....	¥1,268,855	¥1,268,855	¥ —
(2) Loans and bills discounted .....	3,159,889		
Reserve for possible loan losses*1 .....	(16,737)		
	3,143,152	3,141,889	(1,262)
Total assets .....	4,412,007	4,410,745	(1,262)
(1) Deposits .....	4,558,239	4,558,378	139
(2) Negotiable certificates of deposit .....	74,576	74,579	2
(3) Borrowed money .....	700,615	700,571	(43)
Total liabilities .....	5,333,430	5,333,529	98
Derivative Transactions*2			
Not subject to hedge accounting	(389)	(389)	—
Subject to hedge accounting .....	513	513	—
Total Derivative Transactions .....	¥ 123	¥ 123	¥ —

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
<b>2021</b>			
(1) Trading account securities .....	¥ 13	¥ 13	¥ —
(2) Securities			
Available-for-sale securities .....	1,267,939	1,267,939	—
(3) Loans and bills discounted .....	3,035,782		
Reserve for possible loan losses*1 .....	(16,503)		
	3,019,279	3,032,939	13,660
Total assets .....	4,287,232	4,300,892	13,660
(1) Deposits .....	4,440,571	4,440,659	87
(2) Negotiable certificates of deposit .....	84,721	84,724	3
(3) Borrowed money .....	393,331	393,458	126
Total liabilities .....	4,918,624	4,918,842	217
Derivative Transactions*2			
Not subject to hedge accounting	(52)	(52)	—
Subject to hedge accounting .....	2,383	2,383	—
Total Derivative Transactions .....	¥ 2,331	¥ 2,331	¥ —

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
<b>2022</b>			
(1) Securities			
Available-for-sale securities .....	\$10,367,309	\$10,367,309	\$ —
(2) Loans and bills discounted .....	25,818,195		
Reserve for possible loan losses*1 .....	(136,751)		
	25,681,444	25,671,125	(10,311)
Total assets .....	36,048,753	36,038,442	(10,311)
(1) Deposits .....	37,243,557	37,244,693	1,135
(2) Negotiable certificates of deposit .....	609,330	609,355	16
(3) Borrowed money .....	5,724,446	5,724,086	(351)
Total liabilities .....	43,577,334	43,578,143	800
Derivative Transactions*2			
Not subject to hedge accounting	(3,178)	(3,178)	—
Subject to hedge accounting .....	4,191	4,191	—
Total Derivative Transactions .....	\$ 1,004	\$ 1,004	\$ —

\*1 General reserve for possible loan losses and specific reserve for possible loan losses for loans and bills discounted are deducted from above.

\*2 Derivative transactions in the above table are recorded on a net basis with liabilities presented in parentheses.

\*3 Items with no material impact have not been listed.

(Note 1) The consolidated balance sheet amount of shares, etc. that do not have a market price and investments in partnership are as follows. These are not included in Available-for-sale securities in the tables above.

Category	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount	2021	2022
1. Private equity shares*1*2 .....	¥2,730	¥2,731	\$22,305
2. Investments in partnership*3*4 ..	3,292	2,272	26,897

\*1 Private equity shares are excluded from fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

\*2 Impairment loss on private equity shares of ¥1 million (\$8 thousand) was recognized for the fiscal year ended March 31, 2022. No impairment loss on private equity shares was recognized for the fiscal year ended March 31, 2021.

\*3 Investments in partnership are excluded from the disclosure of fair value in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

\*4 Impairment loss on investments in partnership of ¥3 million (\$24 thousand) and ¥0 million for the fiscal years ended March 31, 2022 and 2021, respectively.

(Note 2) The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2022 and 2021 are as follows:

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
<b>2022</b>						
Securities:						
Available-for-sale securities with maturities .....	¥ 56,976	¥ 84,907	¥195,123	¥107,398	¥450,250	¥188,994
National government bonds .....	25,000	—	71,000	10,000	20,000	118,000
Local government bonds .....	2,497	22,185	19,053	41,353	270,362	31,005
Corporate bonds .....	10,524	20,603	24,233	31,643	106,910	26,097
Other .....	18,954	42,118	80,837	24,401	52,978	13,891
Loans and bills discounted* .....	1,116,427	536,958	386,930	274,686	292,236	505,709
Total .....	¥1,173,404	¥621,865	¥582,054	¥382,084	¥742,486	¥694,704

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
<b>2021</b>						
Securities:						
Available-for-sale securities with maturities .....	¥ 44,743	¥105,102	¥110,466	¥ 44,310	¥513,604	¥239,965
National government bonds .....	12,000	25,000	40,000	—	31,000	138,000
Local government bonds .....	901	8,455	14,716	15,316	284,191	11,710
Corporate bonds .....	8,994	19,518	17,684	3,238	105,150	22,487
Other .....	22,848	52,129	38,065	25,756	93,263	67,766
Loans and bills discounted* .....	1,059,157	477,477	421,689	258,143	289,482	485,712
Total .....	¥1,103,901	¥582,580	¥532,156	¥302,454	¥803,087	¥725,677

	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
<b>2022</b>						
Securities:						
Available-for-sale securities with maturities .....	\$ 465,528	\$ 693,741	\$1,594,272	\$ 877,506	\$3,678,813	\$1,544,194
National government bonds .....	204,265	—	580,112	81,706	163,412	964,131
Local government bonds .....	20,401	181,264	155,674	337,878	2,209,020	253,329
Corporate bonds .....	85,987	168,338	197,998	258,542	873,519	213,228
Other .....	154,865	344,129	660,486	199,370	432,862	113,497
Loans and bills discounted* .....	9,121,880	4,387,270	3,161,451	2,244,350	2,387,744	4,131,947
Total .....	\$9,587,417	\$5,081,011	\$4,755,731	\$3,121,856	\$6,066,557	\$5,676,150

\*Loans and bills discounted do not include ¥35,324 million (\$288,618 thousand) and ¥31,512 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥11,617 million (\$94,917 thousand) and ¥12,606 million in loans with no established maturity as of March 31, 2022 and 2021, respectively.

(Note 3) The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2022 and 2021 is as follows:

2022	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥4,359,368	¥182,310	¥ 6,220	¥ 137	¥10,202	¥ —
Negotiable certificates of deposit	74,536	40	—	—	—	—
Borrowed money	424,827	94,239	179,641	1,336	289	281
Total	¥4,858,731	¥276,589	¥185,861	¥1,473	¥10,492	¥281

2021	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥4,257,165	¥177,123	¥ 5,880	¥147	¥253	¥—
Negotiable certificates of deposit	84,629	92	—	—	—	—
Borrowed money	266,241	35,506	90,438	763	382	—
Total	¥4,608,036	¥212,721	¥96,319	¥910	¥635	¥—

2022	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	\$35,618,661	\$1,489,582	\$ 50,821	\$ 1,119	\$83,356	\$ —
Negotiable certificates of deposit	609,004	326	—	—	—	—
Borrowed money	3,471,092	769,989	1,467,775	10,915	2,361	2,295
Total	\$39,698,758	\$2,259,898	\$1,518,596	\$12,035	\$85,725	\$2,295

\*Among deposits, demand deposits are included in "Up to 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 identical assets or liabilities.

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

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

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments measured at fair value

2022	Millions of yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
National government bonds	¥242,477	¥ —	¥ —	¥ 242,477
Local government bonds	—	383,220	—	383,220
Corporate bonds	—	192,145	26,365	218,511
Equity stock	114,799	—	—	114,799
Other	26,544	88,879	15,170	130,594
Total assets	¥383,821	¥664,246	¥41,535	¥1,089,603
Derivative transactions				
Interest rate related	¥ —	¥ 3,870	¥ —	¥ 3,870
Currency related	—	(3,746)	—	(3,746)
Total derivative transactions	¥ —	¥ 123	¥ —	¥ 123

2022	Thousands of U.S. dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
National government bonds	\$1,981,183	\$ —	\$ —	\$1,981,183
Local government bonds	—	3,131,138	—	3,131,138
Corporate bonds	—	1,569,940	215,417	1,785,366
Equity stock	937,976	—	—	937,976
Other	216,880	726,194	123,948	1,067,031
Total assets	\$3,136,048	\$5,427,289	\$339,365	\$8,902,712
Derivative transactions				
Interest rate related	\$ —	\$ 31,620	\$ —	\$ 31,620
Currency related	—	(30,607)	—	(30,607)
Total derivative transactions	\$ —	\$ 1,004	\$ —	\$ 1,004

\*Investment trusts, etc. to which the transitional treatment provided in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) has been applied are not included in the table above. The amount of such investment trusts, etc. in the consolidated balance sheet is ¥179,251 million (\$1,464,588 thousand).

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

2022	Millions of yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥—	¥ —	¥3,141,889	¥3,141,889
Total assets	¥—	¥ —	¥3,141,889	¥3,141,889
Deposits	¥—	¥4,558,378	¥ —	¥4,558,378
Negotiable certificates of deposit	—	74,579	—	74,579
Borrowed money	—	700,571	—	700,571
Total liabilities	¥—	¥5,333,529	¥ —	¥5,333,529

2022	Thousands of U.S. dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	\$—	\$ —	\$25,671,125	\$25,671,125
Total assets	\$—	\$ —	\$25,671,125	\$25,671,125
Deposits	\$—	\$37,244,693	\$ —	\$37,244,693
Negotiable certificates of deposit	—	609,355	—	609,355
Borrowed money	—	5,724,086	—	5,724,086
Total liabilities	\$—	\$43,578,143	\$ —	\$43,578,143

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

Assets

Securities:

Securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 fair value. This mainly includes listed equity stock and national government bonds.

Securities for which published quoted market prices are available but the market is not active are classified as Level 2 fair value. This mainly includes local government bonds and corporate bonds.

When quoted market prices are not available, fair value is estimated using valuation techniques such as valuation prices obtained from third parties such as brokers or present value of future cash flows. The valuation is based on the maximum use of observable inputs, which include TIBOR, national government bond yields, swap rates, and credit spreads. When significant unobservable inputs are used in the calculation, the fair value is classified as Level 3 fair value.

Investment trusts are based on published reference prices, and no level is attached by applying transitional measures in accordance with Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement."

The fair value of self-guaranteed privately-subscribed bonds is calculated by discounting the total amount of principal and interest by the interest rate that would be assumed if similar bonds were issued, by category based on internal rating and term, and is classified as Level 3 fair value because the discount rate is unobservable.

Notes regarding securities by purpose of holding are described in "6. Securities and trading account securities."

Loans and bills discounted:

The fair value of loans and bills discounted is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable to a similar new loan based on the loan type, internal rating, and term, and is classified as Level 3 fair value because the relevant discount rate is unobservable. For loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers, reserve for possible loan losses is provided based on the present value of estimated future cash flows or the amount expected to be collected through collateral and guarantees, etc. As the fair value approximates the amount of loans less the amount of reserve for possible loan losses on the consolidated balance sheet as of the end of the fiscal year, this value is used as fair value and classified as Level 3 fair value.

For loans and bills discounted that do not have a repayment date due to characteristics such as limiting such loans to the scope of collateral assets, book value is used as fair value because the fair value is assumed to approximate the book value based on the expected repayment period and interest rate terms, etc. Such loans and bills discounted are classified as Level 3 fair value.

Liabilities

Deposits and Negotiable certificates of deposit:

For demand deposits, the amount payable on demand at the end of the fiscal year (book value) is considered to be the fair value. The fair value of time deposits is calculated as the present value of future cash flows discounted by a certain period of time. The discount rate used is the interest rate applicable to new deposits. For those with short deposit terms (6 months or less), book value is used as fair value because the fair value approximates the book value. Such fair value is classified as Level 2 fair value.

Borrowed money:

The present value of borrowed money is calculated by discounting the total amount of principal and interest of the relevant borrowings, classified by a certain period of time, by the interest rate assumed for similar borrowings.

For those with floating interest rates, the book value is used as the fair value because the fair value is considered to approximate the book value since the floating interest rate reflects the market interest rate in a short period of time and the credit conditions of the Bank and its consolidated subsidiaries have not changed significantly since the borrowings were executed. For those with short contractual terms (1 year or less), book value is used as fair value because the fair value approximates the book value. Such fair value is classified as Level 2 fair value.

Derivative transactions:

For exchange-traded transactions, those for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value.

For over-the-counter transactions, fair value is calculated using valuation techniques such as present value techniques and option pricing models with inputs such as interest rates, exchange rates, and volatility. In addition, price adjustments are made based on the credit risk of the counterparty and the Bank's own credit risk. When unobservable inputs are not used or their effect is not material, the Bank classifies the instruments as Level 2 fair value, and when significant unobservable inputs are used, the Bank classifies the instruments as Level 3 fair value.

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

(1) Quantitative information on significant unobservable inputs

2022	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted average of inputs
Securities:				
Available-for-sale securities:				
Privately-subscribed bonds	Present value technique	Credit spread	0.04% to 0.27%	0.08%

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period

	Millions of yen	
	Securities	
	Available-for-sale securities	
	Privately-subscribed bonds	Structured bonds
<b>2022</b>		
Beginning balance	¥23,378	¥36,964
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	(1,597)
Recorded in other comprehensive income (*2)	(27)	1,279
Purchases, sales, issuances, and settlements (net)	3,014	(21,477)
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	¥26,365	¥15,170
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period	¥ —	¥ —

	Thousands of U.S. dollars	
	Securities	
	Available-for-sale securities	
	Privately-subscribed bonds	Structured bonds
<b>2022</b>		
Beginning balance	\$191,012	\$302,018
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	(13,048)
Recorded in other comprehensive income (*2)	(220)	10,450
Purchases, sales, issuances, and settlements (net)	24,626	(175,480)
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	\$215,417	\$123,948
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period	\$ —	\$ —

(\*1) Included in "other operating income" and "other operating expenses" in the consolidated statements of income.

(\*2) Included in "net unrealized gains (losses) on available-for-sale securities" under "other comprehensive income" in the consolidated statements of comprehensive income.

(\*3) Transferred out of Level 2 fair value into Level 3 fair value. Not applicable for the current fiscal year.

(\*4) Transferred out of Level 3 fair value into Level 2 fair value. Not applicable for the current fiscal year.

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

The Group's risk management department and middle office have established policies and procedures for the calculation of fair value, and the front office formulates a fair value model in accordance with these policies and procedures. The fair value calculated by the back office is verified by the middle office to ensure the appropriateness of the fair value valuation model and inputs, and the appropriateness of the classification of fair value levels. The results of the verification are reported to the risk management department each fiscal year to ensure the appropriateness of the fair value calculation policies and procedures.

The fair value model utilizes observable data to the extent possible. In cases where quoted market prices obtained from third parties are used, the Group verifies the appropriateness of the prices by comparing them with recalculated results using observable inputs.

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

Credit spread:

The credit spread is the additional interest rate included in the coupon rate of the privately-subscribed bonds and is an estimate calculated based on the past one year of issuance. A significant increase (decrease) in the credit spread would result in a significant decrease (increase) in the fair value.

## 23. Accrued retirement benefits

### (1) Overview of retirement benefit scheme adopted by the Bank

As defined-benefit type plans, the Bank has established a contract-type defined benefit corporate pension plan and a retirement lump-sum payment plan. In some cases, an extra severance package is provided to employees on their retirement and so on. In addition, the Bank has set up a retirement benefit trust.

The Bank's consolidated subsidiaries have established a retirement lump-sum payment plan as defined-benefit type plans, and a defined contribution pension plan as defined-contribution type plan. Further, for the retirement lump-sum payment plan of consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated by the simplified method.

### (2) Defined benefit plan

(a) Reconciliation of retirement benefit obligations at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the years ended March 31,			
Retirement benefit obligations at beginning of period	¥58,818	¥57,403	\$480,578
Service costs*	1,608	1,573	13,138
Interest costs	139	136	1,135
Actuarial differences	260	1,798	2,124
Retirement benefits paid	(2,061)	(2,093)	(16,839)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥58,765	¥58,818	\$480,145

\*Retirement benefit costs of consolidated subsidiaries that apply the simplified method are all recorded within "Service costs."

(b) Reconciliation of pension assets at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the fiscal years ended March 31,			
Pension assets at beginning of period	¥66,335	¥58,919	\$541,996
Expected return on pension assets	1,160	726	9,477
Actuarial differences	(396)	6,875	(3,235)
Contribution from employer	1,256	1,328	10,262
Retirement benefits paid	(1,522)	(1,514)	(12,435)
Pension assets at end of period	¥66,833	¥66,335	\$546,065

(c) Reconciliation of retirement benefit obligations and pension assets at end of period and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
As of March 31,			
Retirement benefit obligations of funded plan	¥ 58,765	¥ 58,818	\$ 480,145
Pension assets	(66,833)	(66,335)	(546,065)
	(8,067)	(7,516)	(65,912)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥ (8,067)	¥ (7,516)	\$ (65,912)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
As of March 31,			
Net defined benefit liability	¥ 208	¥ 204	\$ 1,699
Net defined benefit asset	(8,276)	(7,721)	(67,619)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(8,067)	¥(7,516)	\$ (65,912)

(d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the fiscal years ended March 31,			
Service costs*	¥1,608	¥1,573	\$13,138
Interest costs	139	136	1,135
Expected return on pension assets	(1,160)	(726)	(9,477)
Amortization of actuarial differences	91	708	743
Amortization of past service costs	—	—	—
Retirement benefit costs for defined benefit plans	¥ 678	¥1,691	\$ 5,539

\*Retirement benefit costs of consolidated subsidiaries that use the simplified method are recorded in a lump-sum in "Service costs."

(e) Remeasurements of defined benefit plans in other comprehensive income

The breakdown of items (before adjusting for tax effects) recorded in remeasurements of defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the fiscal years ended March 31,			
Actuarial differences	¥(566)	¥5,785	\$(4,624)
Total	¥(566)	¥5,785	\$(4,624)

(f) Remeasurements of retirement benefit plans in accumulated other comprehensive income

The following is a breakdown of items (before adjusting for tax effects) recorded in remeasurements of retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
As of March 31,			
Unrecognized actuarial differences	¥(1,924)	¥(1,357)	\$(15,720)
Total	¥(1,924)	¥(1,357)	\$(15,720)

(g) Items related to pension assets

(i) The following is the percentage of total pension assets by main category:

As of March 31,	2022	2021
Bonds	12.8%	14.9%
Stocks	34.0	45.1
Life insurers' general account	24.9	24.9
Other	28.3	15.1
Total	100.0%	100.0%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (18.0% and 19.5% as of March 31, 2022 and 2021, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (21.0% and 20.3% as of March 31, 2022 and 2021, respectively).

(ii) Method for determining expected long-term rate of return on pension assets:

To determine expected long-term rate of return on pension assets, the Bank considers the current and projected pension asset allocations, as well as long-term rate of current returns and expected returns from each category consisting of pension assets.

(h) Assumptions for making actuarial calculation

Major assumptions for actuarial calculations at the end of the fiscal year

	2022	2021
1) Discount rate	0.23%	0.23%
2) Expected long-term rate of return	mainly 2.00% to 3.00%	2.00%
3) Assumed salary increase rate	3.20%	3.20%

### (3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$7 thousand) and ¥7 million for the years ended March 31, 2022 and 2021, respectively.

## 24. Stock options

### 1. Amount and title of expense recognized for stock options

Not applicable.

### 2. Stock option details, size, and changes

#### (1) Stock option details

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Category and number of grant recipients	The Bank's ten directors	The Bank's ten directors	The Bank's ten directors (excluding outside directors)	The Bank's nine directors (excluding outside directors)	The Bank's eight directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 17,500 shares	Common stock: 17,250 shares	Common stock: 13,660 shares	Common stock: 9,430 shares	Common stock: 13,770 shares
Grant date	July 24, 2012	July 23, 2013	July 25, 2014	July 24, 2015	July 26, 2016
Vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified
Exercise period	July 25, 2012 to July 24, 2042	July 24, 2013 to July 23, 2043	July 26, 2014 to July 25, 2044	July 25, 2015 to July 24, 2045	July 27, 2016 to July 26, 2046

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

#### (2) Stock option size and changes

##### (a) Number of stock options

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Prior to vesting (shares):					
Prior fiscal year end	1,460	1,440	2,280	2,580	5,160
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested shares	1,460	1,440	1,140	860	1,480
Unvested shares	—	—	1,140	1,720	3,680
After vesting (shares):					
Prior fiscal year end	—	—	—	—	—
Vested shares	1,460	1,440	1,140	860	1,480
Exercised	1,460	1,440	1,140	860	1,480
Expired	—	—	—	—	—
Unexercised	—	—	—	—	—

Note: Converted to the number of shares equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

##### (b) Unit price information (in year)

	2012 stock options	2013 stock options	2014 stock options	2015 stock options	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	Per share: ¥1,462	Per share: ¥1,462	Per share: ¥1,462	Per share: ¥1,462	Per share: ¥1,462
Fair value on grant date	Per share: ¥2,560	Per share: ¥3,210	Per share: ¥3,350	Per share: ¥4,090	Per share: ¥2,850

Note: Converted to the price equivalent to that after the 1-for-10 reverse stock split implemented on October 1, 2018.

### 3. Method for estimating number of vested stock options

In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

## 25. Derivative transactions

### (1) Type of transactions

The Group undertakes the following derivative transactions: interest-rate swaps and others for interest rate-related transactions; currency swaps, forward exchange contracts and currency options for currency-related transactions; and bond futures for bond-related transactions.

### (2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank's assets and liabilities.

Fair value of interest rate-related transactions as of March 31, 2022 and 2021 were as follows:

2022	Millions of yen			Appraised profit/(loss)
	Contracted value Total	Over 1 year	Fair value	
<b>Over the Counter</b>				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥32,657	¥31,631	¥378	¥378
Variable rate receivable/fixed rate payable	32,657	31,631	14	14
Others:				
Sell	7,437	7,299	(16)	95
Buy	7,437	7,299	17	(9)
Total			¥392	¥478

2021	Millions of yen			Appraised profit/(loss)
	Contracted value Total	Over 1 year	Fair value	
<b>Over the Counter</b>				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥28,051	¥27,199	¥ 633	¥ 633
Variable rate receivable/fixed rate payable	28,051	27,199	(292)	(292)
Others:				
Sell	6,911	6,788	(4)	100
Buy	6,911	6,788	4	(18)
Total			¥ 341	¥ 423

2022	Thousands of U.S. dollars			Appraised profit/(loss)
	Contracted value Total	Over 1 year	Fair value	
<b>Over the Counter</b>				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	\$266,827	\$258,444	\$3,088	\$3,088
Variable rate receivable/fixed rate payable	266,827	258,444	114	114
Others:				
Sell	60,764	59,637	(130)	776
Buy	60,764	59,637	138	(73)
Total			\$3,202	\$3,905

Fair value of currency-related transactions as of March 31, 2022 and 2021 were as follows:

2022	Millions of yen			Appraised profit/(loss)
	Contracted value Total	Over 1 year	Fair value	
<b>Over the Counter</b>				
Currency swaps	¥ 6,748	¥ 6,748	¥ 3	¥ 3
Forward exchange contracts:				
Sell	111,260	29,751	(4,603)	(4,603)
Buy	88,781	28,073	3,886	3,886
Currency options:				
Sell	118,524	87,941	(4,326)	964
Buy	118,524	87,941	4,291	67
Others:				
Sell	71,571	71,571	(49)	(32)
Buy	71,571	71,571	16	864
Total			¥ (782)	¥ 1,149

2021	Millions of yen			Appraised profit/(loss)
	Contracted value Total	Over 1 year	Fair value	
<b>Over the Counter</b>				
Currency swaps	¥ 36,582	¥ 6,397	¥ 5	¥ 5
Forward exchange contracts:				
Sell	94,017	6,302	(1,810)	(1,810)
Buy	43,640	3,798	1,411	1,411
Currency options:				
Sell	286,218	202,296	(7,555)	6,042
Buy	286,218	202,296	7,555	(3,084)
Others:				
Sell	24,189	24,189	23	29
Buy	24,189	24,189	(23)	296
Total			¥ (393)	¥ 2,891

2022	Thousands of U.S. dollars			Appraised profit/(loss)
	Contracted value Total	Over 1 year	Fair value	
<b>Over the Counter</b>				
Currency swaps	\$ 55,135	\$ 55,135	\$ 24	\$ 24
Forward exchange contracts:				
Sell	909,061	243,083	(37,609)	(37,609)
Buy	725,394	229,373	31,750	31,750
Currency options:				
Sell	968,412	718,530	(35,346)	7,876
Buy	968,412	718,530	35,060	547
Others:				
Sell	584,778	584,778	(400)	(261)
Buy	584,778	584,778	130	7,059
Total			\$ (6,389)	\$ 9,388

**(3) Derivative transactions subject to hedge accounting**

The following are the contracted value or the amount equivalent to the principal and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the fiscal year. The contracted value, other price or value below does not indicate by itself the market risk of the derivative transaction.

*(a) Interest rate-related transactions*

As of March 31, 2022

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥149,100	¥124,100	¥3,477
Total					¥3,477

As of March 31, 2021

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥247,695	¥235,695	¥3,797
Total					¥3,797

As of March 31, 2022

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	\$1,218,236	\$1,013,971	\$28,409
Total					\$28,409

Note: In general, deferred hedge accounting method is applied to hedging transactions for interest rate risk arising from financial assets.

*(b) Currency-related transactions*

As of March 31, 2022

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps Monetary swaps	Foreign currency receivables	¥33,192 56,463	¥12,349 —	¥(1,358) (1,605)
Total					¥(2,964)

As of March 31, 2021

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps Monetary swaps	Foreign currency receivables	¥26,853 42,506	¥24,639 —	¥(1,289) (124)
Total					¥(1,413)

As of March 31, 2022

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps Monetary swaps	Foreign currency receivables	\$271,198 461,336	\$100,898 —	\$(11,095) (13,113)
Total					\$(24,217)

Note: In general, deferred hedge accounting is applied according to "Accounting and Auditing for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 25).

**26. Revenue recognition**

Disaggregation of revenue from contracts with customers

Category	Millions of yen	Thousands of U.S. dollars
	2022	2022
Operating income	¥73,092	\$597,205
Of which, Fees and commissions	12,190	99,599
Foreign exchange services	3,055	24,961
Deposit and loan services	2,415	19,732
Securities-related services	1,753	14,323
Guarantee services	387	3,162
Agency services	94	768
Others	4,483	36,628

(Note) The above table also includes income based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

**27. Segment information**

**(1) Overview of reportable segments**

Reportable segments are the Group's constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities. The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable securities and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by Hyakujushi Lease Co., Ltd.

**(2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment**

The method of accounting treatment applied to reportable segments is the same as that described in "3. Significant accounting policies."

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

**(3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment**

Information about reportable segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2022 and 2021 is as follows:

	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
<b>2022</b>							
Ordinary income:							
Outside customers	¥ 63,356	¥ 7,727	¥ 71,083	¥ 2,009	¥ 73,092	¥ —	¥ 73,092
Inter-segment transactions	592	627	1,220	3,403	4,624	(4,624)	—
Total	¥ 63,948	¥ 8,355	¥ 72,303	¥ 5,412	¥ 77,716	¥ (4,624)	¥ 73,092
Segment profit	¥ 13,781	¥ 327	¥ 14,109	¥ 1,643	¥ 15,752	¥ (564)	¥ 15,187
Segment assets	¥5,726,730	¥29,219	¥5,755,950	¥22,797	¥5,778,748	¥(31,481)	¥5,747,266
Segment liabilities	¥5,458,147	¥24,286	¥5,482,434	¥ 9,204	¥5,491,638	¥(28,708)	¥5,462,929
Other items:							
Depreciation	¥ 2,796	¥ 117	¥ 2,913	¥ 288	¥ 3,201	¥ 47	¥ 3,249
Interest income	41,338	272	41,611	92	41,703	(567)	41,136
Interest expenses	1,515	73	1,588	30	1,618	(109)	1,508
Gain from disposal of tangible assets	0	76	76	—	76	(20)	55
Loss from disposal of tangible assets	122	0	122	8	131	—	131
Impairment losses	72	—	72	—	72	—	72
Tax expenses	2,782	83	2,866	496	3,362	(26)	3,336
Increases in tangible fixed assets and intangible fixed assets	2,458	2	2,460	193	2,653	27	2,680



2021	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers .....	¥ 58,985	¥ 7,899	¥ 66,884	¥ 2,066	¥ 68,950	¥ —	¥ 68,950
Inter-segment transactions .....	572	563	1,136	3,489	4,625	(4,625)	—
Total .....	¥ 59,557	¥ 8,463	¥ 68,021	¥ 5,555	¥ 73,576	¥ (4,625)	¥ 68,950
Segment profit .....	¥ 3,837	¥ 316	¥ 4,154	¥ 1,555	¥ 5,710	¥ (402)	¥ 5,308
Segment assets .....	¥5,355,513	¥30,613	¥5,386,126	¥22,158	¥5,408,285	¥(32,716)	¥5,375,569
Segment liabilities .....	¥5,078,673	¥25,932	¥5,104,605	¥ 9,266	¥5,113,872	¥(30,002)	¥5,083,870
Other items:							
Depreciation .....	¥ 2,853	¥ 118	¥ 2,972	¥ 292	¥ 3,265	¥ 66	¥ 3,331
Interest income .....	40,805	234	41,040	98	41,139	(485)	40,653
Interest expenses .....	2,279	83	2,363	37	2,400	(114)	2,286
Gain from disposal of tangible assets .....	0	40	41	—	41	(1)	39
Loss from disposal of tangible assets .....	54	0	54	20	74	—	74
Impairment losses .....	161	—	161	97	258	(97)	161
Tax expenses .....	1,955	69	2,025	506	2,531	15	2,546
Increases in tangible fixed assets and intangible fixed assets .....	2,829	3	2,833	353	3,187	(360)	2,826

2022	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers .....	\$ 517,656	\$ 63,134	\$ 580,790	\$ 16,414	\$ 597,205	\$ —	\$ 597,205
Inter-segment transactions .....	4,836	5,122	9,968	27,804	37,780	(37,780)	—
Total .....	\$ 522,493	\$ 68,265	\$ 590,759	\$ 44,219	\$ 634,986	\$ (37,780)	\$ 597,205
Segment profit .....	\$ 112,599	\$ 2,671	\$ 115,279	\$ 13,424	\$ 128,703	\$ (4,608)	\$ 124,086
Segment assets .....	\$46,790,832	\$238,736	\$47,029,577	\$186,265	\$47,215,850	\$(257,218)	\$46,958,624
Segment liabilities .....	\$44,596,347	\$198,431	\$44,794,787	\$ 75,202	\$44,869,989	\$(234,561)	\$44,635,419
Other items:							
Depreciation .....	\$ 22,845	\$ 955	\$ 23,800	\$ 2,353	\$ 26,154	\$ 384	\$ 26,546
Interest income .....	337,756	2,222	339,986	751	340,738	(4,632)	336,105
Interest expenses .....	12,378	596	12,974	245	13,220	(890)	12,321
Gain from disposal of tangible assets .....	0	620	620	—	620	(163)	449
Loss from disposal of tangible assets .....	996	0	996	65	1,070	—	1,070
Impairment losses .....	588	—	588	—	588	—	588
Tax expenses .....	22,730	678	23,416	4,052	27,469	(212)	27,257
Increases in tangible fixed assets and intangible fixed assets .....	20,083	16	20,099	1,576	21,676	220	21,897

Notes: 1. In place of sales, which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.  
 2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.  
 3. The adjusted amounts of segment profit, segment assets, segment liabilities, depreciation, interest income, interest expenses, gain from disposal of tangible assets, impairment losses, tax expenses and increases in tangible fixed assets and intangible fixed assets are recorded mainly as eliminations.  
 4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

1. Information on each service

2022	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	¥27,957	¥20,201	¥7,727	¥17,205	¥73,092

2021	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	¥27,647	¥19,633	¥7,899	¥13,770	¥68,950

2022	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	\$228,425	\$165,054	\$63,134	\$140,575	\$597,205

2. Information on each area

(1) Ordinary income

Information is omitted since the amount attributed to income from external customers in Japan accounts for more than 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Information is omitted since the amount attributed to tangible fixed assets located in Japan accounts for more than 90% of the tangible fixed assets in the consolidated balance sheets.

3. Information on each major customer

Information is omitted since there are no specific customers from whom ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

(Information on impairment losses on fixed assets by reportable segment)

Information regarding impairment losses on fixed assets by reportable segment for the years ended March 31, 2022 and 2021 was as follows:

2022	Millions of yen					
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
Impairment losses on fixed assets .....	¥72	¥—	¥72	¥—	¥—	¥72

2021	Millions of yen					
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
Impairment losses on fixed assets .....	¥161	¥—	¥161	¥97	¥(97)	¥161

2022	Thousands of U.S. dollars					
	Banking	Leasing	Total	Other	Corporate/ Elimination	Total
Impairment losses on fixed assets .....	\$588	\$—	\$588	\$—	\$—	\$588

## 28. Related-party transactions

Not applicable to the fiscal years ended March 31, 2022 and 2021.

## 29. Per share data

Amounts per share as of March 31, 2022 and 2021 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share .....	¥9,639.96	¥9,892.54	\$78.764
Basic earnings per share .....	396.83	86.95	\$3.242
Diluted earnings per share .....	396.72	86.91	\$3.241

Notes: 1. Net assets per share figures are calculated on the basis of the following

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2022	2021	2022
Net assets .....	¥284,336	¥291,699	\$2,323,196
Amount excluded from net assets (of which, share subscription rights) .....	21	41	171
Net assets attributable to common stock at the fiscal year-end .....	284,315	291,657	2,323,024
Number of common stock at the fiscal-year end for calculation of net assets per share (in thousands) .....	29,493	29,482	

2. Basic and diluted earnings per share figures are calculated on the basis of the following

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2022	2021	2022
Basic earnings per share			
Profit attributable to owners of parent .....	¥11,702	¥2,565	\$95,612
Amount not attributable to common stockholders .....	—	—	—
Profit attributable to common stockholders .....	11,702	2,565	95,612
Average number of common stock during the year (in thousands) .....	29,490	29,499	
Diluted earnings per share			
Increase in number of common stock (in thousands) .....	8	12	
(of which, share subscription rights) .....	8	12	

3. The Bank's own stock remaining in the BIP Trust recorded as treasury stock in stockholders' equity is included in treasury stock to be deducted in the calculation of net assets per share, basic earnings per share, and diluted earnings per share.

The number of the said treasury stock deducted at year-end in the calculation of net assets per share was 87 thousand shares and 92 thousand shares as of March 31, 2022 and 2021, respectively. Moreover, the average number of the said treasury stock deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 88 thousand shares and 76 thousand shares for the fiscal years ended March 31, 2022 and 2021, respectively.

## 30. Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2022 is 0.07%.

Annual maturities of borrowed money as of March 31, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year .....	¥424,827	\$3,471,092
Over 1 year, up to 2 years .....	4,000	32,682
Over 2 years, up to 3 years .....	90,239	737,306
Over 3 years, up to 4 years .....	178,232	1,456,262
Over 4 years, up to 5 years .....	1,408	11,504
Over 5 years .....	1,909	15,597

## 31. Subsequent event

Acquisition and cancellation of treasury stock

At a meeting of the Board of Directors held on May 13, 2022, the Bank resolved to acquire its treasury stock in accordance with 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, and to cancel its treasury stock in accordance with the provisions of Article 178 of the Companies Act, which was implemented as follows (Note 1).

In addition, at a meeting of the Board of Directors held on August 9, 2022, the Bank resolved to cancel its treasury stock in accordance with the provisions of Article 178 of the Companies Act, and the cancellation was implemented as follows (Note 2).

- Details of treasury stock acquired
  - Type of shares acquired: Common stock
  - Total number of shares acquired: 583,900 shares
  - Total cost of stock acquired: ¥999.8715 million (\$8,169.552 thousand)
  - Period of acquisition of treasury stock: From May 16, 2022 to July 25, 2022
  - Method of acquisition: Market purchase on the Tokyo Stock Exchange
- Details of treasury stock cancelled
  - Type of shares cancelled: Common stock
  - Total number of shares cancelled:
    - 583,900 shares (Note 1)
    - 316,100 shares (Note 2)
    - Total 900,000 shares (Ratio to the total number of shares issued and outstanding before cancellation is 3.00%)
  - Date of cancellation: August 19, 2022
  - Total number of shares issued and outstanding after cancellation: 29,100,000 shares



## Independent Auditor's Report

The Board of Directors  
The Hyakujushi Bank, Ltd.

## Opinion

We have audited the accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter	Auditor's Response
Determination of debtor classification with respect to entities for which an assessment of business evaluation is necessary, entities for which a business improvement plan has been formulated and entities for which a downgrade in the debtor classification has a certain degree of impact on profit or loss of the Group.	
The Group has a wide-area retail network in Japan in 11 prefectures surrounding the Seto Inland Sea and urban areas, mainly in	In considering the appropriateness of the debtor classification, our audit procedures consisted primarily of the following:

Kagawa Prefecture, with its lending operations representing a core business activity. As of March 31, 2022, loans and bills discounted and advances of 3,159,889 million yen were recorded in the consolidated balance sheet, accounting for 54% of consolidated assets in the amount of 5,747,266 million yen.

The collectability of loans to customers by the Group is subject to uncertainties mainly due to economic trends in Japan and overseas, fluctuations in the business conditions of debtors who operate in Kagawa Prefecture and the surrounding region, and fluctuations in the economic environment such as a decline in the value of secured real estate and also the impact of the spread of the novel coronavirus disease. As a result, provision for additional losses arising from new non-performing loans may affect the Group's financial position and cash flow conditions.

As such, the Group calculates the amounts of expected loans that cannot be collected and records them as reserve for possible loan losses.

The reserve for possible loan losses included in the consolidated balance sheet as of March 31, 2022 was 18,285 million yen. Details, such as calculation methodology, are described in Section 6 "Reserve for possible loan losses," in Note 3 "Significant Accounting Policies" to the consolidated financial statements.

The reserve for possible loan losses is calculated in accordance with the Group's pre-established self-assessment provision policy. The calculation process includes the determination of the debtor classification, which is determined by assessing the relevant debtor's ability to repay loans based on the repayment status, financial position, business performance, and future prospects, including the impact of the spread of the novel coronavirus disease.

- We evaluated the Group's internal controls for determining the debtor classification. The controls tested included, but were not limited to, controls to evaluate the accuracy and completeness of schedules used in determining the debtor classification and controls over the underlying credit rating data concerning the debtor.
- Regarding when the novel coronavirus will be contained, management's assumptions were evaluated by comparing them with the economic forecasts published by external organizations.
- We selected samples taking into account the type of business, the location of the borrower, the financial position and repayment capacity, the group's lending policy and potential credit risk estimated from external information, including the impact of the spread of the novel coronavirus disease.
- We verified data on the recent repayment status of sampled debtors, their financial position, business performance, and future cash flows, and other business prospects by inspecting information related to the Group's self-assessment, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of the actual financial position, financial statements, and the trial balances, and, in addition, we made inquiries to the loan department as necessary to supplement our understanding.
- We examined the reasonableness and feasibility of business improvement plans by analyzing the trends from past results of the major planned items such as sales and profits / losses of debtors, etc., evaluating the accuracy of estimates based on the historical degree of achievement of business improvement plans in previous years. We also made inquiries with the loan department as necessary to

In determining the classification of debtors, it is necessary to evaluate the ability of debtors to repay their debts based on estimated future cash flows and the rationality and feasibility of management improvement plans, especially for debtors who have obtained loans following the Group's examination of their future business outlook and growth potential (entities for which an assessment of business evaluation is necessary) and debtors who have developed management improvement plans (entities for which a business improvement plan has been formulated). It is also important to evaluate the performance outlook, etc., considering the impact of the spread of the novel coronavirus disease, for debtors who may have a certain degree of impact profit or loss if their classification is revised downward.

The abovementioned performance forecasts for debtors, including debt repayment capacity and business improvement plans, are based on key assumptions such as forecasts of sales and profits / losses of debtors in the future. These assumptions will be affected by the effects of the spread of the novel coronavirus disease, changes in the business environment surrounding the debtors and the success or failure of business strategies. Therefore, the judgment of the debtor classification, which has a certain degree of impact on profit or loss of the Group when a downgrade in the debtor classification occurs, is highly dependent on the judgment of management.

Accordingly, we have determined that the determination of the debtor classification with respect to entities for which an assessment of business evaluation is necessary, entities for which a business improvement plan has been formulated and entities for which a downgrade in the debtor classification has a certain degree of impact on profit or loss of the Group to be a key audit matter.

supplement our understanding.



### Other Information

The other information comprises the information included in the INTEGRATED REPORT that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young ShinNihon LLC



- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC



### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

September 26, 2022

/s/ Motoki Nagao

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Motoki Nagao  
Designated Engagement Partner  
Certified Public Accountant

/s/ Teruaki Kawaguchi

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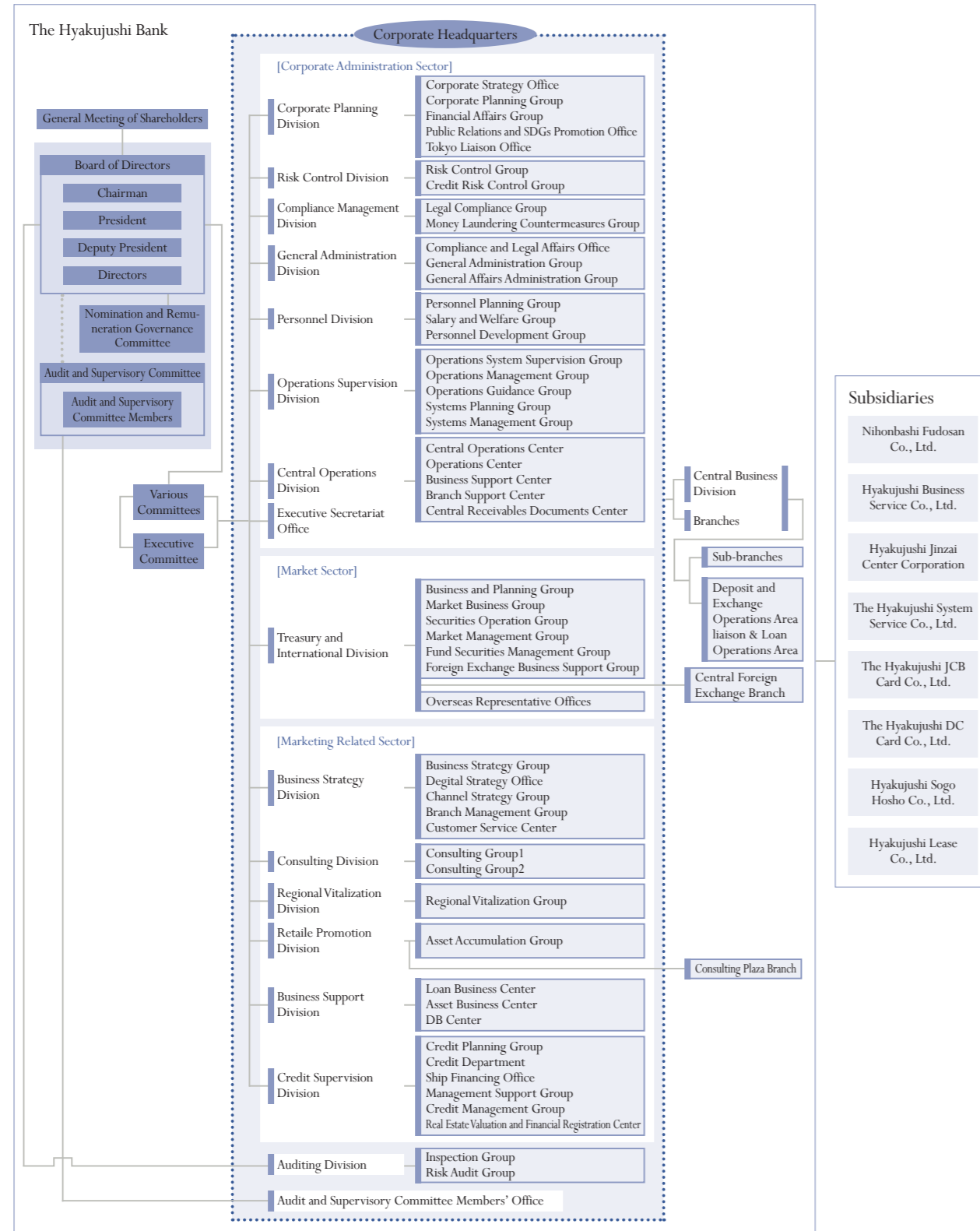
Teruaki Kawaguchi  
Designated Engagement Partner  
Certified Public Accountant

## Profile (as of March 31, 2022)

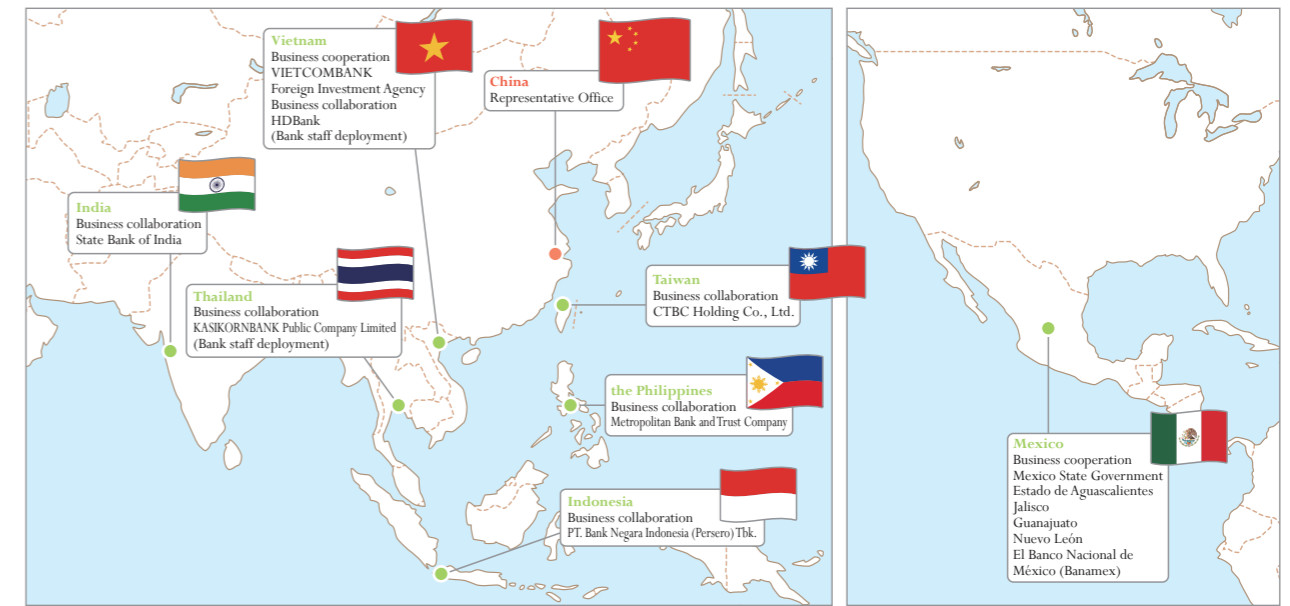
\*The Singapore Representative Office closed on June 17, 2022.

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥5,727.5 billion
Deposits and negotiable certificates of deposit	¥4,648.3 billion
Loans and bills discounted	¥3,164.8 billion
Paid-in capital	¥37.3 billion
Total shares issued	30,000 thousand shares
Employees	2,060
Offices	131 (Head Office, 99 branches, 22 sub-branches, 6 Quick Square, 4 Consulting Plaza)
Non-branch ATMs and CDs	Overseas Representative Offices: 2 (Shanghai, Singapore)* 157 locations

## Organization (as of July 1, 2022)



## Overseas Support Organizations (as of July 1, 2022)



## List of Major Shareholders (as of March 31, 2022)

Name	Address	No. of shares held (thousand shares)	Ratio of shares held to the total number of shares outstanding (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	2,986	10.09
Custody Bank of Japan, Ltd.	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	1,872	6.32
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	641	2.16
NH Foods Ltd. (Note) 2	4-9, Umeda 2-Chome, Kita-ku, Osaka	632	2.13
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	629	2.12
TAIHEIYO CEMENT CORPORATION (Note) 3	1-1, Koishikawa 1-chome, Bunkyo-ku, Tokyo	595	2.01
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	569	1.92
NAMBA HOLDINGS CORPORATION	9-1-2803, Oosaki 2-chome, Shinagawa-ku, Tokyo	556	1.87
SUMITOMO LIFE INSURANCE COMPANY	18-24, Tsukiji 7-Chome, Chuo-ku, Tokyo	500	1.69
Tadano Ltd.	34, Shindencho, Takamatsu-shi, Kagawa Prefecture	438	1.48
Total	-	9,422	31.85

(Notes)

- The 419 thousand treasury shares held by the Bank are excluded from the number of shares outstanding.
- The number of shares held by NH Foods Ltd. includes 500 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.
- The number of shares held by TAIHEIYO CEMENT CORPORATION includes 595 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by TAIHEIYO CEMENT CORPORATION.

## Active Shareholder Return

The Bank's dividends are to be paid upon having comprehensively taken into consideration factors that include adequacy of retained earnings, status of profits and the business environment, while also remaining mindful of the need to ensure stable dividends.

	FY2019	FY2020	FY2021
Total annual dividends (billions of yen)	2.3	2.0	2.0
Dividend per share (Yen)	Interim	40	30
	Year-end	40	40
	Annual	80	70
Purchase of treasury stock (billions of yen)	-	-	1.0*
Shareholder returns (billions of yen)	2.3	2.0	3.0
Consolidated profit (billions of yen)	7.7	2.5	11.7
Dividend payout ratio	30.6%	80.5%	17.6%
Shareholder return ratio	30.6%	80.5%	26.2%

(Note)

The amount shown for the purchase of treasury stock in the fiscal year ended March 31, 2022, includes treasury stock purchased pursuant to the "Determination of Matters related to the Purchase of Treasury Stock" published on May 13, 2022.

# THE HYAKUJUSHI BANK, LTD.

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