

INTEGRATED REPORT 2023

Year ended March 31, 2023

The Hyakujushi Bank, Ltd.



For Our Stakeholders

By fulfilling our role as a regional financial institution, the Hyakujushi Bank aims for the sustainable growth of local communities together with stakeholders.

The purposes of this Integrated Report is to obtain the understanding of our shareholders and investors, as well as our customers and local residents regarding the Bank's initiatives, in addition to conveying our commitment to you all.

Corporate Vision

- 1 Prosper together with customers and communities
- 2 Create a vigorous corporate culture
- 3 Ensure sound business management and enhance corporate value

Code of Conduct

- - Promote close dialogue to deepen mutual trust
- - Spare no effort to grow as professionals
- - Understand diversity and respect human rights
- - Strive to reduce environmental burden and contribute to regional vitalization
- - Take action exceeding the expectations of our shareholders

小豆島エンジェルロード

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*"Hyakujushi" basically means the number "114."

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 The Hyakujushi Bank, Ltd.
百十四銀行 (as of March 31, 2023)

Head Office	5-1, Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥5,784.5 billion
Deposits and negotiable certificates of deposit	¥4,795.8 billion
Loans and bills discounted	¥3,366.8 billion
Paid-in capital	¥37.3 billion
Total shares issued	29,100,000 shares
Employees:	1,995
Offices:	132 (Head Office, 99 branches, 22 sub-branches, 6 Quick Square, 5 Consulting Plaza) Overseas representative offices: 1 (Shanghai*)
Non-branch ATMs and CDs:	145

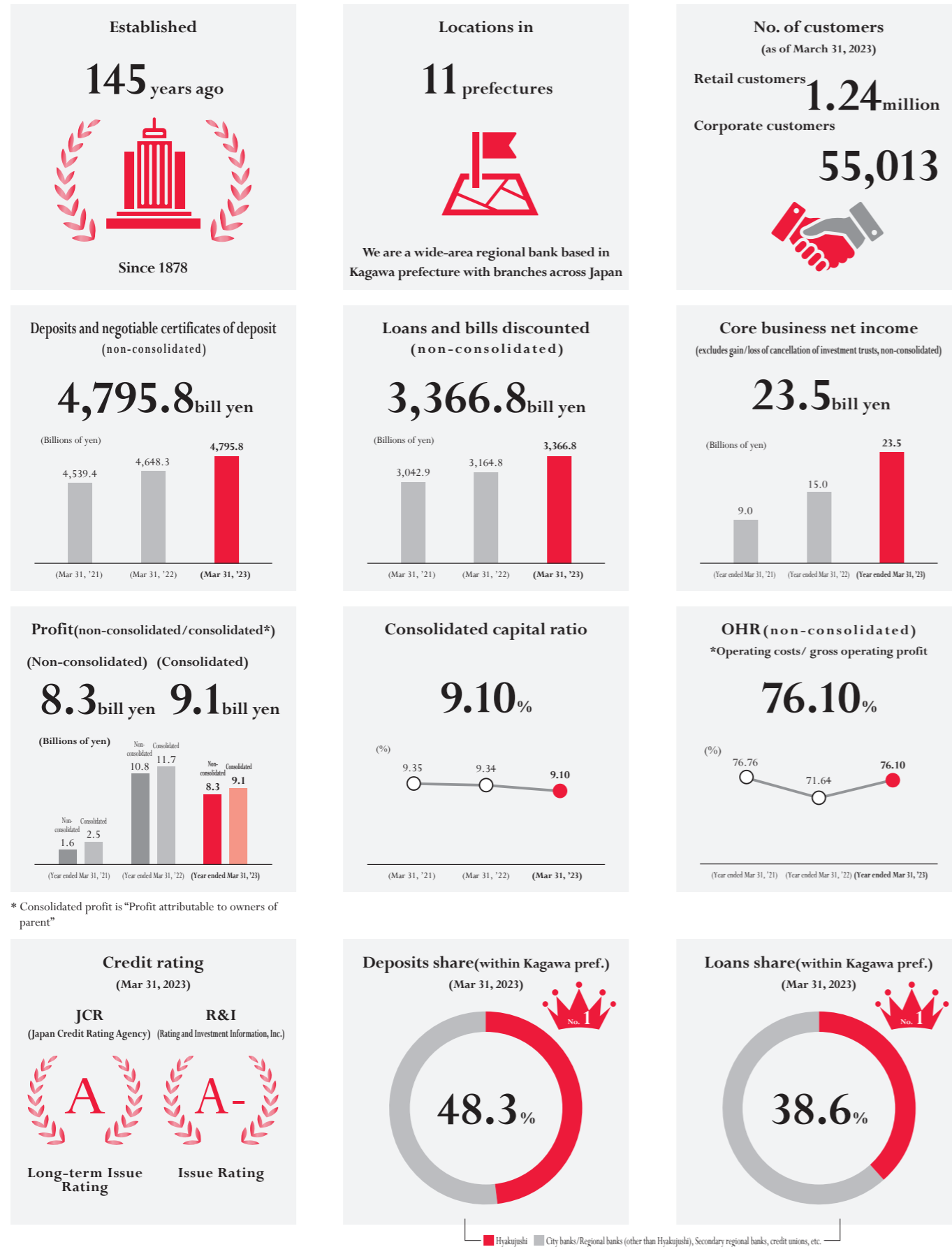
*The Shanghai Representative Office closed on April 28, 2023.

Editing Policy

The Hyakujushi Bank has prepared this report with the aim of communicating to our stakeholders in straightforward terms the Bank's initiatives for sustainable value creation from both the perspective of financial and non-financial information. When editing this report, we referred to the Integrated Reporting Framework established by the International Integrated Reporting Council as guidelines, and the Task Force on Climate-Related Financial Disclosures (TCFD) for sustainability-related information. This report (both the informative and reporting editions) also integrate disclosure materials in accordance with Article 21 of the Banking Act (explanatory documents related to the status of performance and financial condition of the bank). Please see the reporting component for figures.

The Hyakujushi Bank in Numbers

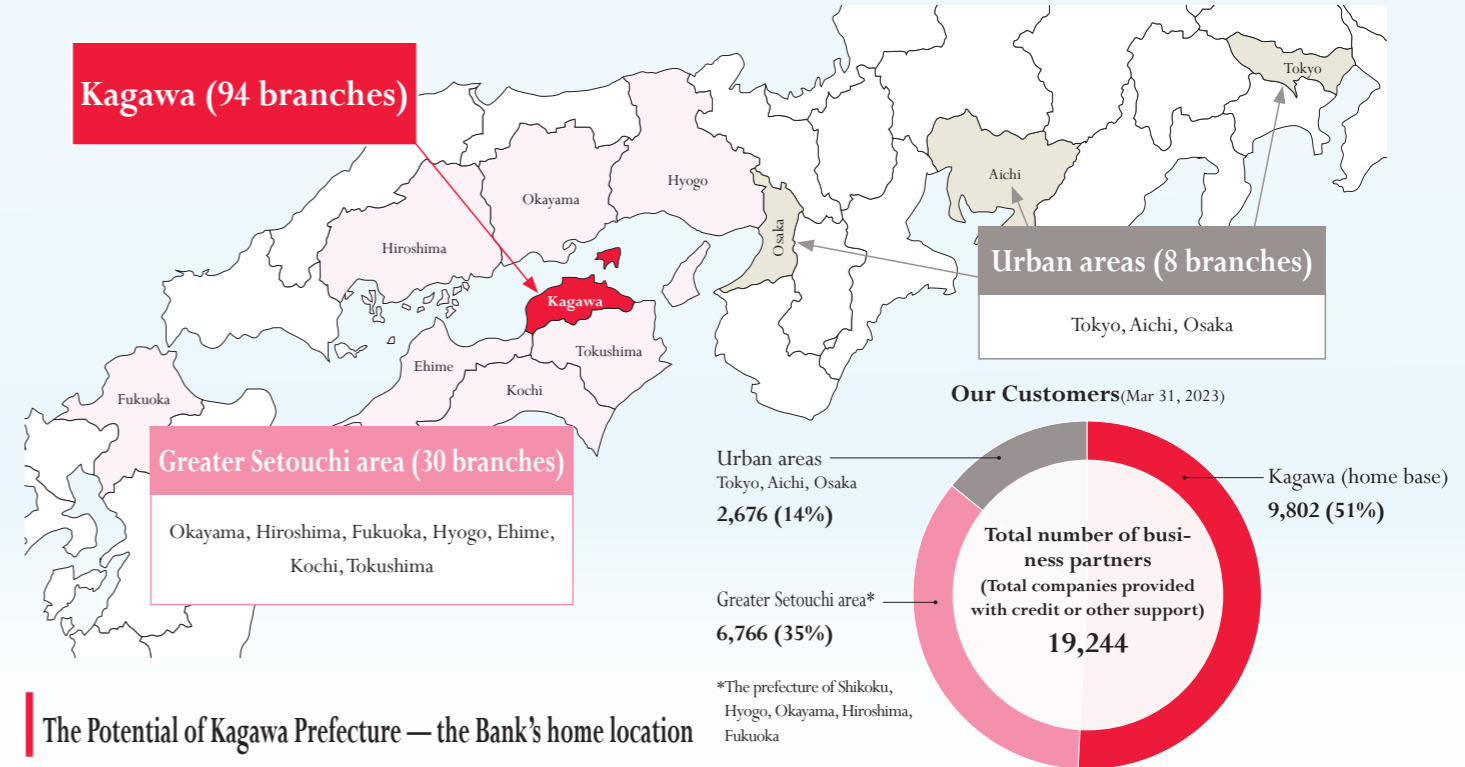
Thanks to the support of the local community, the Hyakujushi Bank has continued operations for almost 150 years, making us one of the few number banks* still in existence today. (A bank that uses the number of the temporary license it was issued upon establishment as its bank name)



The Bank's Operational Foundation

Solid Customer Foundation and Far-Reaching Network

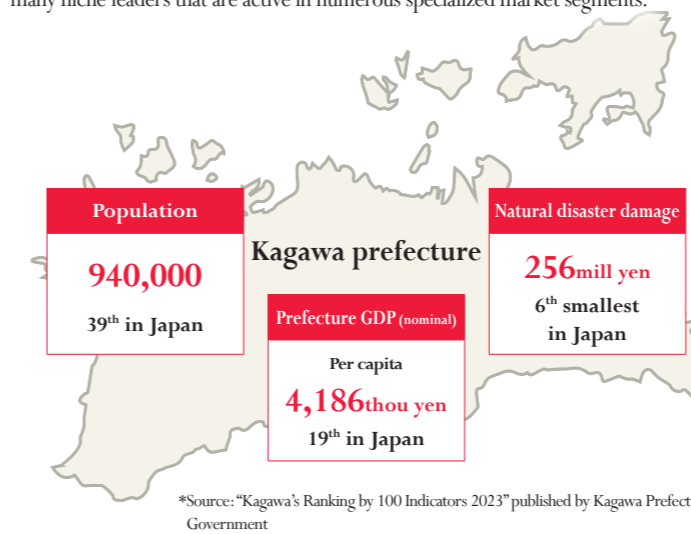
With Kagawa Prefecture as our operational foundation, the Bank operates 132 branches in 11 prefectures throughout Japan. After our first expansion into Osaka in 1950, we opened branches in Tokyo, Okayama, and many other regions to ensure our operations were firmly rooted in each locality. Over the years, we have become one of the few regional banks to build a far-reaching network with a long history.



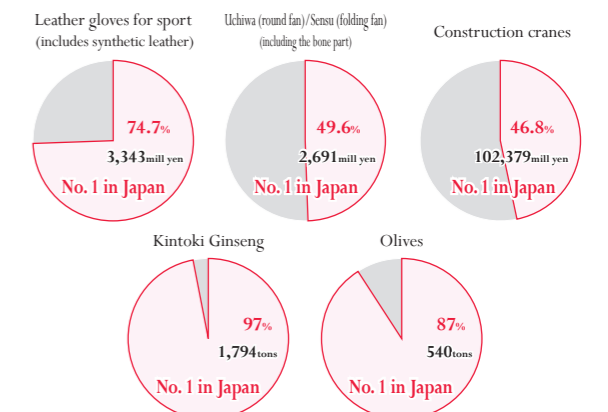
The Potential of Kagawa Prefecture — the Bank's home location

Industrial structure adapts well to change

Home to factories of Japan's top-ranking corporations engaged in fields that include construction machinery, 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.



Industrial Products and Agricultural/Fishery Products of which Kagawa prefecture has Japan's top share



*Source: The survey of the Census of Manufacturers 2020 published by METI and "Kagawa's Agricultural/Fishery Industries by Statistics 2022" published by the Department of Agriculture and Fisheries, Kagawa Prefectural Government



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

Message from the President



Through evolution of the general consulting group,
we will create a society with well-being together with
local community members

July 2023

綾田 裕次郎
Yujiro Ayada, President

Clarifying our vision with the keyword of “Well-being”

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

In FY 2022, the final year of our previous medium-term management plan “Try ☆ Mirai (Future)!,” we steadily advanced initiatives aimed at transforming into a general consulting group. As a result, as exemplified by a return to profitability of our customer-oriented services business, etc., I believe we successfully laid the groundwork for a new stage. This is thanks to the strong support of our various stakeholders, including customers, shareholders, and employees, and for that I am deeply grateful.

When formulating the New Medium-term Management Plan launched in April, we identified the major themes (material issues) the Hyakujushi Group should address and slated our Long-term Vision 2030 to depict the

ideal version of ourselves once we have found solutions to the identified material issues. This is the first time that the Hyakujushi Bank has formulated a long-term vision and, with “Well-being” as the keyword, we aim to shift from the concept of “short-term perspective with the Bank as the focal point” to the concept of “long-term perspective with the customers and the community as the focal points” in order to promote sustainability management.

As such, I'd like to introduce our Long-term Vision 2030 and New Medium-term Management Plan in more detail, including the ideal vision of the company we strive to be and the sentiment behind it.

Business Deployment Based on Material Issues

With the aim of achieving our Corporate Vision to “prosper together with customers and communities,” we considered changes in the external environment and ESG elements, then sorted the major themes our Group should address, and finally identified six “Hyakujushi Group Material Issues.”

By deploying business focused on these Hyakujushi Group Material Issues, we hope to create a society of well-being together with local community members.

Hyakujushi Group Material Issues

- Efforts to revitalize the local economy
- Respond to the era of 100-year lifetimes
- Establish an environment where diverse human resources can participate and grow
- Digital transformation of our operations and local communities
- Initiatives to address environmental issues such as climate change
- Establish a sustainable management foundation

▶▶ P. 14 “Hyakujushi Group Material Issues”

The sentiment behind our “Long-term Vision 2030”

We chose “Through evolution of the general consulting group, we will create a society with well-being together with local community members” as the underlying statement of our recently formulated Long-term Vision 2030. The “local community members” component of this statement contains the sentiment of “jiri-tari” or “self-interest and

altruism” through our Corporate Vision to “prosper together with customers and communities.”

“Jiri-tari” is a Buddhism teaching and means that in our attempt to achieve long-term sustainability for the Hyakujushi Group, providing our customers and communities with what they truly seek rather than

Message from the President

prioritizing our own interests will ultimately result in our profit. We hope to manifest this “Jiri-tari” concept in our future business activities and the conduct of our employees. Based on this concept, we hope to achieve the sustainability KPIs pertaining to material issues for

“Environment and Social Values,” as well as the targets of a consolidated ROE of around 5% and consolidated capital ratio of around 10% for “Economic Values,” as the values we will create through the realization of our Long-term Vision.

● Evolution of the general consulting group

Our Long-term Vision statement contains the words “evolution of the general consulting group” as opposed to the “transformation to a general consulting group” of the previous medium-term management plan. Here, if we look back at our accomplishments under the previous plan, firstly in terms of framework, we consolidated the corporate consulting functions that had previously been spread between different divisions to newly establish a Consulting Division. Next, in terms of human resource development, we established 114 Meister system as the Bank’s internal qualification system, promoted diversification of career paths, and increased the number of “Professional human resources” in consulting, digital, and other areas by 55 people through placement of trainees with outside entities and mid-career recruitment. While pushing ahead with such framework establishment, we also enhanced our consulting services in the areas where customer needs are especially high; namely consulting in relation to business management, human resources, ICT, business continuity, and overseas support. In that regard, I believe we progressed fairly close to our goal of “transformation to a general consulting group” set out in the previous medium-term management plan.

In our Long-term Vision 2030, we will further “evolve” the general consulting group frameworks we prepared in our previous plan and

strengthen our ability to find solutions to the issues that our customers and communities face. You may ask, what exactly do we aim for when we say “evolve”? First, in the consulting domain, we will enhance the quality of our consulting through further sophistication of our services. In addition, we will boldly take on the challenge of participating in areas we are now able to due to recent industry deregulation, thus broadening the scope in which we can offer solutions. At the same time as expanding our non-financial businesses, we will continue firmly providing consulting services as a regional bank that has walked alongside customers and communities and accumulated a wealth of knowledge in the financial domain over our long history; recognizing that this is an indispensable part of our business. With the ending of Japan’s low-interest policy that has continued for many long years, the Hyakujushi Group’s sustainability will no doubt require the sophistication of financial areas and synergism with non-financial areas. I believe the “evolution of the general consulting group” will be achieved by strengthening our ability to find solutions to the issues that our customers and communities face through the above-mentioned initiatives which will lead to an increase in the profit of our main business.

▶▶ P.09-10 “Long-term Vision 2030”

● New Medium-term Management Plan “Let’s Create a Good 114 ♪”

As Phase 1 of the Long-term Vision 2030, we have back-casted to establish four key strategies for our new medium-term management plan “Let’s Create a Good 114 ♪.” In order to advance these strategies effectively, we will promote three transformations as our “growth engines.”

Key strategies of “Let’s Create a Good 114 ♪”

- Evolution of the general consulting group
- Enhancement of employee well-being
- Dramatic improvement of productivity
- Establishment of a sustainable management foundation

● The 3 transformations of “Let’s Create a Good 114 ♪” (HRX, DX, SX)

■ HRX(Human Resources Transformation)——
Firstly, in regards to “HRX,” we have defined this as the “growth engine that will maximize human capital by linking management strategy with human resource strategy,” and aim for the ultra-maximization of our ability to offer value to customers and communities while achieving synergism with DX promotion efforts. As per my motto, a quote from

Takeda Shingen, “The people are your castle, your stone walls, your moat. Protect them, and they shall protect you,” ultimately everything comes down to people, so we must shape our employees to be such strong assets.

In “Let’s Create a Good 114 ♪” we will roll out various measures to achieve “demonstration of capability by fostering engagement” and

“strengthening of HR capability to promote strategy” in order to increase employees’ passion and capability so that we may obtain the strategic personnel allocation required to realize our vision. For example, through the side-job system introduced this April, we had already authorized the side jobs of Shinto priest and movie producer/scriptwriter. I believe through such activities, employees can acquire a broad range of skills, knowledge, and interpersonal connections that they can leverage to vitalize the local economy. Also, by establishing an environment in which a diversity of people can work, we hope to create a virtuous circle of generating new human capital.

We plan on rolling out various other measures related to employees, and would be very happy if the result was employees coming to think “I’m glad I came to work at the Hyakujushi Group,” which would in turn lead to customers coming to think “I’m glad I do business with the Hyakujushi Group.”

■ DX (Digital Transformation)——

Next is “DX,” which we have defined as the “growth engine that will transform business through data and digital technology,” and aim to provide customers and communities with new values and experiences as well as dramatically improve productivity.

We also exerted efforts in promoting DX in our previous medium-term management plan “Try ☆ Mirai (Future!)” through activities such as releasing the 114 Banking app as a non face-to-face channel for our retail customers and preparing for the introduction of a “branch tablet” aimed at alleviating the burden of customers filling out forms in the branch and reducing wait times. In recognition of our efforts, the Ministry of Economy, Trade and Industry certified us as a DX Certified Operator in October 2022, in accordance with its DX certification system.

This time, under our “Let’s Create a Good 114 ♪” plan, we will endeavor to not only advance initiatives aimed at enhancing customer convenience, but also dramatically improve productivity through digitization of stores and business operations so that we may achieve ultra-maximization of human capital through synergism between DX and HRX.

Moreover, in order to achieve “digital transformation of our operations and local communities,” which has been identified as a Hyakujushi Group Material Issue, our Group will combine its strengths to sophisticate our ICT consulting service and support the digital transformation of local customers and local government.

● “Hyakujushi is Good!” That’s what we hope to hear.

In formulating our recent Long-term Vision 2030 and “Let’s Create a Good 114 ♪” plan, we thoroughly renewed our awareness that the significance of our Group’s very existence is “promoting dialogue with customers and communities to generate wisdom, work hard, and exert every effort at finding solutions in order to realize an abundant local community where residents can continue enjoying a better life.”



■ SX (Sustainability Transformation)——

Finally, we have defined “SX” as the “growth engine to increase corporate value on a mid-to-long term basis through achieving sustainability for both local communities and the Hyakujushi Group.” Here, we will promote business deployment based on the Hyakujushi Group Material Issues.

Among these, so that we can address “response to climate change” and “financial education amid the era of 100-year lifetimes” which are issues of particularly high concern in recent years, we will strengthen our efforts to achieve our long-term goals for FY 2030.

Specifically, as response to climate change, we will strengthen our energy-saving and energy-creating activities so that we may ease the burden on the environment, and have set a target of halving Scope 1 and 2 CO₂ emissions reduced by half of FY 2013 level by FY 2030. In addition to providing financial support for customers’ and communities’ decarbonization efforts by promoting sustainable finance, we will also provide non-financial support by offering various solutions to help customers decarbonize their businesses, thereby contributing to solving environmental issues.

With the highest savings account balance per household and the highest iDeCo subscription rate in Japan, Kagawa Prefecture has always been a financially literate region, but we intend to expand our financial education initiatives to the future generations (elementary, junior high, high school, and university students) and teachers in the region and contribute to further improvement of financial literacy in the region with a target of 10,000 people receiving such education by FY 2030.

▶▶ P.19-20 “Let’s Create a Good 114 ♪”

Long-term Vision (the vision Hyakujushi Group aims for over the long term)

In addition to the declining population, falling birthrate, and aging population, issues related to sustainability in the region are becoming increasingly diverse and complex, such as the transition to a decarbonized, recycling-oriented society and the response to the accelerating digital shift. In order for us, the Hyakujushi Group, to grow sustainably together with the community in this changing environment, we need to enhance the sustainability of our management by proactively addressing local sustainability issues from a long-term perspective.

Based on this awareness, the Hyakujushi Group has identified key sustainability issues that should be prioritized as the "Hyakujushi Group Material Issues" and formulated the "Long-term Vision 2030" as a long-term direction to resolve such material issues.

Our Goal — Create Local Communities with Well-being

When formulating our Long-term Vision 2030, first we considered what well-being actually is to each of our stakeholders. By serving as a partner helping our stakeholders achieve their own version of well-being, we will create a society with well-being together with local community members where the environment and social values are even more enhanced.



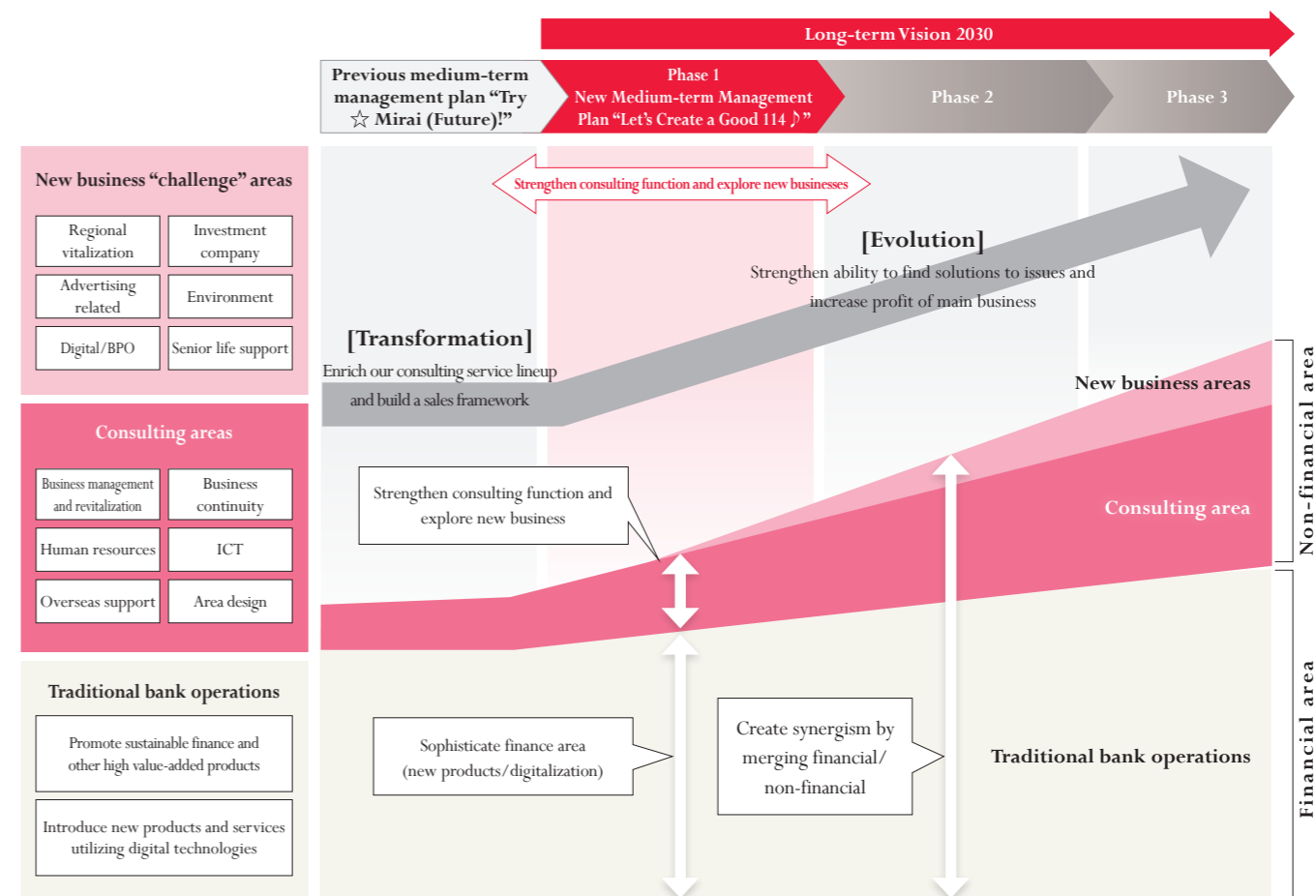
The Hyakujushi Group's Vision Anticipating FY 2030

Long-term Vision 2030

Through evolution of the general consulting group, we will create a society with well-being together with local community members

To Realize Our Vision - Evolve the General Consulting Group

In order to realize our vision, we will go beyond the initiative of "transformation to a general consulting group" under the previous medium-term management plan "Try ☆ Mirai (Future)!" to further strengthen our ability to find solutions to the issues that our customers and communities face through sophistication of financial services and expansion of non-financial areas, as well as thoroughly pursue synergy between finance and consulting to increase the profit of our main business, thus ultimately evolving the general consulting group.



Environment and social values

Through solving key environment and social issues, we will realize a society with well-being where local community members can continue enjoying a better life.

- Achieve sustainability KPIs relating to Group material issues

Achieve environmental/social values at the same time as economic values

• • • Values created through realization of our vision • • •

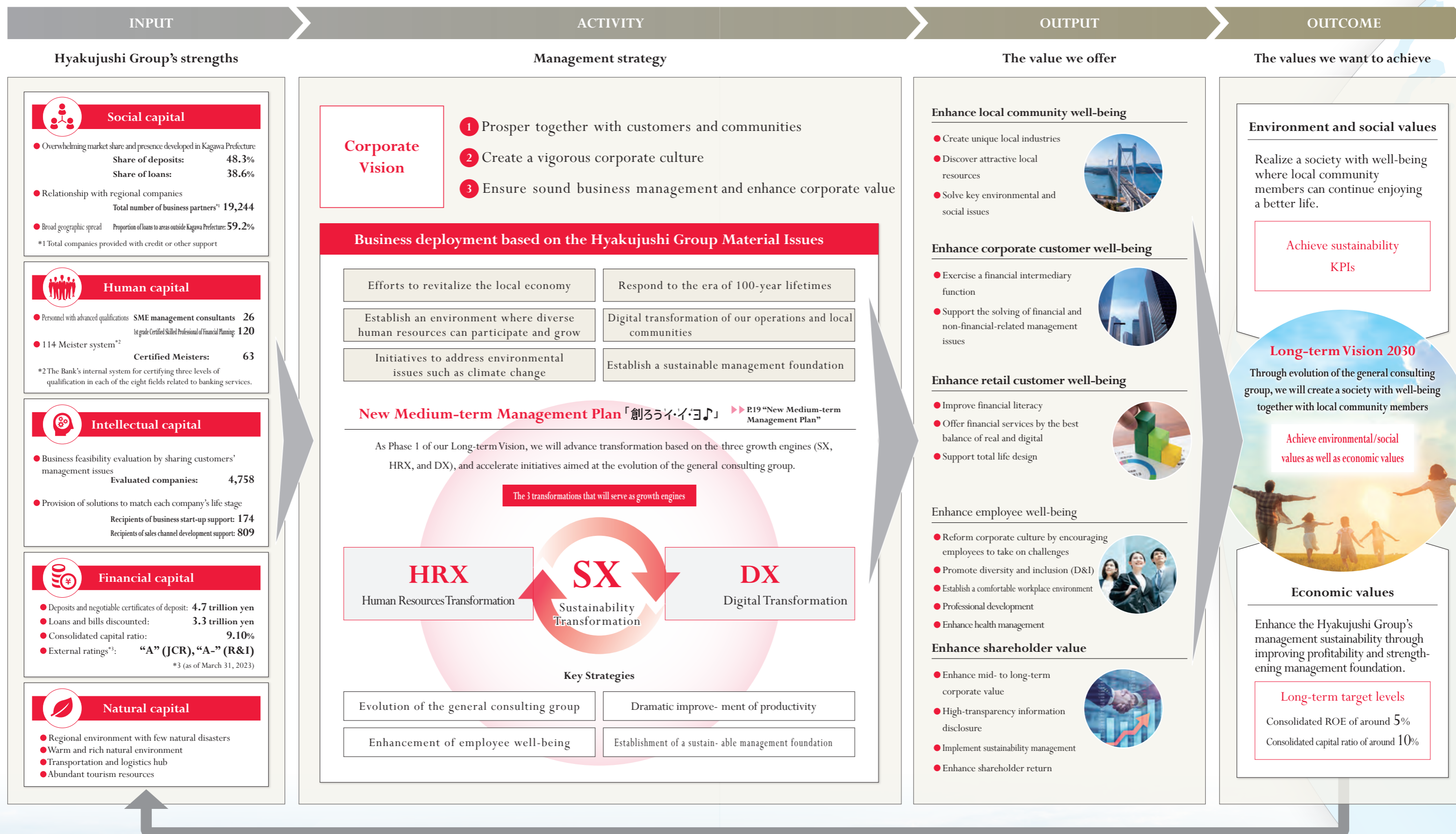
Economic values

Enhance the Hyakujushi Group's management sustainability through improving profitability and strengthening management foundation.

Long-term target levels

- Consolidated ROE of around 5%
- Consolidated capital ratio of around 10%

Hyakujushi Group's Value Creation Process

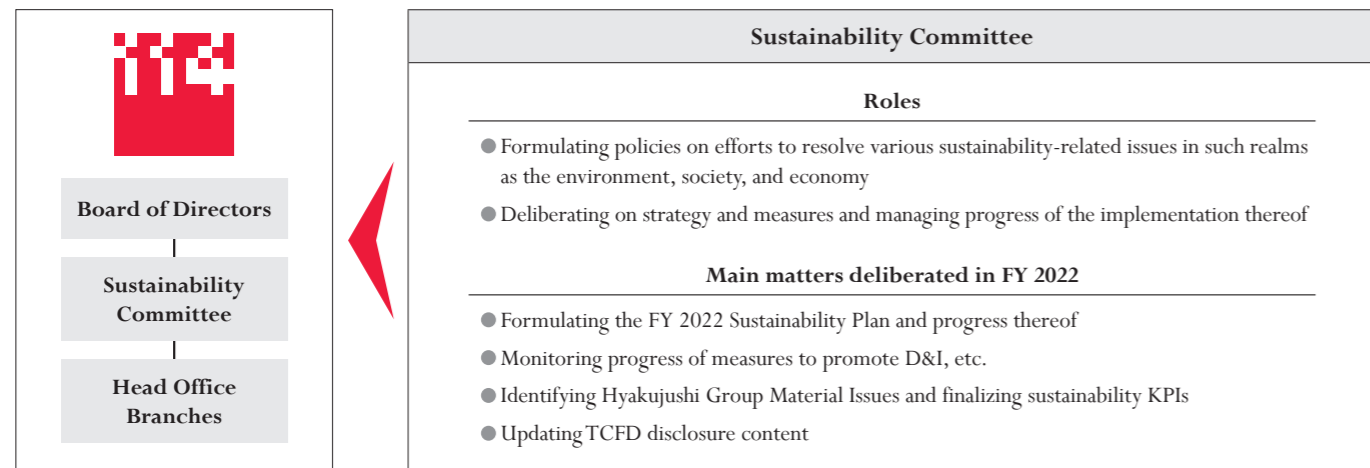


External environment

- Poor regional economic growth
- Declining population, declining birthrate and aging population
- Shift to decarbonization and a circular economy
- Social and economic digital shift
- Ongoing low interest rate environment
- Intensified competition due to entrants from outside the industry
- Expansion of business areas due to deregulation

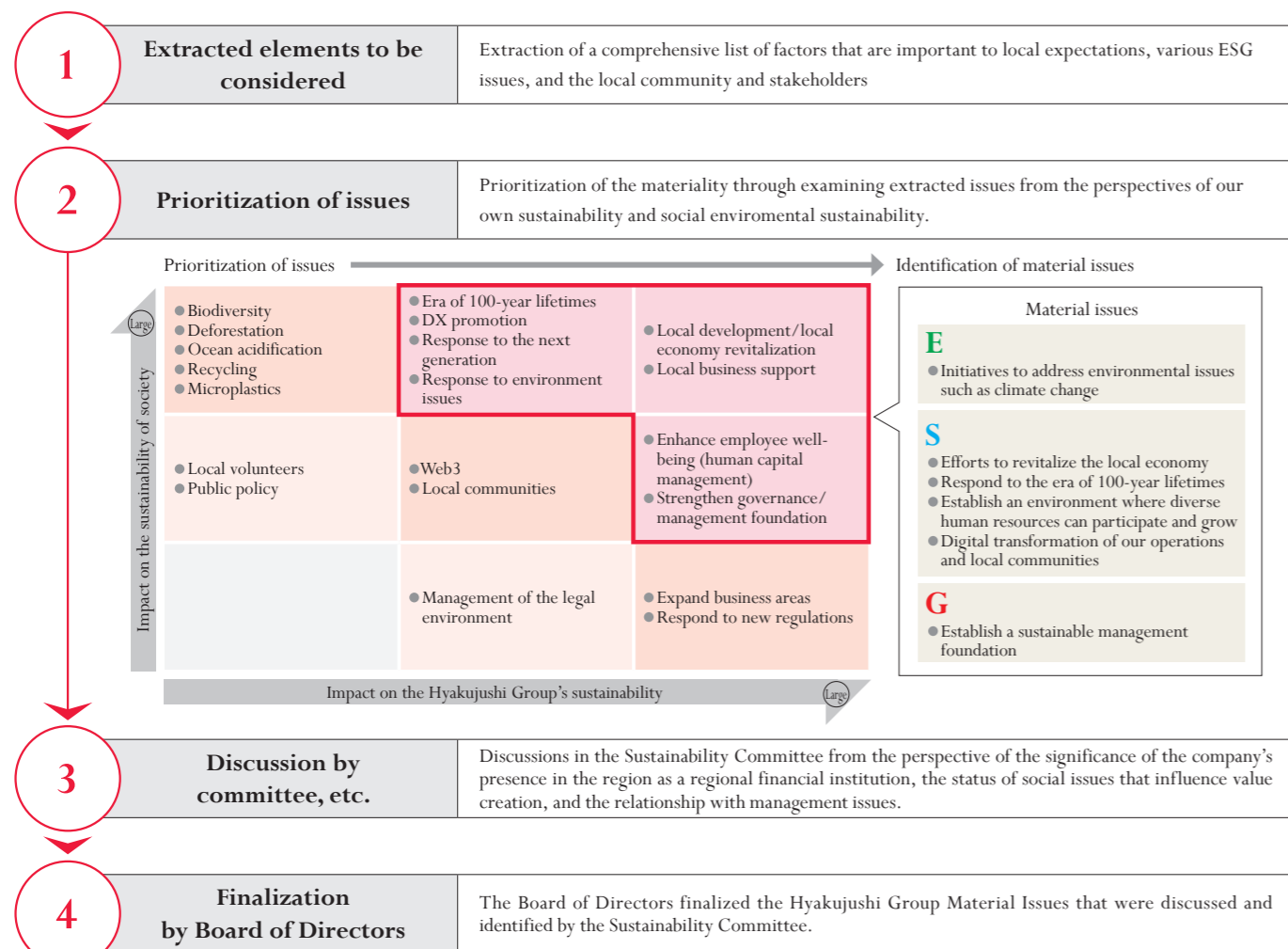
Sustainability Management Framework

The Bank established the Sustainability Committee, under the supervision of the Bank's Board of Directors and chaired by our president, to help solve various issues local communities face from a long-term perspective in order to realize our Corporate Vision. The Sustainability Committee promotes and strengthens sustainability management by engaging in the cross-organizational discussion of initiatives related to enhancing the sustainability of both our customers and the local community.



Identifying Material Issues

When formulating our Long-term Vision and New Medium-term Management Plan, with the aim of achieving our Corporate Vision to “prosper together with customers and communities,” we considered changes in the external environment and ESG elements required by stakeholders, then sorted the major themes our Group should address, and finally identified the “Hyakujushi Group Material Issues.”



Hyakujushi Group Material Issues

Material issue	Opportunity and risk	Main initiatives	Sustainability KPI	Corresponding SDGs
Efforts to revitalize the local economy	<p>Opportunities</p> <ul style="list-style-type: none"> Expansion of areas for industry-academia-government-finance collaboration for regional revitalization Expansion of consulting needs due to the increasing sophistication and diversity of management issues of local companies <p>Risks</p> <ul style="list-style-type: none"> Reduced sustainability due to declining local population and sluggish economy Deterioration of corporate performance due to delayed response to local companies' management issues 	<ul style="list-style-type: none"> Revitalize “towns” by establishing co-creation frameworks with local public authorities, etc. As the Hyakujushi Group overall, support corporate customers in solving the issues they face 	<ul style="list-style-type: none"> No. of initiatives aimed at solving local issues: 150 (cumulative total up to FY 2030) No. of consultations, etc. provided to corporate customers: 3,000 a year (FY 2030) 	
Respond to the era of 100-year lifetimes	<p>Opportunities</p> <ul style="list-style-type: none"> Greater asset formation/asset management needs in anticipation of the era of 100-year lifetimes <p>Risks</p> <ul style="list-style-type: none"> Reduced competitiveness due to delayed response to social structure changes triggered by further progression of the aging society 	<ul style="list-style-type: none"> As the Hyakujushi Group overall, support retail customers with their total life design Provide financial education to future generations 	<ul style="list-style-type: none"> No. of customers provided with asset formation support: 160,000 (FY 2030) No. of people who have completed financial education courses: 10,000 (cumulative total up to FY 2030) 	
Establish an environment where diverse human resources can participate and grow	<p>Opportunities</p> <ul style="list-style-type: none"> Sustainable growth of human resource capability by giving employees a sense of well-being Create new values through promoting participation by a diversity of human resources <p>Risks</p> <ul style="list-style-type: none"> Decline in engagement and outflow of human resources due to delayed response to changes in social structure and diversification of values Decline in human resource capability due to reduced QOL (quality of life) of employees 	<ul style="list-style-type: none"> Through promotion of D&I, establish a workplace environment in which diverse human resources can participate Improve motivation by creating challenging opportunities and improve work comfortability by enriching work-life balance Implement health enhancement promotion measures aimed at promoting health management 	<ul style="list-style-type: none"> Sustain improvement of the engagement score Share of females in management: At least 30% (end of FY 2026)* <p>*New target to be set by FY 2026</p>	
Digital transformation of our operations and local communities	<p>Opportunities</p> <ul style="list-style-type: none"> Digital shift of work and services through advancements in digital technologies Increased solution needs in anticipation of digital transformation of local communities <p>Risks</p> <ul style="list-style-type: none"> Reduced competitiveness due to delayed response to digital transformation and new entrants from outside the industry 	<ul style="list-style-type: none"> Work process reform leveraging digital technologies and sophistication of digital channels Enrich social media/ website content, etc. As the Hyakujushi Group overall, support digital transformation of customer operations 	<ul style="list-style-type: none"> No. of digitally-connected customers: 400,000 (FY 2030) Double the number of ICT consulting business partners (FY 2030) 	
Initiatives to address environmental issues such as climate change	<p>Opportunities</p> <ul style="list-style-type: none"> Greater needs for finance solutions aimed at solving environmental issues <p>Risks</p> <ul style="list-style-type: none"> Weakened social confidence due to insufficient response to climate change, etc. Deterioration of local business performance due to extreme weather events and inability to adapt to a decarbonized society 	<ul style="list-style-type: none"> Leading initiatives aimed at achieving a decarbonized/ circular society for the 2050 carbon neutrality target pledged by the Japanese government Strengthen initiatives aimed at decarbonization of customers' operations through sustainable finance, etc. 	<ul style="list-style-type: none"> CO₂ emissions (Scope 1 & 2): Reduce by half of FY 2013 level (FY 2030) Sustainable finance Working budget: ¥500.0 billion, of which ¥200.0 billion is allocated to environmental initiatives (cumulative total for FY 2021 through FY 2030) 	
Establish a sustainable management foundation	<p>Opportunities</p> <ul style="list-style-type: none"> Stronger business foundation through sophistication of governance system and profit structure reforms, etc. <p>Risks</p> <ul style="list-style-type: none"> Weakened social confidence due to insufficient governance Suspension of business activities or weakened social confidence due to delayed response to cyber attacks, disasters, etc. 	<ul style="list-style-type: none"> Strengthen governance Enhance corporate value through profit structure reforms Strengthen capital strategy and sophisticated risk management system Strengthen system/ digital foundations 	<ul style="list-style-type: none"> Systematic reduction of cross-shareholdings Enhance dialogue with stakeholders 	

Message from the Director in Charge of Corporate Planning

We will strive to enhance corporate value by strengthening linkage between financial strategy, management strategy and human resource strategy

Career history
After joining the Bank in 1989, served as the General Manager of the Akashi Branch from 2013, Assistant General Manager of the Credit Supervision Division from 2016, General Manager of the Executive Secretariat Office from 2018, General Manager of the Business Strategy Division from 2020, and Executive Officer and General Manager, Corporate Planning Division from 2021. Appointed to his current position of Director and Managing Executive Officer in charge of the Bank’s Corporate Planning Division and Personnel Division in June 2022.

Masashi Mori
Director and Managing Executive Officer



Reflecting on FY 2022 performance and the previous medium-term management plan

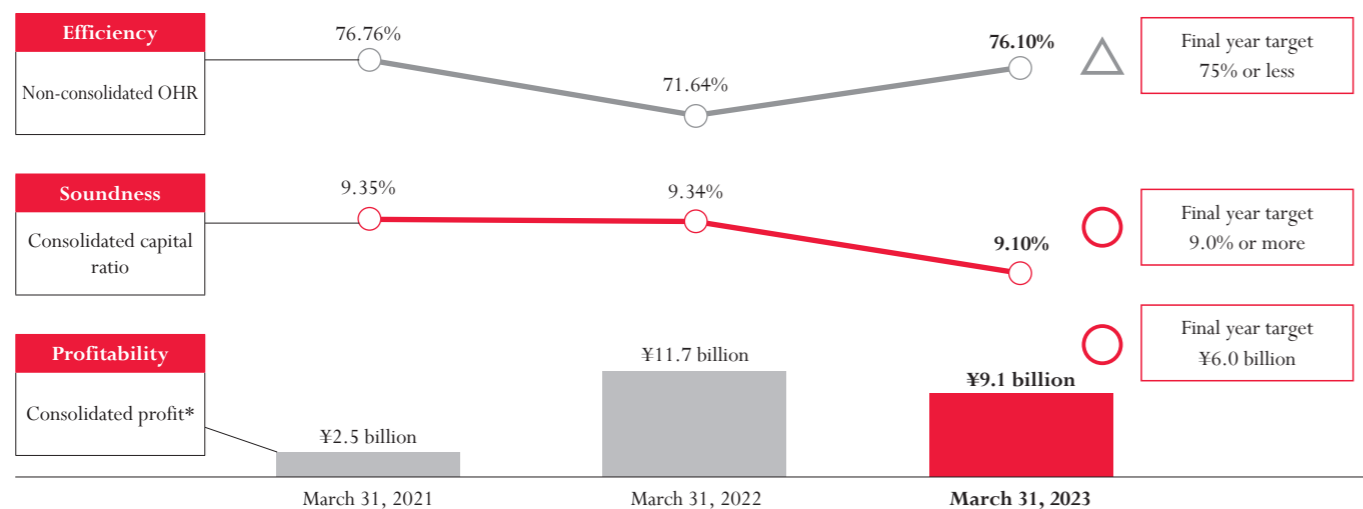
In the final year of the previous medium-term management plan “Try ☆ Mirai (Future)!,” despite signs of recovery from the COVID-19 pandemic, we faced hikes in the cost of raw materials and resources, fluctuation in interest rates and foreign exchange, the prolonged situation in Ukraine, and other factors that made it difficult to forecast the future business environment.

Amid such circumstances, profit attributable to owners of parent decreased by ¥2.6 billion year on year to ¥9.1 billion. This was mainly due to disposing of foreign bonds, etc. which contain built-in loss in order not to carry over loss to the future, despite the significant increase in gain on foreign exchange transactions and gains or losses related to financial derivatives.

As a result, in regards to achievement of the targets set under the previous medium-term management plan, we fell short of our non-consolidated OHR target by a slim margin, however exceeded our targets for the corporate soundness indicator (consolidated capital ratio) and profitability indicator (consolidated profit.) Management expenses had been steadily decreasing under the previous medium-term management plan, and I believe this to be a result of promoting structural reforms leading to the future.

In the previous medium-term management plan, we declared our vision as being a general consulting group that co-creates the future of customers and communities by offering new values like only we can,” and I believe we succeeded in establishing the necessary frameworks through newly forming the Consulting Division, enhancing our consulting service lineup, and so forth. These efforts led to a return to profitability of our customer-oriented services business, which is a key point.

Targets of the previous medium-term management plan

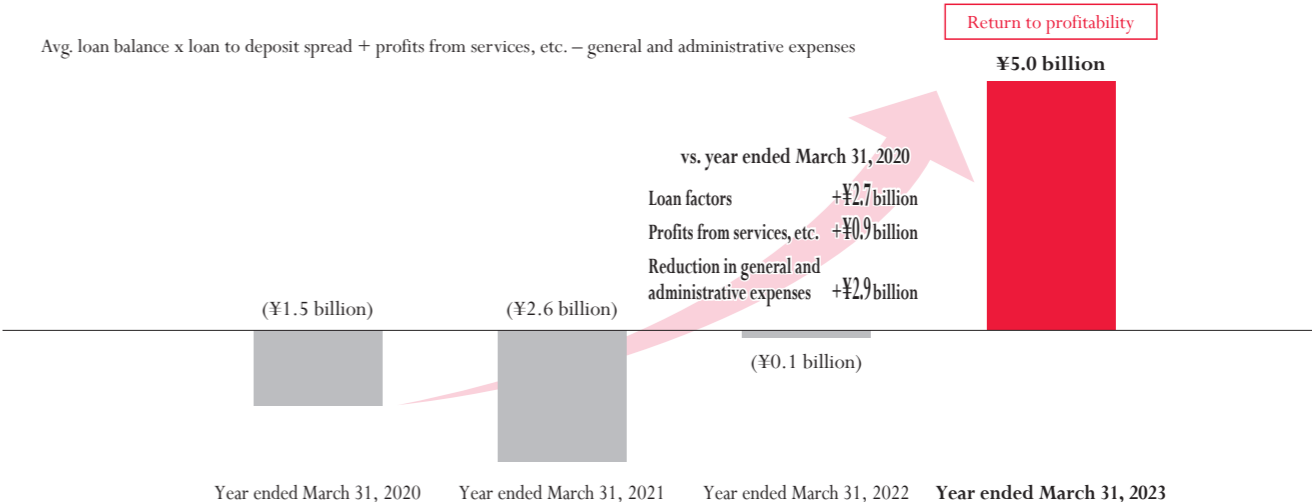


* Profit attributable to owners of parent

Accomplishments of the previous medium-term management plan “Try ☆ Mirai (Future)!”

Key strategies		
1	2	3
Transformation to a general consulting group	Development of human resources with high market value	Structural reforms leading to the future
<ul style="list-style-type: none"> Launched a total of 12 fee-charging consulting services and significantly enriched our consulting service lineup Established a framework to offer consulting services to corporate and retail customers. 	<ul style="list-style-type: none"> Enhanced the lineup of the 114 Meister system, the Bank’s internal qualification system Increased the number of personnel with advanced qualifications*1 and professionals*2 <p>*1 SME management consultants, 1st grade Certified Skilled Professional of Financial Planning, etc. *2 DX human resources, etc.</p>	<ul style="list-style-type: none"> Sophistication of non face-to-face channels such as the 114 Banking app Promotion of workforce optimization and cost structural reforms through engagement in store restructuring and administrative reforms

Profitability of our customer-oriented services business



Forecast of performance for FY 2023 and management targets of the new medium-term management plan

FY 2023 is the first year of our newly formulated medium-term management plan, “Let’s Create a Good 114 ♪” and we expect profit attributable to owners of parent to decrease to ¥6.5 billion, taking into account the continued uncertain market environment.

Under the new medium-term management plan, the entire Hyakujushi Group will unite to thoroughly pursue synergies between the financial and non-financial domains, and by promoting the transformation to a profit structure that is less susceptible to market conditions, we aim to achieve a profit attributable to owners of parent of ¥8.5 billion or more in FY 2025, the final year of the new plan. We see this target as the minimum line, and will work to significantly exceed it by promoting reform of our business model, including the challenge of entering new business areas, and by striving to further improve productivity.

Management targets of new medium-term management plan “Let’s Create a Good 114 ♪” (FY 2023 – FY 2025)

	FY 2022 result	FY 2023 forecast	FY 2025 target
Profit attributable to owners of parent	¥9.1 billion	¥6.5 billion	¥8.5 billion or more
Consolidated capital ratio	9.10%	—	Around 9.0%
Non-consolidated OHR	76.10%	—	Around 70.0%

Message from the Director in Charge of Corporate Planning

Enhancing sustainable corporate value — Achieving sustainable ROE growth with three drivers —

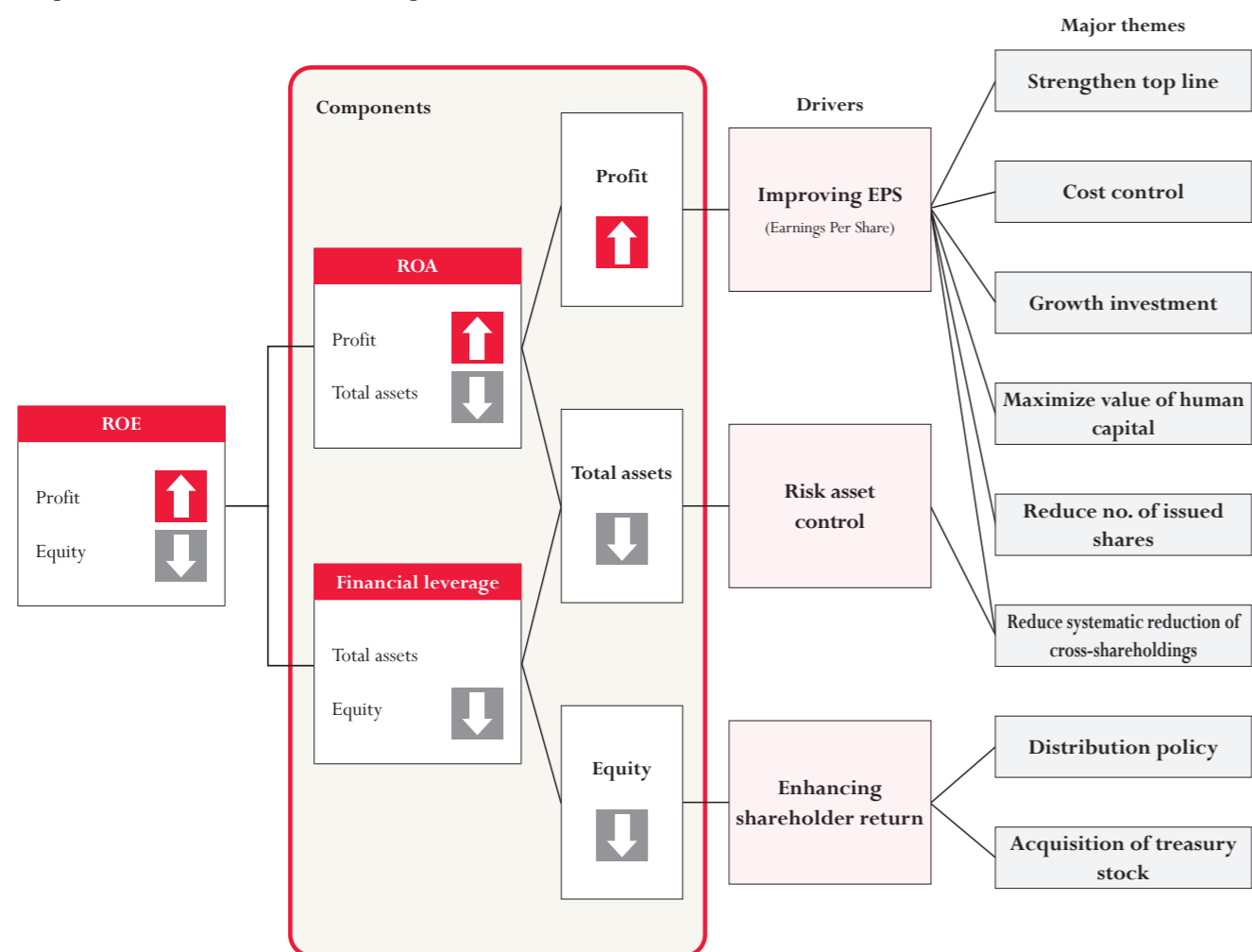
I believe the prerequisite of “create local communities with well-being,” which our Long-term Vision 2030 aims for, is that the Hyakujushi Group sufficiently increases its profitability and soundness. To this end, by strengthening our initiatives for improving ROE, we will realize corporate management with an awareness of capital costs. Moreover, we’d like to see the Group take a stance of prioritizing ROE, so have set a consolidated ROE level as a long-term target for the first time. Specifically, we hope to achieve a consolidated ROE of around 5% by FY 2030.

Improving ROE will require us to consider a number of components separately, however by focusing on the three drivers of improving EPS (earnings per share), risk asset control, and expanding shareholder return, all measures will organically lead to the growth of ROE, which we will endeavor to sustain.

Firstly, from the perspective of improving EPS, of the four major strategies set out in the new medium-term management plan, by executing the two strategies of evolving the general consulting group and dramatically improving productivity, we will strive to strengthen the top line and manage cost control, however, as a director in charge of human resources, I also believe promoting the strategy of improving employee well-being is extremely important.

The Hyakujushi Group has defined the improving of employee well-being as “increasing the number of employees who are passionate about solving issues faced by customers and the community through creating a motivating and comfortable environment.” I think the essential factor to strengthening profitability is having more employees with this kind of mindset while maximizing human capital through linkage between management strategy and HR strategy.

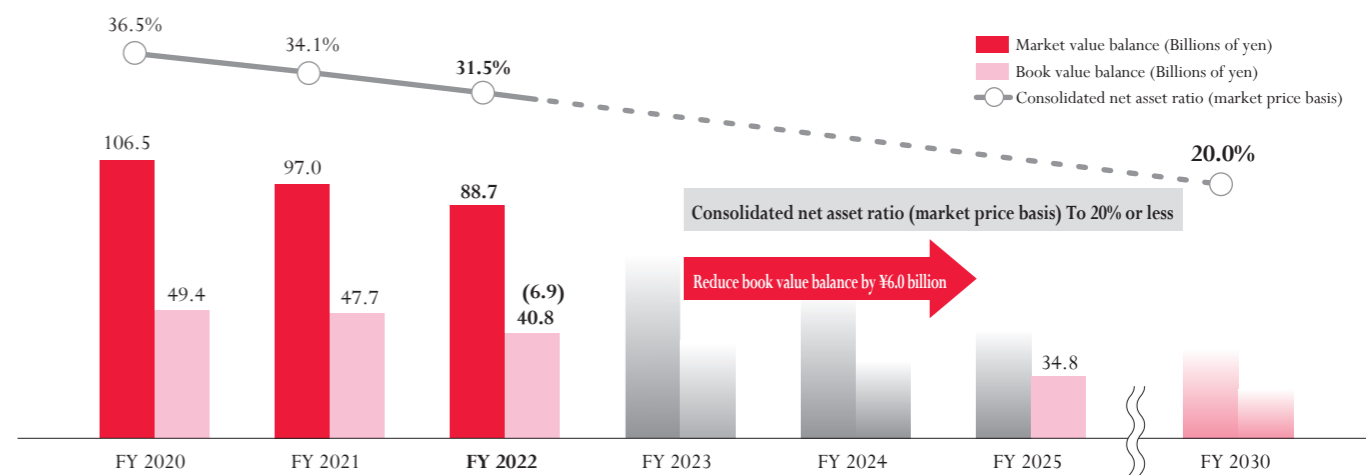
Logic tree aimed at sustainable ROE growth



Next, from the perspective of risk asset control and enhancing shareholder return, the key points will be engaging in efforts to reduce cross-shareholdings and our shareholder return policy.

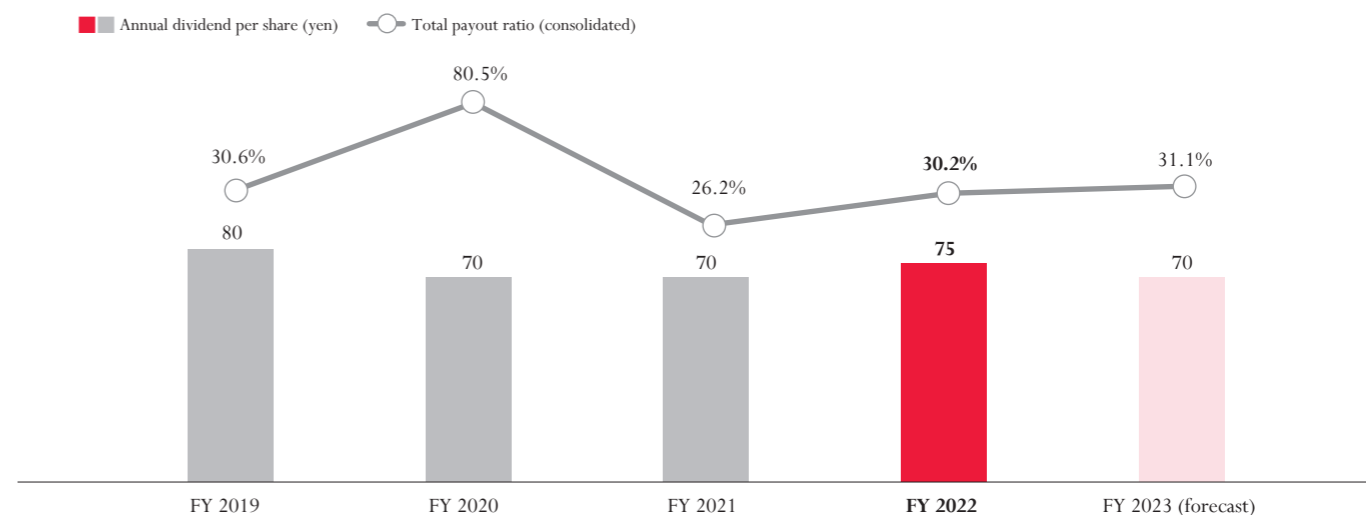
We have been continuously reducing our cross-shareholdings, and in FY 2022, achieved a reduction of ¥6.9 billion on a book value basis. We intend on continuing reduction efforts to bring the book value basis of cross-shareholdings down a further ¥6.0 billion during the period of the current medium-term management plan period (FY 2023 – FY 2025). We have also indicated our plan to steadily reduce the consolidated net asset ratio of cross-shareholdings (market price basis) to 20% or less by the end of FY 2030, and are promoting the efficient use of capital.

Reduction of cross-shareholdings



In regards to our shareholder return policy, in addition to increasing the dividend per share by 5 yen year on year to 75 yen in FY 2022, in May 2023 we also decided to acquire treasury stock at the upper limit of ¥600 million (acquisition period: June 12 – August 31, 2023). Moving forward, we will continue to our policy of distributing dividends by comprehensively considering all factors such as the sufficiency of retained earnings, profit status, and management environment, while keeping stable return of profit in mind, with the ultimate goal of maximizing shareholder value for the long term.


Status of shareholder return



In addition to the above, the Bank will focus on initiatives to ensure appropriate disclosure to our shareholders and all of our stakeholders, as well as enhance dialogue with our stakeholders. The enhancement of dialogue with stakeholders has also been set as one of our sustainability KPIs to manage the progress of Hyakujushi Group Material Issues and in addition to recommending corporate briefing sessions for individual investors, which had been suspended due to COVID-19, the Bank will disclose information on areas of high interest to stakeholders in a straightforward and timely fashion at the same time as increasing opportunities to gather the voices of our stakeholders so that we may be highly evaluated and improve our PBR (price book-value ratio.)

New Medium-term Management Plan

The new medium-term management plan (“Let’s Create a Good 114 ♪”) comprises three growth engines for transformation and four key strategies to achieve our goals of realizing local communities with well-being while enhancing the Hyakujushi Group’s management sustainability.

Name 「創ろうイ・イ・ヨ♪」  This name contains our sentiment of offering high value-added services to customers and communities so that they may come to say “Hyakujushi is good!,” thus creating a “good world” in which local community members can enjoy a true sense of well-being.

Basic policy As Phase 1 of our Long-term Vision, we will advance transformation based on the three growth engines (SX, HRX, and DX), and accelerate initiatives aimed at the evolution of the general consulting group.

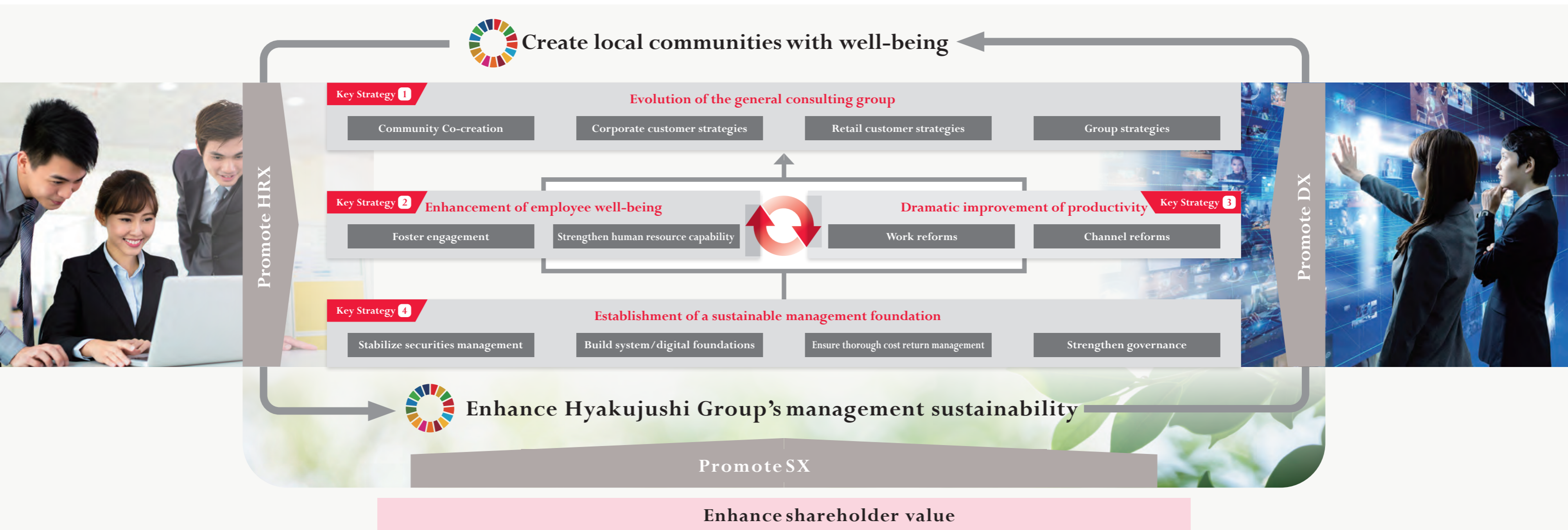
Key Strategies

- Evolution of the general consulting group
- Enhancement of employee well-being
- Dramatic improvement of productivity
- Establishment of a sustainable management foundation

Growth engines supporting strategies [Promoting three transformations – Transformation –] **SX [Sustainability] / HRX [Human Resources] / DX [Digital]**

SX (Sustainability): Achieve sustainability for both Hyakujushi Group and local communities
 HRX (Human Resources): Maximize human capital by linking management strategy with human resource strategy
 DX (Digital): Transform business through data and digital technology

Target item/fiscal year	FY 2022	FY 2025
	(final year of previous medium-term management plan) Result	(final year of current medium-term management plan) Management target
Profitability (consolidated) Profit <small>(Profit attributable to owners of parent)</small>	¥9.1 bill	¥8.5 bill or more
Soundness (consolidated) Capital ratio	9.10%	Around 9.0%
Efficiency (non-consolidated) OHR (gross operating profit basis)	76.10%	Around 70.0%



Efforts to Revitalize the Local Economy

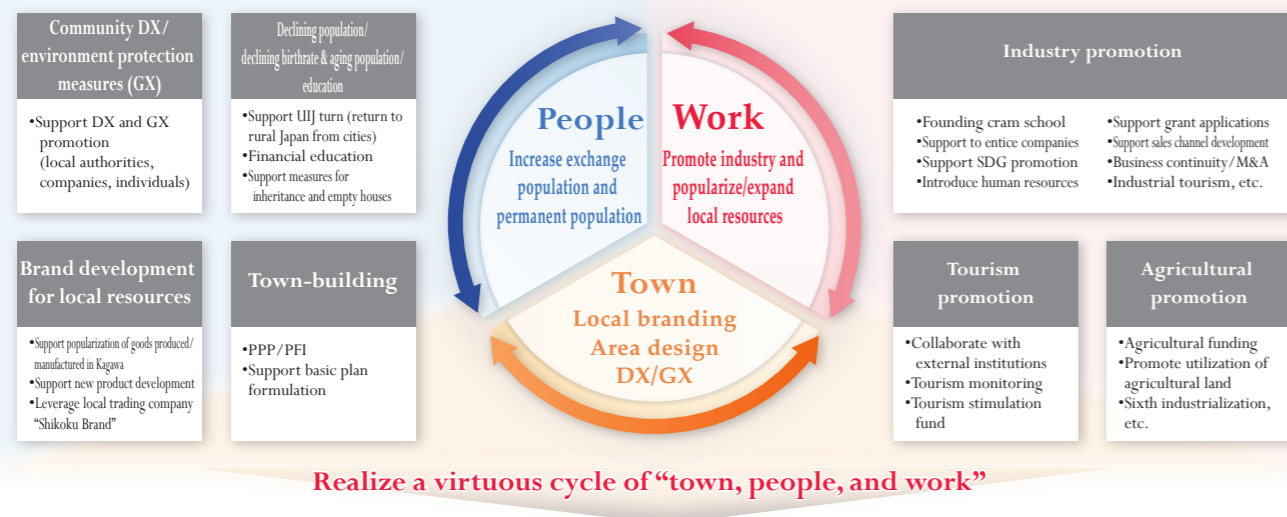


Amid concern for the decline of local economy due to a declining birthrate and aging population as well as overconcentration in urban areas, our mission as a regional financial institution is to support customers who engage in business activities rooted in the local community to solve both the financial and non-financial issues they face and, as such, we are pushing ahead with initiatives to revitalize the local economy.

New Medium-Term Management Plan — Community Co-creation Strategy

Revitalize “towns” by establishing co-creation frameworks with local public authorities, etc.

We will build co-creation frameworks aimed at local revitalization together with local public authorities, who are the main driver of town-building, as well as external organizations who engage in local development. Through this, we will revitalize “towns” that support a virtuous cycle of work and people. By directly involving ourselves in solving important local issues, we will achieve sustainable growth for both communities and the Hyakujushi Group.



Realize a virtuous cycle of “town, people, and work”

Related sustainability KPI	FY 2030	Total number of initiatives aimed at solving local issues 150 (cumulative)
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Partnership agreements with local governments of Kagawa prefecture

The Bank has entered into partnership agreements for local development with all local governments in Kagawa prefecture (Kagawa prefectural government, local governments of eight cities/nine towns). In accordance with these agreements, we will collaborate on initiatives aimed at revitalizing local economies.

[Main areas of partnership agreements]

- Expand sales channels for local products
- Support company/industry business matching
- Support company founding/establishment
- Promote tourism/agriculture, etc.

Initiatives for PPP/PFI promotion

On “Kagawa PPP/PFI Regional Platform,” the platform the Bank developed to strengthen public-private collaboration in Kagawa prefecture, we not only implement projects on themes such as utilization of public facilities, but a variety of themes focused on collaboration between the public and private sectors.

[Results of main initiatives in FY 2022]

- Held closed-type sounding related to private use of public facilities
- Held workshops aimed at solving local issues
- Held seminars for local government employees

Initiatives for tourism promotion

The Bank entered into comprehensive partnership agreement with Japan Airlines aimed at the promotion of local development. Both the Bank and Japan Airlines aim to effectively utilize our respective know-how and networks in the areas of local tourism vitalization, tourist enticement, discovery/refinement of local resources in order to achieve local development within Kagawa prefecture.



Initiatives for popularizing local products

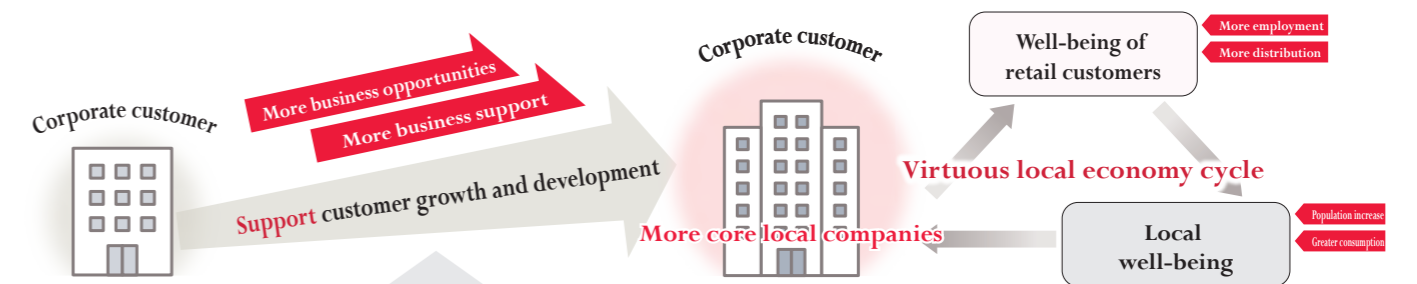
In collaboration with related groups in Kagawa prefecture, the Bank launched a project aimed at popularizing “Kagawa Products You Need to Know About” throughout the region. As the first activity, together with Kagawa prefecture restaurant operators, we held an event themed on “Kama-age Iriko of Ibuki Island, Kan-onji city” during which a menu of dishes made from kama-age iriko (a local specialty) was offered for a limited time only.



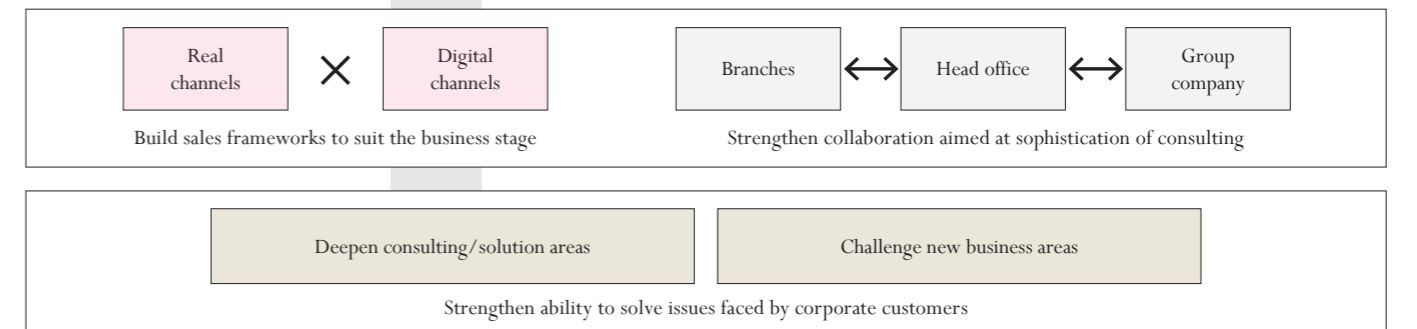
New Medium-Term Management Plan — Corporate Customer Strategies

Strengthen our corporate consulting function

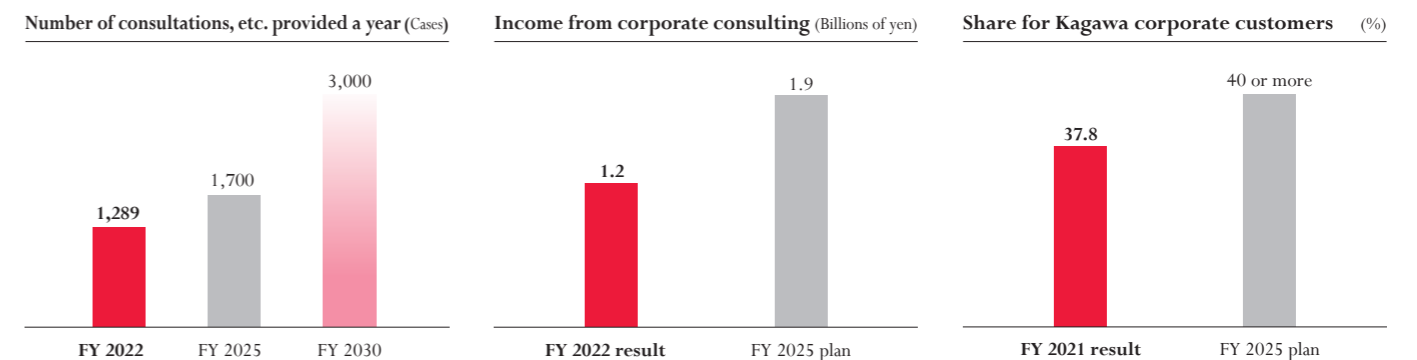
By expanding and deepening the consulting and solution services we provide, the Bank will sophisticate our function as a specialized consulting group in order to support our corporate customers to solve both their financial and non-financial management issues, which are becoming increasingly diverse and complex.



Support solving of issues from both finance and consulting aspects



Sustainability KPI	FY 2030	Number of consultations, etc. provided to corporate customers	3,000 a year
Medium-term management plan Challenge indicators	FY 2025	Share of loans to Kagawa prefecture corporate customers	40 % or more
		Income from consulting for corporate customers	(vs. FY 2022)+ 700 mill yen

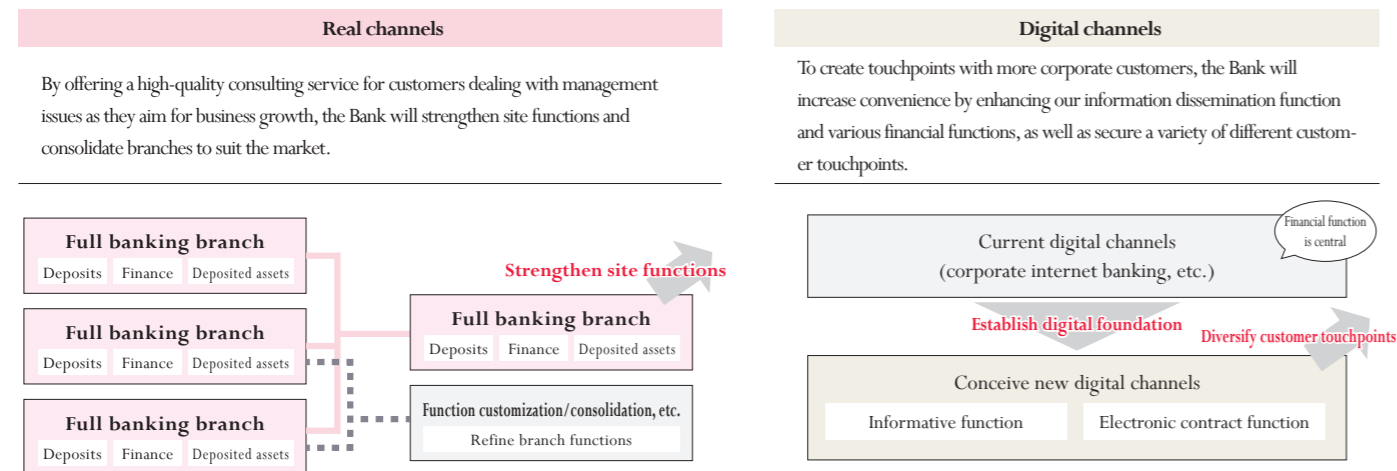


*This is a surmised value based on the financial performance data of customers and there is a lag in results, therefore the FY 2021 result is shown above

Efforts to Revitalize the Local Economy

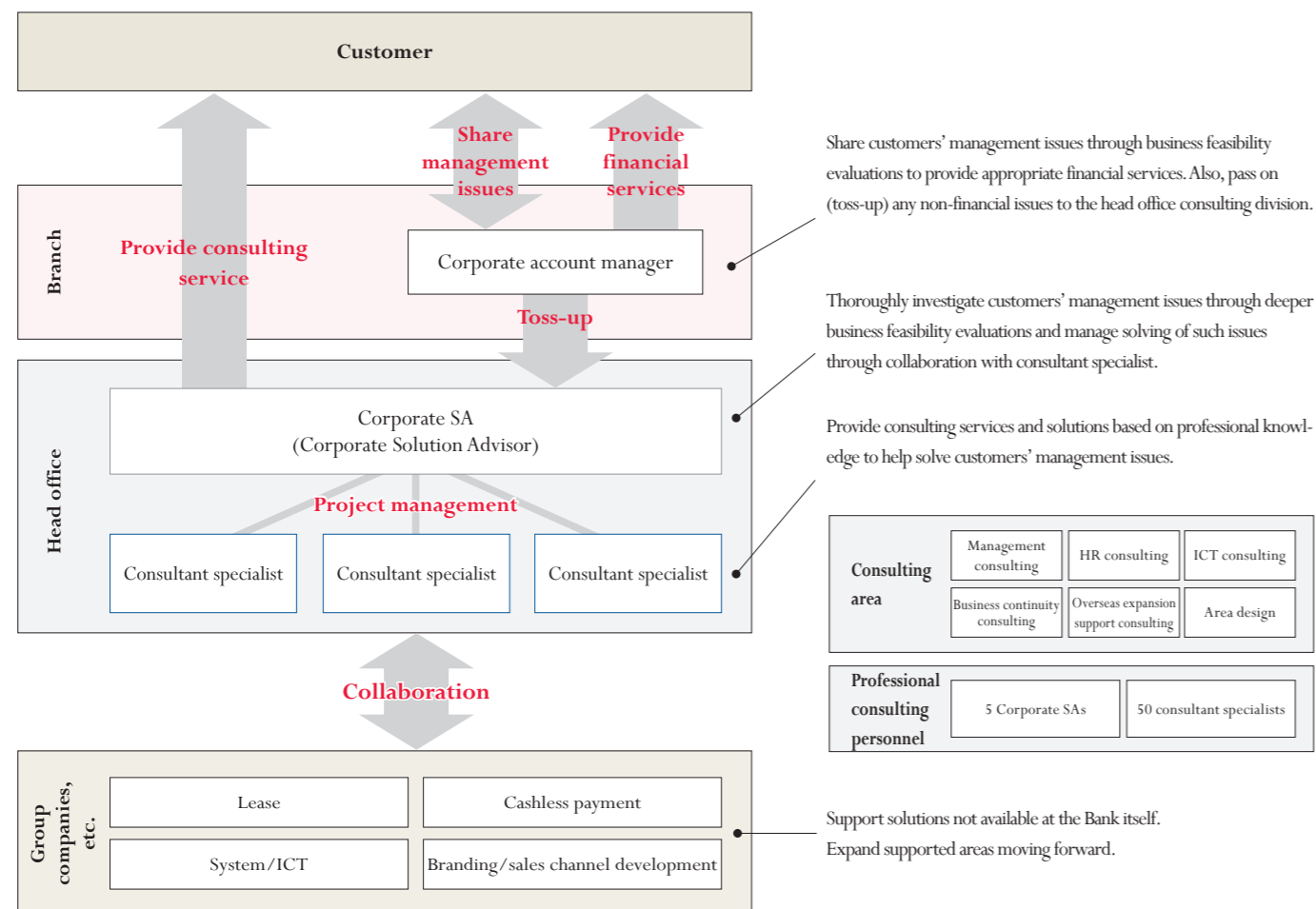
► Build sales frameworks to suit the business stage of corporate customers

The Bank will sophisticate both our real channels and digital channels and take the optimal approach to suit the business stage and needs of corporate customers so that we can best leverage limited resources to support even more customers in solving any issues they may face.



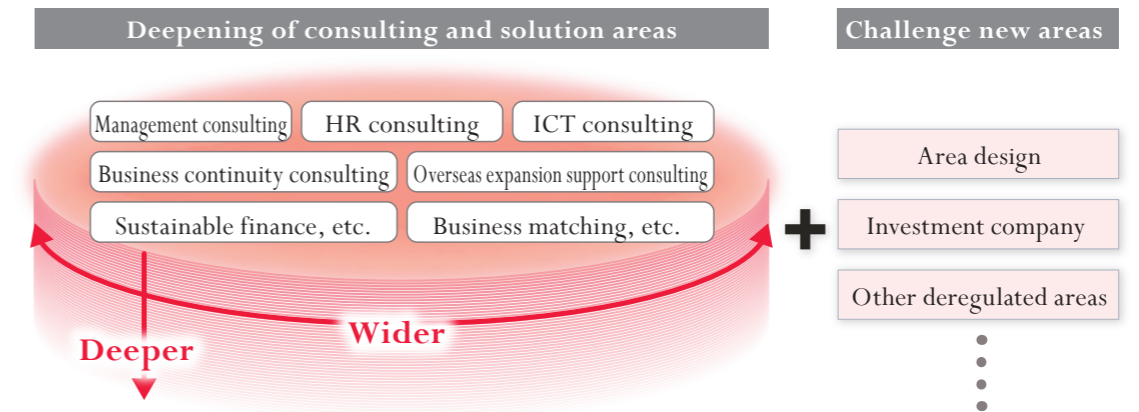
► Strengthen collaboration for sophistication of consulting function

The Bank will sophisticate our consulting service by thoroughly investigating our corporate customer’s management issues shared through dialogue between customers and their account manager at our branches to strengthen collaboration between head office personnel who are able to propose solutions from a professional viewpoint. Moreover, by collaborating with our group companies, we will support the solving of our customers’ issues as the Hyakujushi Group overall.



► Strengthen ability to solve issues faced by corporate customers

In order to meet the increasingly diverse and complex needs of our customers, we will strengthen our functions as a specialized consulting group by further deepening the consulting and solutions areas that we have been enhancing since the period covered by the previous medium-term management plan. In addition, we will strengthen our problem-solving capabilities by expanding into new areas that contribute to solving issues faced by our customers and local communities.



■ Support for solving issues related to personnel and human resources

From FY 2022 we began providing personnel system consulting. We provide consistent support covering everything from the proposal of personnel evaluation systems that meet the challenges of each company to the follow-up support for making employees aware of the system after its introduction and ensuring that it permeates the company.

In April 2022, the Bank obtained a license to operate a fee-charging employment agency business within the Bank itself, and is providing placement services mainly for management and executive-level personnel to businesses impacted by labor shortages.



Information session for employees of a customer receiving consulting support

■ Overseas expansion support: Plans to establish a Vietnamese local subsidiary (Autumn 2023 onwards)

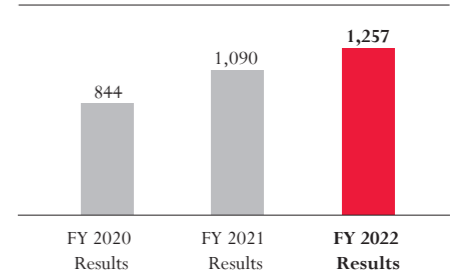
In autumn 2023, the Bank plans to establish a consulting company (local subsidiary: HBCV) for customers considering expanding their business operations to Ho Chi Minh, Vietnam. We aim to provide customers who have a desire to expand into Vietnam with comprehensive support from the initial meeting where we listen to their specific needs to expansion support and help on the ground in order to be a reliable partner as the Hyakujushi Group overall.



■ Business continuity support

With the aging of our customers’ management team, we have seen an increase in the number of consultations from customers who are facing issues related to business succession due to the absence of successors and other factors. In addition to support for succession within the consultee’s family and third-party succession through M&A, we also plan to consider providing equity-based support through the establishment of an investment company.

No. of customers seeking advice on business continuity (Cases)



■ Sustainability management support

With interest in sustainable management growing, the Bank offers the Hyakujushi SDGs Initiatives Support Service for evaluating customers’ business operations from an SDG perspective and assisting them in promoting related initiatives. We also offer the 114 Sustainability Management Support Service to assist business operators taking initiatives to sophisticate sustainability management in all the steps from identifying material issues to setting KPIs.

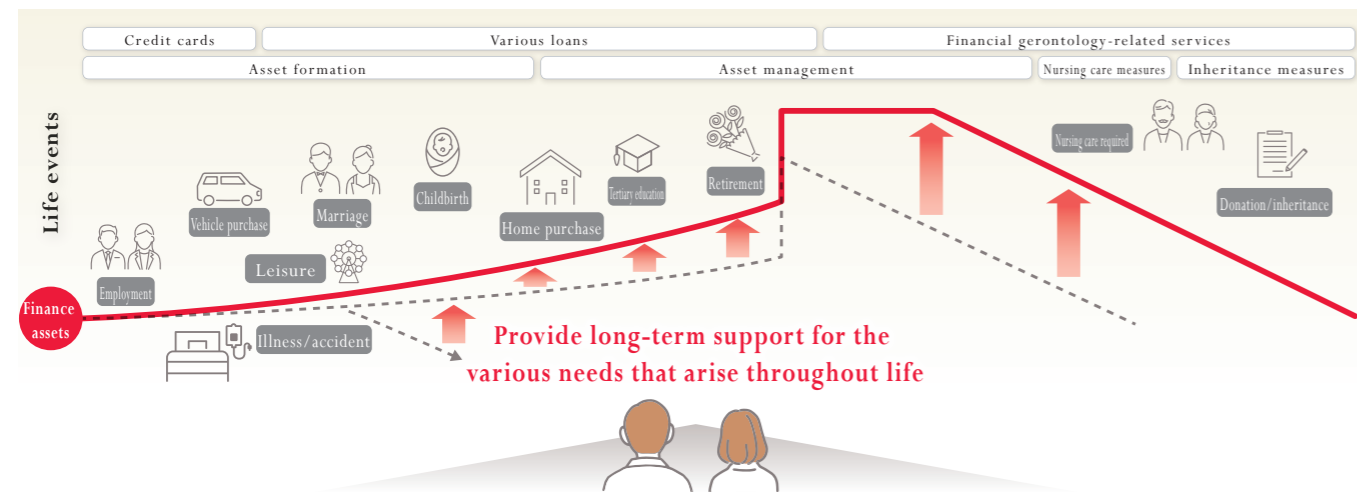
Respond to the Era of 100-year Lifetimes

With the advent of a super-aging society, the era of 100-year lifetimes is becoming a reality, and we will provide support to our retail customers in their total life design. We will also engage in financial education of future generations in the community to encourage steady asset formation that will enable them to live without anxiety in the future.

New Medium-Term Management Plan — Retail Customer Strategies

Supporting customers’ life designs through strengthening our consulting function

Amid this era of 100-year lifetimes, in order to respond to the various needs that arise over the course of our customers’ lives, we will strengthen our consulting function and provide support for steady asset formation so that retail customers may live without anxiety in the future, and ultimately enhance their lifetime value. In addition, through the promotion of database marketing, which will be carried out by the Digital Strategy Office newly established in April 2022, we will take an optimal approach to customers in line with their life events.

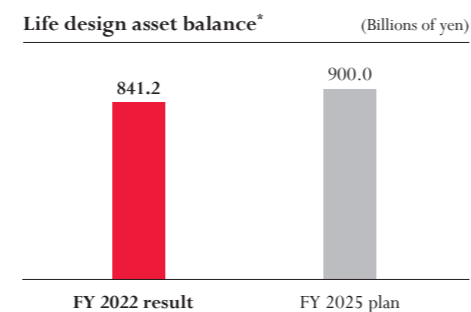
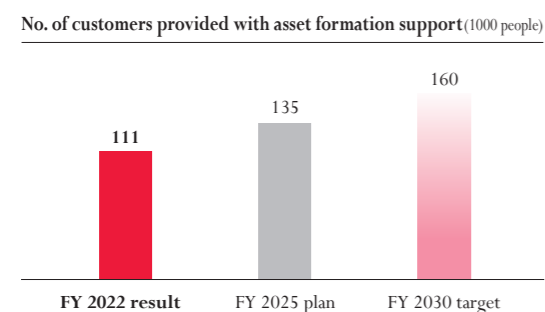


Provide long-term support for the various needs that arise throughout life

Based on database marketing, implement the optimal approach to suit customers’ life events.



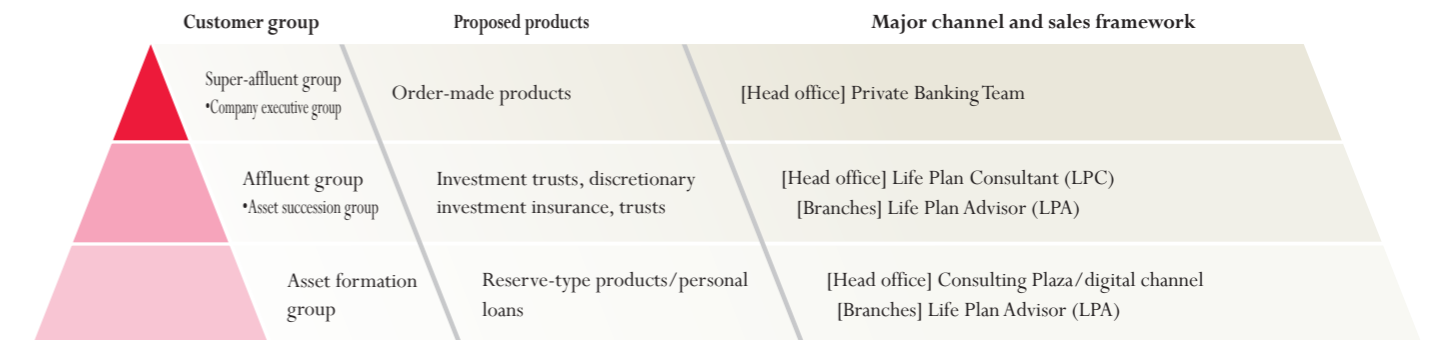
Sustainability KPI	FY 2030 No. of customers provided with asset formation support:	160,000
	No. of people who have completed financial education courses:	10,000 (cumulative)
Medium-term management plan challenge indicators	FY 2025 Closing balance of assets related to retail customer life design	¥900 billion or more



* Closing balance of personal loans and deposit assets created from long-term asset formation

Build sales frameworks to strengthen our consulting function

The Bank will build sales frameworks to ensure the optimal proposal for each individual life stage and need of our customers, and strengthen our consulting function to support retail customers.



Secure a variety of customer touchpoints utilizing non face-to-face channels

We will work to expand the base of our customer base by strengthening our non face-to-face channels to provide diverse customer experiences without barriers between the real and digital worlds.

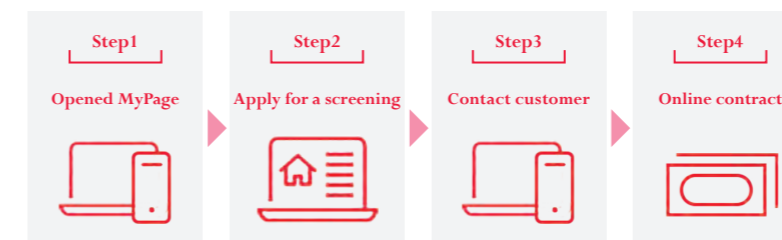
Introduction of the 114 Banking app

Expand digital services for retail customers with the banking app as the core

The 114 Banking app introduced in February 2023 will serve as the core of our non face-to-face channels for retail customers, and we will further enhance customer convenience by expanding its functions.

▶▶ P29-30 “Digital transformation of our operations and local communities”

Introduction of an online agreement application service for personal loans



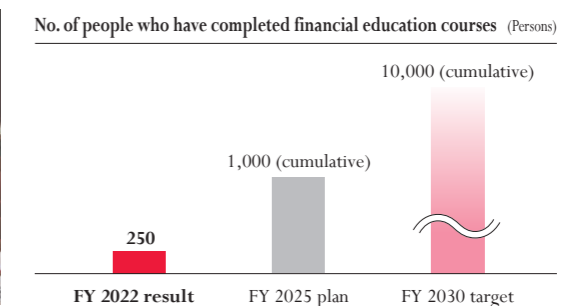
In March 2023, we launched an online agreement application service for personal loans. Going forward, we will gradually enhance this service’s functions and plan to support a wide range of transactions to strengthen touchpoints with customers who find it difficult to physically visit our branches.

Providing financial education for future generations

By expanding our financial education initiatives, we will raise the financial literacy level of future generations in local communities. In FY 2022, we provided financial education to 250 members of the future generation through ways such as directly visiting and giving lectures at junior and senior high schools in Kagawa prefecture.



Providing a finance lecture at a high school



Establish an Environment Where Diverse Human Resources can Participate and Grow

Based on our principle of human capital management which positions people as “capital,” we will achieve both a motivating and comfortable environment in which a diversity of human resources can participate and grow. By raising our employees’ motivation and capabilities, we will ensure each and every one of them can unleash their potential to the fullest and be a driving force in solving the issues that customers and communities face through personnel allocation linked with management strategy.

New Medium-Term Management Plan — HR Strategy

Tap into capability by encouraging engagement

In order to increase the number of employees who passionately strive to solve any issues customers and communities face, the Bank is strengthening its initiatives to encourage employee engagement.

▶ Transition to a corporate culture that encourages challenges

The Bank will encourage employee engagement by supporting employees to take up challenges for even greater participation and fostering a culture of recognizing such a challenging spirit.

■ Introduction of an inter-bank exchange system

In FY 2022, we introduced a short-term exchange system for employees to experience working in the area of their choice at our head office. Through this system we aim to support the autonomous career development of our employees after they acquire specialized knowledge and experience in specialized duties at head office.

■ Opening of a career consultation desk

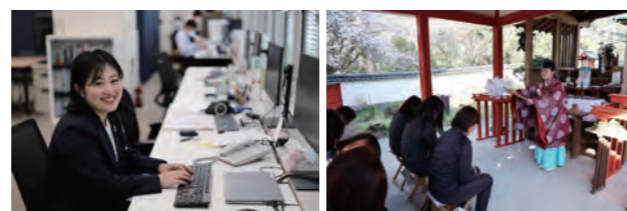
In February 2023, we established a career consultation service to support the autonomous career development of our employees. Through this we provide advice on the use of various systems related to career development and support for the concrete realization of employees’ career goals.

▶ Create a workplace where everyone can work with peace of mind (Promotion of diversity & inclusion)

We are committed to creating a work environment where a diverse workforce can enjoy a motivating and comfortable atmosphere.

■ Introduction of a side job system and career-return system

In addition to supporting diverse work styles, in April 2023 the Bank introduced the side-job system that allows employees to work side jobs. We also introduced the career-return system, whereby employees can resign early, acquire experience in another field, then be reemployed by us. These systems are anticipated to help improve local contribution and the Bank’s value by leveraging broad knowledge and skills obtained through another field and side jobs, as well as tapping into new personal networks.



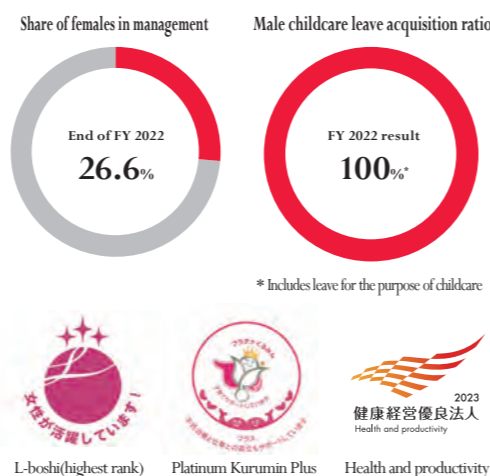
Employee taking advantage of our side job system to work as a Shinto priest

■ Initiatives to support work-childcare balance

The Bank is strengthening our support of employees who take maternity and childcare leave in the form of the “Hyakujushi Childcare Support Program.” In addition to revising various leave frameworks and providing employees on childcare leave with information, we also encourage male employees to take childcare leave. We will promote female participation by supporting work-childcare balance.

■ Strengthen health management

As initiatives to address health matters unique to women, the Bank proactively offers internal training, distributes awareness-raising materials, regularly disseminates information, and so on. Furthermore, our efforts focused on infertility treatment such as introducing a “Childbirth Support Leave” as a system enabling employees to take time off work to undergo for infertility treatment, etc. were recognized, and we became the first company in Kagawa prefecture to be certified with “Platinum Kurumin Plus” in November 2022.



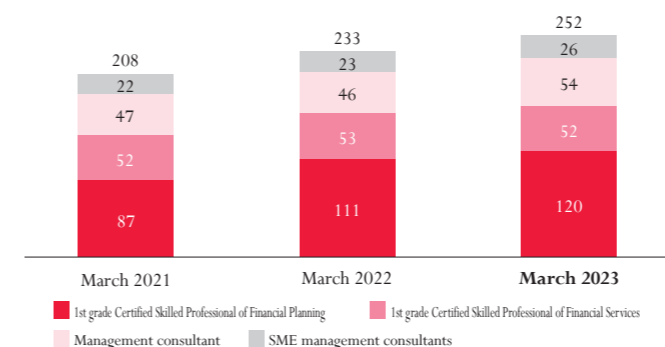
▶ Strengthen human resource capability for strategy execution

Through acquisition of specialized knowledge, advanced skills, etc., the Bank is making efforts to strengthen employee capabilities in order to increase their ability to solve any issues that customers and communities face.

■ Encourage acquisition of advanced qualifications

With the aim of increasing the number of employees with specialized knowledge, the Bank has established a framework encouraging acquisition of high-level qualifications such as SME management consultants. As a result, the number of employees with high-level qualifications is growing year after year.

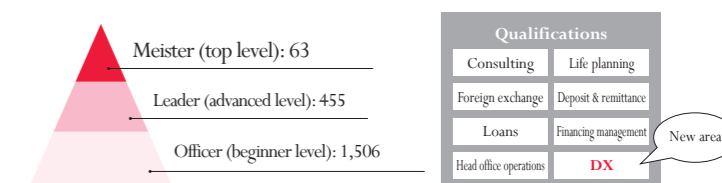
No. of employees with high-level qualifications (Persons)



■ 114 Meister system

Through our 114 Meister system for certifying the knowledge and business proficiency of employees in each area, we are encouraging employees to autonomously develop their careers and take initiative with respect to self-improvement. Moving forward, we will continue strengthening our professional human resource base by increasing the number of employees with the top level of “Meister.”

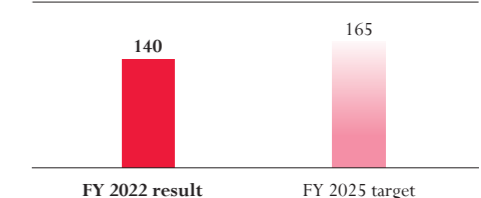
No. of employees certified under the 114 Meister system (as of March 31, 2023)



■ Strengthen investment in human resource development

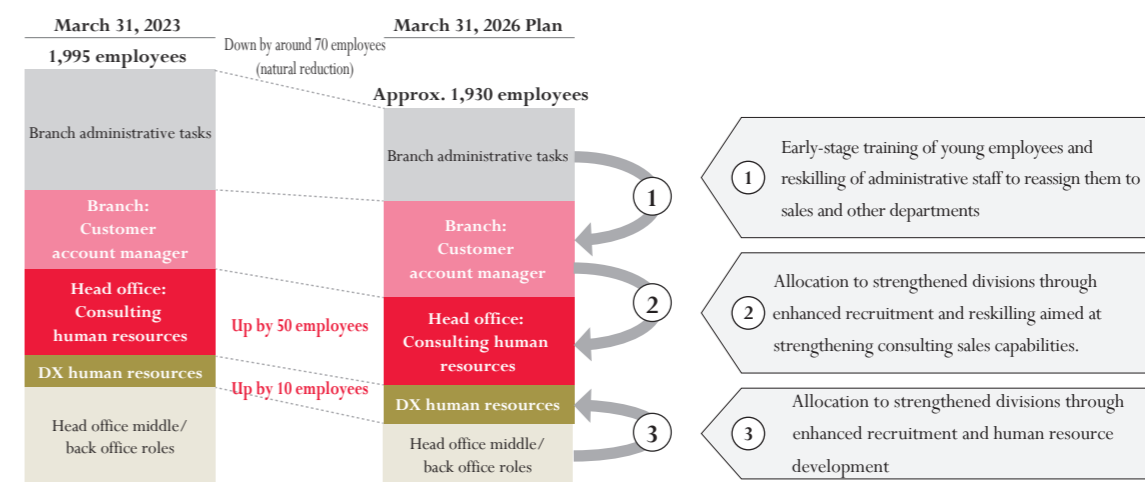
We will systematically develop professional human resources by strengthening our investment in this area through enhancement of various training programs, encouragement of acquisition of qualifications, and so on.

Human resource development investment (mill yen)



■ Build a human resource portfolio linked with management strategy

The Bank will build the necessary human resource portfolio to execute management strategy through optimal allocation of human resources based on linkage between management strategy and HR strategy. In order to achieve the “evolution of a general consulting group” which we have slated as our long-term vision in our new medium-term management plan, we will create consulting human resources who engage in direct dialogue with customers and strengthen DX human resources to transform business models.



Sustainability KPIs	Target
FY 2030 Sustainable improvement of employee engagement score	
FY 2026 Share of females in management	At least 30%

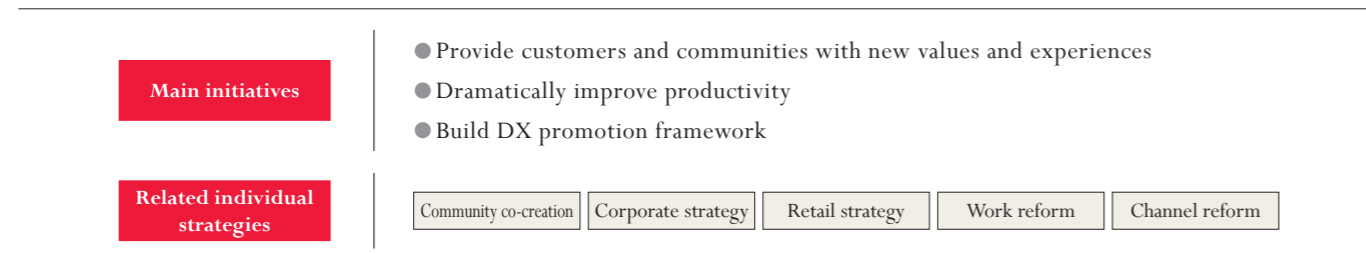
Strategy KPI	FY 2025 (compared to March 31, 2023)
Creation of consulting human resources who engage in direct dialogue with customers	Up by 50 employees
DX human resources to transform business models	Up by 10 employees

Digital Transformation of Group Operations and Local Communities

In order to adapt to changes in the environment, the Hyakujushi Group will transform its business processes, business model, and organization by utilizing data and digital technology, aiming to provide new value and experiences to customers, and dramatically improving business productivity. Furthermore, by actively engaging in efforts for the digital transformation of customers and communities, we will promote the digital shift of society and economy.

New Medium-Term Management Plan — DX Strategy

The Hyakujushi Group has defined DX as the “growth engine that will transform business through data and digital technology,” and formulated DX strategy to effectively promote each medium-term management plan strategy through DX. By concentrating on the six focus areas of the DX strategy and solving the Hyakujushi Group Material Issues, we aim to create local communities with well-being and improve the sustainability of our Group’s management.



Key focus areas	Value offered	Stakeholders
Enhance non face-to-face channels	Create an environment in which customers can access our services anywhere, anytime	Corporate customers, Retail customers
Data utilization, etc.	Personalized proposals and services based on data	Corporate customers, Retail customers, Communities
Support digital transformation of customers/communities	Utilize DX to solve customers’ management issues and social issues in the community	Corporate customers, Communities
Digital transformation of branches/work	Alleviate the burden of customers’ procedural tasks in branches, reduce wait times and streamline branch/head office operations	Corporate customers, Retail customers, Employees
Develop/hire DX human resources	An organization where all employees leverage DX to proactively bring about change	Employees
Create new businesses	Promote digital transformation of local communities and economic revitalization through creation of new businesses	Corporate customers, Retail customers, Communities

Acquisition of “DX Certified Operator” status

In October 2022, the Ministry of Economy, Trade and Industry certified the Hyakujushi Bank as a DX Certified Operator in accordance with its DX certification system.

Based on the Act on Facilitation of Information Processing, this is a system whereby METI certifies business operators who have made preparations to promote DX, and the Bank’s utilization of digital technologies and initiatives for framework establishment aimed at realizing DX were recognized.



Sustainability KPI	FY 2030	No. of digitally-connected customers 400,000

Provide customers and communities with new values and experiences

Enhance non face-to-face channels and data utilization, etc. Corporate customer strategy Retail customer strategy Channel reform

Secure diverse touchpoints with customers

In February 2023, the Bank launched the 114 Banking app for retail customers which offers more convenience than our conventional online banking service. Going forward, we will expand the functionality of the non face-to-face channel centered on the 114 Banking app and organically link it with face-to-face channels to expand touchpoints with retail customers, improve convenience, and realize a customer experience without barriers between the real and digital worlds.



In addition, for the purpose of improving convenience for corporate customers, we will consider upgrading non face-to-face channels, such as the introduction of a corporate portal equipped with various functions.

Implement database marketing

With our 114 Banking app as the core, we will enhance non face-to-face channel functions to maintain and expand customer touchpoints and implement marketing based on data obtained through each channel so that we may provide proposals and services aligned with each customer’s needs.

Support digital transformation of customers/communities Community co-creation Corporate customer strategy

Sophistication of ICT consulting service and close support

DX is becoming increasingly important in order to solve management issues faced by customers, such as the digital transformation of society and the economy, labor shortages, and so on. The Bank will collaborate with other Hyakujushi Group companies in relation to not only back office work such as accounting and human resource management, but also the sophistication of ICT consulting services including front office work such as sales support and order management. In this way, we will support the digital transformation of local customers and local governments.

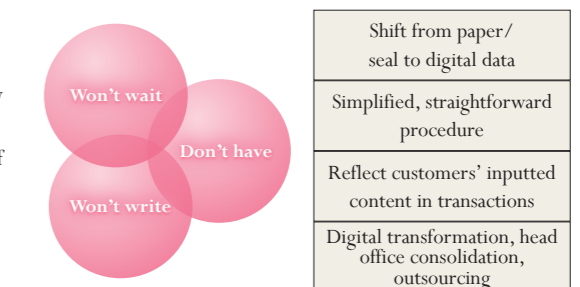
Dramatic improvement of productivity

Digital transformation of branches/work Work reform Channel reform

Introduction of branch tablets

With the aims of alleviating the burden of customers filling out forms in the branch and reducing wait times, we are working on the development of branch tablets so that we may introduce them during FY 2023.

Moving forward, we will continue to proactively promote the digital transformation of our branches and work through initiatives such as introducing a branch appointment service, setting up a remote teller, and so on in order to improve branch convenience as well as secure time and personnel for consulting sales aimed at solving customers’ issues and concerns.

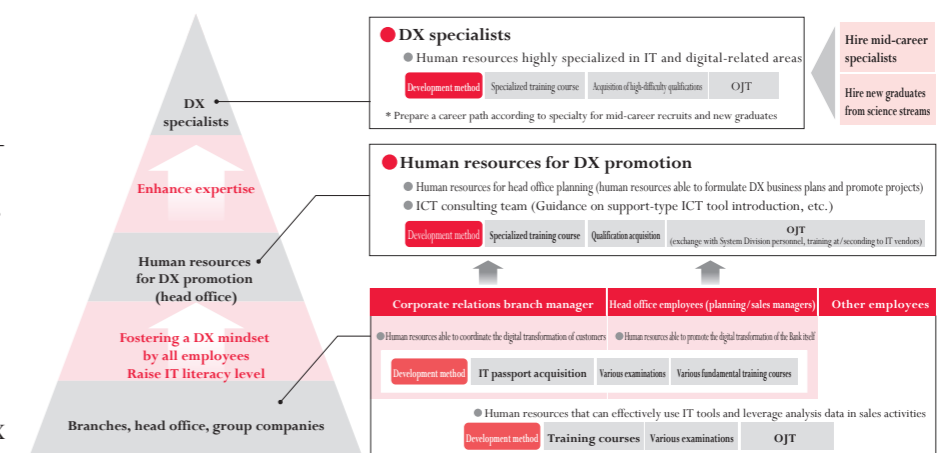


Build DX promotion framework

Develop/hire DX human resources

The Bank has engaged in initiatives for the development and hiring of DX human resources through activities such as developing data analysts in the Digital Strategy Office, adding the qualification of “DX human resource” to the 114 Meister system (The Bank’s internal qualification system), and hiring mid-career DX specialists.

We will need more DX human resources to effectively execute the DX strategy formulated this time. By raising the IT literacy level of employees overall and fostering a DX mindset, the Bank will systematically develop and hire human resources for DX promotion as well as DX specialists.





In October 2021, the Bank expressed its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD)^{*1} recommendations, recognizing that addressing environmental and climate change issues is vital. The Bank’s initiatives in line with the TCFD recommendations are as follows.

^{*1}The Task Force on Climate-related Financial Disclosures (TCFD) is an international advocacy organization established in 2015 by the Financial Stability Board (FSB) to address climate change as a global challenge. It recommends disclosures to financial aspects based on the risks and opportunities of climate change from the perspective of financial market stabilization.

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.
- In addition, in order to further promote sustainability management, the achievement of sustainability management targets (reduction of CO₂ emissions, increase in the share of females in management, etc.) will be taken into account with respect to executive remuneration from FY 2023 onward.

 Please see our website for “Hyakujushi Bank’s Environmental Policy.”
<https://www.114bank.co.jp/company/policy/>

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.

Opportunities

- We recognize that supporting our customers and communities in their efforts to combat climate change and transition to a decarbonized society from a medium- to long-term perspective will lead to the creation and expansion of business opportunities for financial institutions.
- 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.

Risks

- We perceive climate change risks in terms of physical risks and transition risks.
- Anticipated transition risks include an increase in credit risk for customers affected by factors such as more stringent climate-related policy/regulation and the advance of technological innovation aimed at decarbonization.
- 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.

Scenario analysis

Transition risk

Based on the 2°C and 1.5°C scenarios of the International Energy Agency (IEA), we analyzed the situation of our credit portfolio in the event that a carbon tax is introduced and estimated the impact on the Bank’s finances.

For the purpose of analysis, we targeted the companies provided with credit that fell into the electricity and gas and marine transportation sectors. As a result, the cumulative increase in credit costs is expected to be up to approximately 10.5 billion yen by 2050.

Physical risk

Based on the 2°C and 4°C scenarios of the Intergovernmental Panel on Climate Change (IPCC), we analyzed the impact on our credit portfolio of large-scale floods expected to occur by 2050 in all of our business areas and estimated the degree of impact on our financial condition.

We approached our analysis from two points of view: collateral damage and sales decline. As a result, the maximum increase in credit costs was approximately ¥4.2 billion as the cumulative total through 2050.


The cumulative impact of losses due to damage to the Bank’s business branches and other facilities was up to ¥600 million through 2050.

Carbon-related assets

- In the four sectors of carbon-related assets based on revised TCFD recommendations in October 2021 (energy, transportation, materials and buildings, agriculture/food/forest products), carbon-related assets account for 29.7% of the Bank’s loan balance (as of March 31, 2023).
- The 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.) account for 2.5% of the Bank’s loan balance. (As of March 31, 2023)
- Moving forward, through engagement with the relevant sectors, in addition to sustainable finance, we will strive to provide various solutions aimed at decarbonization, 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.

 Please see our website for our “Environmental and Social Management Policy for Financing and Investment Activity”
<https://www.114bank.co.jp/company/policy/>

Indicators and targets

Long-term targets for the reduction of CO₂ emissions

We have established long-term targets for the reduction of CO₂ emissions to mitigate climate change risks. By striving for these targets, we aim to reduce the CO₂ 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 2022, we achieved a 43.6% reduction in CO₂ emissions compared to FY 2013, through measures such as switching from city gas to carbon neutral city gas for some stores, training centers, welfare facilities, etc. and switching the garbage bags we use within the Hyakujushi Group to garbage bags made from 99% recycled materials.

① Target	Definition	Scope 1 and Scope 2 CO ₂ emissions ^{*2}
	Targets	[Interim target] 50% reduction vs. FY 2013 by FY 2030 [Ultimate target] Achieve carbon neutrality by 2050

^{*2} Scope 1: CO₂ emissions directly resulting from such processes as the combustion of fuel (gasoline, etc.) by the Bank.
 Scope 2: CO₂ emissions indirectly resulting from the use of electricity, etc. provided by other companies to the Bank.

② Results		Scope 1 (direct emissions)	Scope 2 (indirect emissions)	Total	Reduction (vs. FY 2013)
	FY 2022		630 t	4,896 t	5,526 t

The calculated CO₂ emissions (Scope 1 and 2) for the entire Hyakujushi Group in FY 2022 were 6,877 tons.

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.

Results for the period ended March 31, 2023 (cumulative) were 125.2 billion yen (including 56.7 billion yen for environmental initiatives).

1 Target	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 between FY 2021 and FY 2030 [Target amount] Cumulative financing and investment of ¥500 billion (including ¥200 billion for environmental initiatives)
2 Result	April 2021 – March 31, 2023 (cumulative)	125.2 billion yen (including 56.7 billion yen for environmental initiatives)

Initiatives to grasp Scope 3 emissions

For Scope 1 and 2, the Bank had set long-term targets and calculated results accordingly, however from FY 2021, we added Scope 3 categories 1 through 14 to the scope of calculation.

Greenhouse gas emission results (Scope 3)

Measurement category		FY 2022 result
1. Purchased products and services	Photocopy paper, data communication cost, postage, books and subscription costs, stationary, etc.	2,477
2. Capital goods	Buildings for business, real estate, software	4,015
3. Fuel and energy-related activities not covered in Scopes 1 and 2	Upstream emissions of purchased electricity, steam, and fuel	639
4. Transportation, delivery (upstream)	Shipping fee (other company transportation, the Bank is the consigner)	109
5. Waste	General waste	360
6. Business trips	Employee business trips	337
7. Commute	Employee commute	830
8-14. Leased assets (upstream), transportation (downstream), processing of sale products, etc.	(Not applicable)	(Not applicable)
15. Investments	Finance for corporations	(not calculated)
Total		8,767

The scope calculation method, emissions coefficient, etc. are in line with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.4 (Ministry of the Environment, Ministry of Economy, Trade and Industry, March 2022) and Database on Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain Ver. 3.2 (Ministry of the Environment, Ministry of Economy, Trade and Industry, March 2022). Scope 3 categories 8, 9, 10, 11, 12, 13, and 14 are not applicable to the Bank. We will consider applying Scope 3 category 15 in the future.

Initiatives to alleviate environmental burden

Self-utilization of electricity generated by solar power generation facility

The solar power generation facility installed at the former site of the Bank’s recreation facility, which commenced operation in March 2023, reduces CO₂ emissions through the use of a “self-utilization scheme” whereby the electricity generated is consumed by the Bank itself. The annual reduction in CO₂ emissions is expected to be 480 tons, which is equivalent to approximately 8% of the Group’s annual emissions.



Promote ZEB shift of branches and energy-saving at real estate properties for business operations

We plan to achieve ZEB* with zero CO₂ emissions at the new branch, which is scheduled for construction and relocation in the fall of 2023. The new branch is expected to achieve “ZEB” status, which means that 53% of the energy consumed by the new branch will be “saved” by various facilities and 59% will be “created” by solar energy, thereby reducing CO₂ emissions to zero in real terms. Through this initiative combined with branch consolidation efforts, we aim to reduce emissions by approximately 100 tons per annum.



*Abbreviation for Net Zero Energy Building

We will enhance management sustainability by aiming to strengthen the management foundation of the Hyakujushi Group.

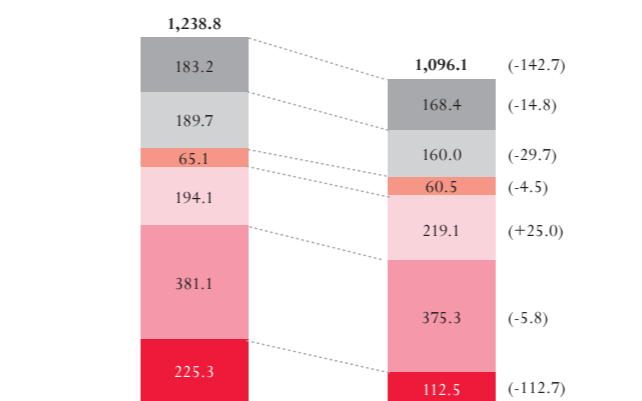
New Medium-Term Management Plan – Individual Strategy

Stabilization of securities management

The Bank will manage its portfolio with a view to medium- to long-term and overall optimization, based on the condition of the Bank’s overall portfolio and other factors, and will conduct stable securities management without bias toward short-term, periodic income.

Shift in securities (average balance)

(Billions of yen)



In the securities portfolio for the year ended March 31, 2023, the average balance decreased by 142.7 billion yen from the previous year due to the liquidation of unrealized loss issues in bonds, foreign securities, and others (investment trusts, etc.).

Direction

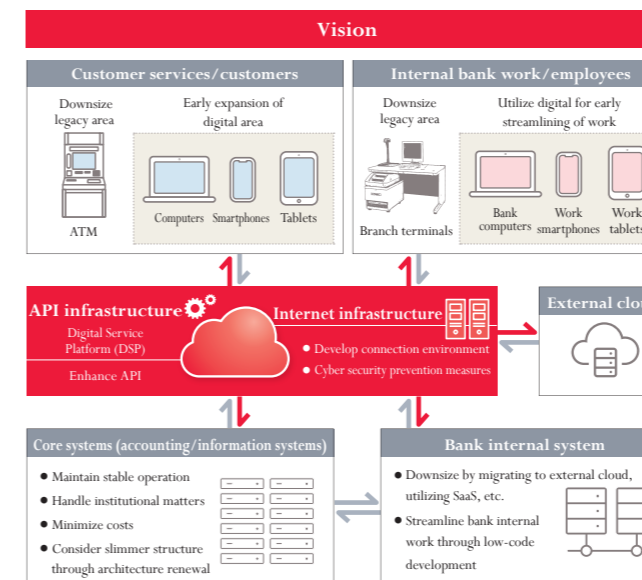
Mission	Medium- to long-term management prioritizing the future
Portfolio	Overall optimization management
Investment judgment	Judgment on medium- to long-term fundamentals

Items for consideration to achieve optimal portfolio management

- Seasonal changes in finance
- Securities portfolio management based on changes in the overall bank portfolio (sharing within the bank images of changes in the size, composition, etc. of the securities portfolio)
- Expected return and risk tolerance based on constraints related to risk-taking

System and digital infrastructure development

The Bank aims to downsize legacy systems and transform them into an open system structure with a focus on digital. Furthermore, while maintaining the stable operation of the core system, we will clarify the vision for the next core system.



Thorough cost return management

While taking into account the impact of price hikes and other factors, we will ensure that our expenses and investments are focused on returns and effectiveness. In addition, we will continue to invest in DX and GX (Green Transformation) measures and practice advanced sustainability management.

Thorough expenses and investment emphasizing return/effort

Living money

- Thorough recycling, reusing, etc. (circular economy)
- Revise procurement rules for goods and services, etc.

Measures from a P/L aspect (examples)

De-plasticization measures	Paperless measures	Car-sharing
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Shift to low cost and monetization through DX and GX

Living assets

- Effectively utilize owned assets
- Introduce/utilize advanced and innovative technology and know-how, etc.

Measures from a B/S aspect (examples)

Utilize unused land	Convert branches into virtual power plants	Utilize electric vehicles (V2X)
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Corporate Governance

Basic stance on corporate governance

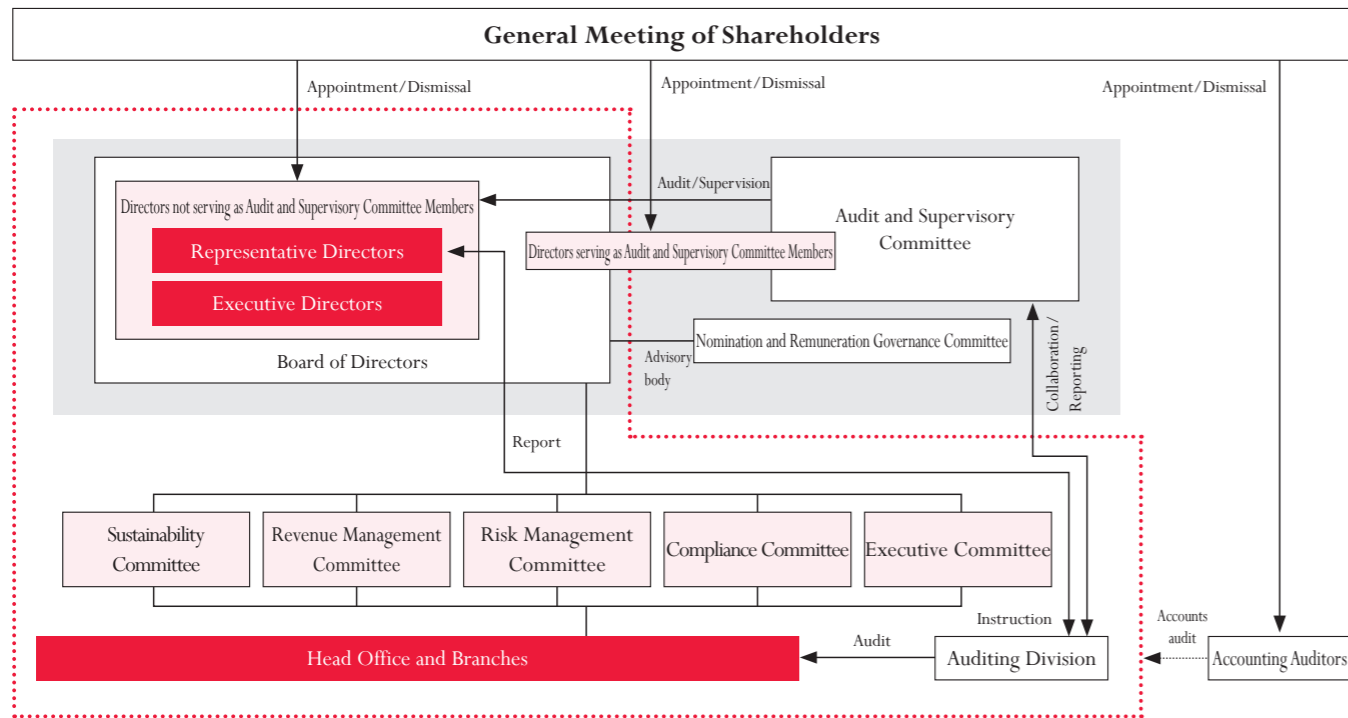
Centered on the Board of Directors and Audit and Supervisory Committee system, the Bank effectively utilizes its Sustainability Committee, Revenue Management Committee, Risk Management Committee, Compliance Committee, etc., to swiftly respond to cross-organizational matters and secure effective corporate governance.

Corporate governance framework

The Bank is a company with an Audit and Supervisory Committee and strengthens its auditing and supervising functions in relation to the execution of duties by Directors through the granting of voting rights at Board of Directors Meetings to the Directors serving as Audit and Supervisory Committee members. In addition, for the purpose of improving objectivity and transparency of the governance system, the Nomination and Remuneration Governance Committee has been established, chaired by an outside director elected by mutual vote, and consisting of the president, the chairman of the Audit and Supervisory Committee, and Outside Directors.

Furthermore, the Bank has introduced an Executive Officer System whereby the Executive Directors appointed by the Board of Directors are in charge of business execution, and important business execution matters are discussed and determined by the Executive Committee, which consists of Managing Executive Officers and above, as well as the Sustainability Committee, Revenue Management Committee, Risk Management Committee, Compliance Committee and other committees established in order to swiftly respond to cross-organizational matters.

Corporate governance framework



Board of Directors

The Board of Directors consists of 8 Directors (excluding Directors serving as Audit and Supervisory Committee members) and 7 Directors serving as Audit and Supervisory Committee members (including 5 Outside Directors).

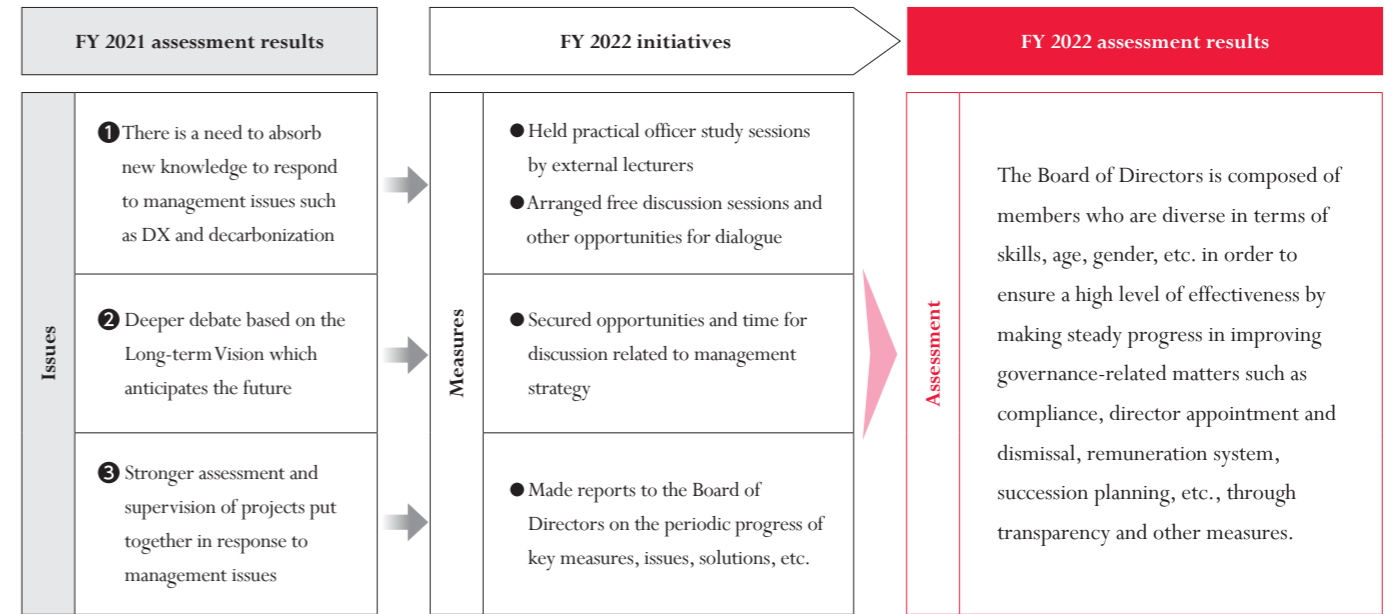
Directors are selected based on their expertise and skills that the Bank expects with consideration to the business environment and management strategy, and care is taken to ensure that the entire Board of Directors maintains a balance of skills that contributes to the sustainable development of the Bank's group. We also pay attention to diversity when configuring the Board of Directors, including factors such as gender, internationalism, occupational history, and age.

In principle, the Board of Directors meets once a month and in addition to matters stipulated by laws and regulations or the Articles of Incorporation, passes resolutions on important matters concerning management and oversees business execution by Directors.

Board of Directors	No. of meetings in FY 2022
Main matters deliberated in FY 2022 <ul style="list-style-type: none"> Finalization of Hyakujushi Group Material Issues and sustainability KPI Formulation of the Long-term Vision Formulation of the Medium-term Management Plan (April 2023 – March 2026) Formulation of the FY 2023 Compliance Program implementation plan Partial revision to the Regulations for Money Laundering Prevention, Etc. Overview and Response to FY 2021 Board of Directors effectiveness assessment results Revision to the remuneration amount for Directors (excluding Directors serving as Audit and Supervisory Committee members) Director bonuses, etc. (excluding Directors serving as Audit and Supervisory Committee members) 	

Assessment of Board of Directors' effectiveness

The Bank conducts an annual questionnaire targeting all Directors to evaluate the effectiveness of the Board of Directors based on an analysis of the results. The Board of Directors strives to improve its effectiveness by addressing issues identified in the assessment.



Issues the Bank recognized as a result of the FY 2022 Board of Directors effectiveness assessment

- Effective progress management of the new medium-term management plan formulated in order to realize our Long-term Vision
- Discussions utilizing management indicators including non-financial indicators for the realization of sustainability management
- Involvement in human capital management and development of diverse management personnel, including women and young employees.

Board of Directors skills matrix

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

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

Outside Directors (Audit and Supervisory Committee Members)

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

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

Reason for appointment as an Outside Director

Name	Reason for appointment	Attendance (FY 2022)	
		Board of Directors	Audit and Supervisory Committee
Yasuko Yamada	Yasuko Yamada worked for the Kagawa Prefectural Government, holding a number of important positions in departments and divisions relating to the environment, welfare, accounting, and so forth. As such, she has ample experience in local government, possesses expertise in particular on regional revitalization and financial accounting, and has excellent personality and insights. Further, she has served as the Bank's Director and Audit and Supervisory Committee Member since June 2019, and has been appropriately supervising its management. Thus, the Bank has determined that she will continue to contribute to management supervision as an Audit and Supervisory Committee Member with an independent standpoint and has appointed her as an Outside Director serving as an Audit and Supervisory Committee Member.	12/12	13/13
Nobuyuki Souda	Nobuyuki Souda has ample experience as a corporate manager at Nippon Life Insurance Company and Corporate-Pension Business Service Co., Ltd., possesses a wealth of knowledge in particular of finance and financial accounting, and has excellent personality and insights. Further, he has served as the Bank's Director and Audit and Supervisory Committee Member since June 2019, and has been appropriately supervising its management. Thus, the Bank has determined that he will continue to contribute to management supervision as an Audit and Supervisory Committee Member with an independent standpoint and has appointed him as an Outside Director serving as an Audit and Supervisory Committee Member.	11/12	12/13
Tomoko Fujimoto	Tomoko Fujimoto not only possesses highly specialized knowledge as a lawyer, but has also served in a number of public positions including the Kagawa Local Labour Council and the Takamatsu City Environment Council. As a result, she has diverse perspectives and ideas developed on the front line of local government, along with a jurist's perspective. Further, she has served as the Bank's Director and Audit and Supervisory Committee Member since June 2021, and has been appropriately supervising its management. Thus, the Bank has determined that she will continue to contribute to management supervision as an Audit and Supervisory Committee Member with an independent standpoint and has appointed her as an Outside Director serving as an Audit and Supervisory Committee Member.	12/12	13/13
Noriyuki Konishi	Noriyuki Konishi possesses a high level of expertise in particular on accounting, audit, governance and regional revitalization as an academic expert, has held important posts as Vice President of Aoyama Gakuin University and Chairperson of Japanese Association for International Accounting Studies, etc., and has excellent personality and insight. Further, he has served as the Bank's Director and Audit and Supervisory Committee Member since Jun. 2022, and has been appropriately supervising its management. Thus, the Bank has determined that he will continue to contribute to management supervision as an Audit and Supervisory Committee Member with an independent standpoint and has appointed him as an Outside Director serving as an Audit and Supervisory Committee Member.	9/9	9/9
Yasushi Marumori	Yasushi Marumori has ample experience as a corporate manager at MUFG Bank, Ltd. and Mitsubishi UFJ Research and Consulting Co., Ltd., etc., possesses expertise in particular on finance, financial accounting and consulting, as well as experience as an outside corporate auditor of a regional bank, and has excellent personality and insights. Valuing his ability and experience highly, the Bank has determined that he will contribute to management supervision as an Audit and Supervisory Committee Member with an independent standpoint. The Bank expects Mr. Marumori to play the role of providing guidance and suggestions that facilitate the Bank's management, drawing on his experience and knowledge as a corporate manager and, as such, has appointed him as Outside Director serving as an Audit and Supervisory Committee Member.	Appointed Director in June 2023	

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 (13 meetings in FY 2022), and occasionally as necessary to audit and supervise the execution of duties by Directors.

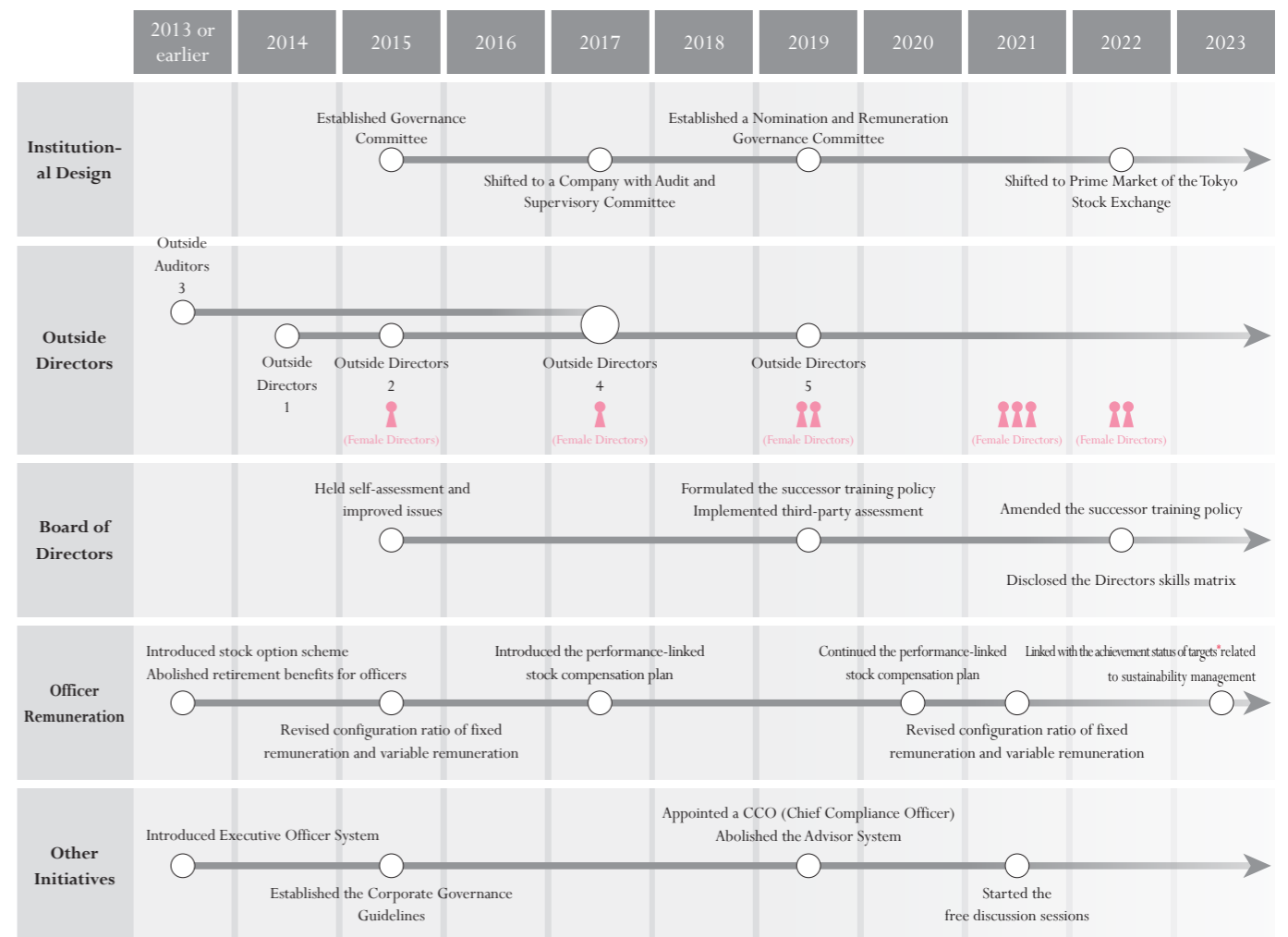
Audit and Supervisory Committee	No. of meetings in FY 2022
	13
Main matters deliberated in FY 2022	
<ul style="list-style-type: none"> ● Formulation of audit policy and audit plans ● Decision-making regarding the appointment and remuneration of Directors not serving as Audit and Supervisory Committee Members ● Audit of the contents of proposals to be submitted to the Regular Annual General Meeting of Shareholders ● Resolution to reappoint Accounting Auditor ● Consensus regarding remuneration, etc. for Accounting Auditor, etc. 	

Nomination and Remuneration Governance Committee (Voluntary committee)

The Nomination and Remuneration Governance Committee is chaired by an Outside Director and comprises of the President of the Bank, the Chairperson of the Audit and Supervisory Committee, and 5 independent Outside Directors. In principle, it meets at least twice per year as a general rule (8 meetings held in FY 2022). 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.

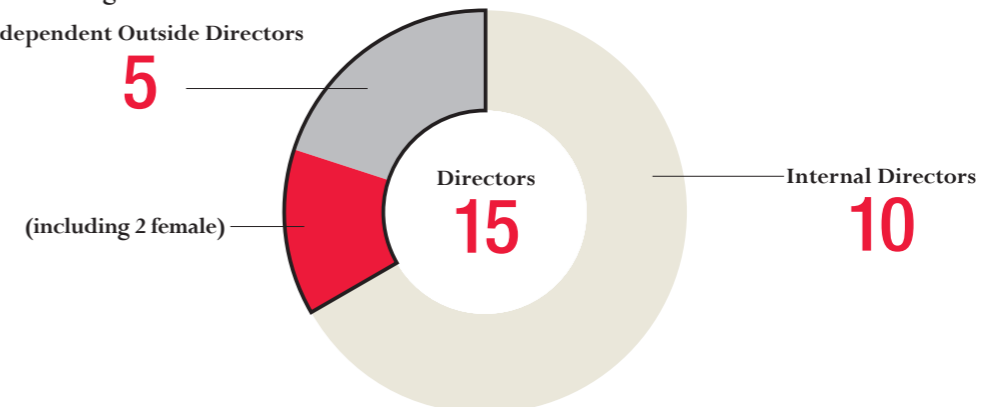
Nomination and Remuneration Governance Committee	No. of meetings in FY 2022
	8
Main matters deliberated in FY 2022	
<ul style="list-style-type: none"> ● Results of the candidate selection survey based on the succession plan ● Report on the remuneration scheme for Directors (excluding Directors serving as Audit and Supervisory Committee Members) ● Proposal for new frameworks in FY 2023 (Director candidates, Executive Officer candidates, etc.) ● Questionnaire to assess effectiveness of Board of Directors and results thereof ● Report, etc. on proposals for the Long-term Vision and medium-term management plan, etc. 	

Results of initiatives to strengthen governance



*Reduce CO2 emissions (E) Improve share of females in management (S) Reduce cross-shareholdings (G)

Board of Directors configuration



Free discussions

In addition to discussions at formal meeting bodies such as the Board of Directors, free discussions have been held since 2021 as an opportunity to freely and openly exchange opinions with Outside Directors. Directors, executive officers, general managers, branch general managers, and others from within the Bank participate in discussions from a medium-term to long-term perspective. We are gradually increasing the number of meetings a year, and plan on enriching the content.

Free discussion sessions	No. of meetings in FY 2022
	5
Main themes of FY 2022	
<ul style="list-style-type: none"> ● Opinion exchange regarding formulation of Long-term Vision ● Opinion exchange regarding formulation of the next medium-term management plan ● Status of Digital Strategy Office and issues, etc. 	

Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2023)

Directors (excluding Directors serving as Audit and Supervisory Committee Members)



Yujiro Ayada
Representative Director
President

Apr. 1982 Joined the Bank
Mar. 2006 General Manager, Ritsurin Branch, the Bank
Apr. 2008 General Manager, Nagoya Branch, the Bank
Apr. 2010 General Manager, Business Management Division, the Bank
Apr. 2012 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Apr. 2014 Managing Executive Officer, the Bank
Jun. 2015 Director and Managing Executive Officer, the Bank
Apr. 2016 Director and Senior Managing Executive Officer, the Bank
Apr. 2017 President, the Bank (to present)



Ryohei Kagawa
Representative Director
Director, Deputy President
and CCO

Apr. 1982 Joined the Bank
Apr. 2010 General Manager, Corporate Planning Division, the Bank
Apr. 2012 Executive Officer and General Manager, Kobe Branch, the Bank
Apr. 2014 Managing Executive Officer, the Bank
Jun. 2014 Director and Managing Executive Officer, the Bank
Apr. 2016 Director and Senior Managing Executive Officer, the Bank
Apr. 2019 Director, Senior Managing Executive Officer and CCO, the Bank
Apr. 2021 Director, Deputy President and CCO, the Bank (to present)



Kiichiro Oyama
Representative Director
Director and Senior Managing
Executive Officer

Apr. 1983 Joined the Bank
Jul. 2007 Deputy General Manager, Tokyo Branch, the Bank
Jul. 2008 Deputy General Manager, Central Business Division, the Bank
Apr. 2011 General Manager, Hiroshima Branch, the Bank
Apr. 2013 Deputy General Manager, Business Management Division, the Bank
Apr. 2014 Executive Officer and General Manager, Okayama Branch, the Bank
Apr. 2017 Managing Executive Officer, the Bank
Jun. 2017 Director and Managing Executive Officer, the Bank
Apr. 2021 Director and Senior Managing Executive Officer, the Bank (to present)



Masakazu Toyoshima
Director and Managing
Executive Officer

Apr. 1985 Joined the Bank
Oct. 2011 Deputy General Manager, Business Management Division, the Bank
Apr. 2012 Deputy General Manager, Credit Supervision Division, the Bank
Apr. 2013 General Manager, Corporate Planning Division, the Bank
Apr. 2015 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2017 Managing Executive Officer, the Bank
Jun. 2017 Director and Managing Executive Officer, the Bank (to present)



Hiroyuki Kurokawa
Director and Managing
Executive Officer

Apr. 1986 Joined the Bank
Jan. 2009 Deputy General Manager, Tokyo Branch, the Bank
Apr. 2011 General Manager, Fukuoka Branch, the Bank
Apr. 2014 Deputy General Manager, Credit Supervision Division, the Bank
Apr. 2016 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Apr. 2019 Managing Executive Officer, the Bank
Jun. 2019 Director and Managing Executive Officer, the Bank (to present)



Hideaki Kanamoto
Director and Managing
Executive Officer

Apr. 1985 Joined the Bank
Oct. 2011 General Manager, Himeji Branch, the Bank
Apr. 2014 General Manager, Takamatsu Branch, the Bank
Apr. 2016 General Manager, Personnel Division, the Bank
Apr. 2018 Executive Officer and General Manager, Personnel Division, the Bank
Apr. 2021 Managing Executive Officer, the Bank
Jun. 2021 Director and Managing Executive Officer, the Bank (to present)



Kazuhito Tada
Director and Managing
Executive Officer

Apr. 1990 Joined the Bank
Apr. 2015 General Manager, Matsuyama Branch, the Bank
Apr. 2017 General Manager, Kobe Branch, the Bank
Apr. 2019 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Apr. 2021 Executive Officer and General Manager, Business Strategy Division, the Bank
Apr. 2022 Managing Executive Officer, the Bank
Jun. 2022 Director and Managing Executive Officer, the Bank (to present)



Masashi Mori
Director and Managing
Executive Officer

Apr. 1989 Joined the Bank
Oct. 2013 General Manager, Akashi Branch, the Bank
Apr. 2016 Assistant General Manager, Credit Supervision Division, the Bank
Apr. 2018 General Manager, Executive Secretariat Office, the Bank
Apr. 2020 General Manager, Business Strategy Division, the Bank
Apr. 2021 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2022 Managing Executive Officer, the Bank
Jun. 2022 Director and Managing Executive Officer, the Bank (to present)

Directors serving as Audit and Supervisory Committee Members



Kazuhiro Kumihashi
Director (Audit and Supervisory
Committee Member)

Apr. 1983 Joined the Bank
Oct. 2012 Deputy General Manager, Corporate Planning Division, the Bank
Apr. 2015 General Manager, Compliance and Legal Affairs Office, and Deputy General Manager, General Administration Division, the Bank
Apr. 2016 Executive Officer, General Manager, General Administration Division, and General Manager, Compliance and Legal Affairs Office, the Bank
Apr. 2018 Managing Executive Officer and General Manager, Auditing Division, the Bank
Apr. 2021 Managing Executive Officer and Advisor to Auditing Division, the Bank
Jun. 2021 Director and Audit and Supervisory Committee Member, the Bank (to present)



Tatsuya Sakuma
Director (Audit and Supervisory
Committee Member)

Apr. 1986 Joined the Bank
Apr. 2010 General Manager, Ota Branch, the Bank
Apr. 2012 Deputy General Manager, Corporate Planning Division, the Bank
Apr. 2013 General Manager, Executive Secretariat Office, the Bank
Apr. 2017 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2021 Executive Officer and General Manager, Operations Supervision Division, the Bank
Apr. 2023 Managing Executive Officer and Advisor to Auditing Division, the Bank
Jun. 2023 Director and Audit and Supervisory Committee Member, the Bank (to present)



Yasuko Yamada
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr.1982 Joined the Kagawa Prefectural Government
Apr.2008 Director, General Affairs Concentration Division, General Affairs Department, Kagawa Prefectural Government
Apr.2009 Deputy Director, Environmental Policy Division, Environmental and Forestry Department, and Deputy Director, Human Rights and Social Integration Policy Division, General Affairs Department, Kagawa Prefectural Government
Apr.2012 Director, General Affairs and Education Division, General Affairs Department, and Deputy Director, Human Rights and Social Integration Policy Division, General Affairs Department, Kagawa Prefectural Government
Apr.2013 Secretary-General, Kagawa Prefectural University of Health Sciences
Apr.2014 Deputy Director-General, Health and Welfare Department, Kagawa Prefectural Government
Apr.2015 Treasurer and Chief, Accounting Bureau, Kagawa Prefectural Government
Apr.2018 Director, The Kagawa Museum (retired in Mar. 2019)
Jun.2019 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)



Nobuyuki Souda
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr. 1986 Joined Nippon Life Insurance Company
Mar. 2014 Executive Officer and General Manager, Affiliated Business Dept., Nippon Life Insurance Company
Mar. 2016 Executive Officer, General Manager, Affiliated Business Dept. and Adviser (Corporate Planning Dept.), Nippon Life Insurance Company
Mar. 2017 Executive Officer, Deputy General Manager, Agency Marketing Headquarters, and Deputy General Manager, Financial Institution Relations Headquarters, Nippon Life Insurance Company
Mar. 2018 Managing Executive Officer and General Manager, Financial Institution Relations Headquarters, Nippon Life Insurance Company
Jul. 2018 Director, Managing Executive Officer (Head of Agency Management Sector, Financial Institution Relations Sector, and Marketing Support Sector [relating to agency management and financial institution relations]), and General Manager, Financial Institution Relations Headquarters, Nippon Life Insurance Company
Mar. 2019 Director, Nippon Life Insurance Company (retired in Jul. 2019)
Apr. 2019 Representative Director and Executive Vice President, Corporate-Pension Business Service Co., Ltd.
Jun. 2019 Outside Director (Audit and Supervisory Committee Member), the Bank
Apr. 2020 Representative Director and President, Corporate-Pension Business Service Co., Ltd. (to present)
Jun. 2020 Outside Audit & Supervisory Board Member, Taikisha Ltd. (to present)



Tomoko Fujimoto
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Nov. 2006 Registered as a lawyer
Sep. 2007 Founded Tomoko Fujimoto Law Firm (to present)
Apr. 2015 Vice Chairperson, Kagawa Bar Association (retired in Mar. 2016)
Apr. 2019 Chairperson, Kagawa Prefecture Dispute Coordinating Committee (Kagawa Labor Bureau)
Nov. 2019 Takamatsu City Environment Council
Apr. 2020 Trustee and Vice President (responsible for internal control and diversity promotion), Kagawa University (part-time; to present)
Jun. 2021 Outside Director (Audit and Supervisory Committee Member), the Bank
Nov. 2021 Chairperson, Kagawa Local Labour Council (Kagawa Labor Bureau) (part-time; to present)



Noriyuki Konishi
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr. 2004 Professor, Faculty of Economics and Concurrent Professor, School of Law, Okayama University
Apr. 2008 Head of Management Sciences, Graduate School of Humanities and Social Sciences, Okayama University
Apr. 2009 Professor, Graduate School of Professional Accountancy, Aoyama Gakuin University Professional Graduate Schools (to present)
Apr. 2012 Visiting Senior Scholar, Research Institute of Capital Formation, Development Bank of Japan (to present)
Apr. 2016 Head, Graduate School of Professional Accountancy, Aoyama Gakuin University Professional Graduate Schools
Apr. 2018 Trustee, Aoyama Gakuin School Corporation (to present)
Dec. 2019 Vice President, Aoyama Gakuin University (to present)
Oct. 2021 Chairperson, Japanese Association for International Accounting Studies (to present)
May 2022 Auditor, Japan Association of Corporate Directors (part-time) (to present)
Jun. 2022 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)



Yasushi Marumori
Director (Audit and Supervisory
Committee Member)
Part-time/Outside

Apr.1981 Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, Ltd.)
Apr.2008 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank)
May.2011 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (retired in Jun. 2012)
Jun.2012 Director & Senior Executive Vice President, Mitsubishi UFJ Research and Consulting Co., Ltd.
Jun.2013 Outside Corporate Auditor, The Nanto Bank, Ltd. (retired in Jun. 2015)
Dec.2014 Director, Mitsubishi UFJ Research and Consulting Co., Ltd. (retired in Mar. 2015)
Mar.2015 Full-time Audit & Supervisory Board Member, Asahi Glass Co., Ltd. (currently, AGC Inc.) (retired in Mar. 2019)
Jun.2019 Vice Chairman (Representative Director), The Mitsubishi Economic Research Institute (to present)
Jun.2019 Outside Audit & Supervisory Board Member, TOTO LTD.
Jun.2022 Outside Director (Audit and Supervisory Committee Member), TOTO LTD. (to present)
Jun.2023 Outside Director (Audit and Supervisory Committee Member), the Bank (to present)

Outside Director Interview



Nobuyuki Souda Outside Director

Q1 Please tell us your assessment of the Bank's corporate governance.

I believe with the shift to a Company with an Audit and Supervisory Committee, establishment of a Nomination and Remuneration Governance Committee chaired by an Outside Director, appointment of a CCO, etc., the Bank's governance system is steadily growing stronger. The members of the Board of Directors have diverse careers and discuss topics with vitality, so I can really sense that the effectiveness is improving. What I feel has made particular progress is the revitalization of communication among the various levels of executives, managers, and staff. Opportunities and mechanisms for dialogue with various layers are also provided for Outside Directors, and constructive discussions are held as they share their awareness of actual situations.

As the social environment continues to change, business strategies and profit structures must become more sophisticated from the perspective of sustainability management, and a high level of governance that balances both defense and offense tactics is essential. Just as a car needs a monitor that can accurately grasp a variety of information and a brake that is effective in order for the driver to step on the gas pedal with confidence, it will become even more important for banks to have a strong governance structure that can control risks, including upside risks, in a timely and swift manner.

Q2 Please tell us your assessment of the Bank's human capital management and what challenges you see for the future.

The management philosophy that regards human resources as capital and values employees has always existed in Japanese companies, and I can sense a good corporate culture of great respect for employees throughout the Bank as well. Particularly with regard to promoting women's active

participation, the achievements of the Bank's initiatives are evident through the acquisition of "L-boshi" and "Platinum Kurumin Plus," as well as the high share of females in management. In addition, efforts toward diverse work styles, such as the establishment of a side job system and career-return system, are making further progress.

I believe that the key issues for the future are the systematic development and career recruitment of a diverse range of highly specialized human resources in areas such as digital and risk management, and the development of a system that encourages each and every employee to grow autonomously and take on challenges. Regional financial institutions have always attracted people who wish to see their communities grow and local residents lead happy lives. The Bank's new medium-term management plan defines HRX (Human Resources Transformation) as one of its growth engines, and I truly believe if employees with this kind of mindset strive for autonomous growth, sincerely listen to the voice of the customer, contemplate matters together, and boldly challenge themselves to take on initiatives that will make the community better — in other words, "HRX Action" — it will lead to "lively human capital" who will create an even more openhearted organizational culture at the Bank and be the powerful driving force of the Bank's sustainable growth.

Q3 Please tell us about the role that the Hyakujushi Bank, as a regional financial institution, should play and what you expect from the Group in the future.

Regional financial institutions have strongly supported local economies by "walking alongside the community," and I believe that no matter how society changes in the future, the source of corporate value will remain the same. That is why I really feel the "Create Local Communities with Well-being" stated in the Bank's Long-term Vision 2030 clearly conveys our mission. Personally, I really like the accompanying statement of "together with local community members."

I believe that local economies will follow their own unique development paths in the future, taking advantage of their characteristics and resources. In such a situation, both companies and individuals need a partner who can accompany them in their business and daily life and help generate well-being. In a sense, we want to aim for becoming like a "family doctor," because this perfectly exemplifies how we must be a company chosen by our customers as a truly reliable consulting partner.

There is still a clear gap between the "To-Be" (vision) and "As-Is" (current status) of the Bank that we have clarified in our Long-term Vision, but it is precisely this gap that is our opportunity for further growth and evolution, and I sense great potential in our future as the entire Hyakujushi Group unites and moves toward the next stage. Going forward, I will continue to supervise and offer advice from an objective position and support everyone at the Hyakujushi Bank as we aim to create a society with well-being together with local community members.

Enhancement of Shareholder Value

Shareholder returns

The Bank sets our dividend distribution policy by comprehensively considering all factors such as the sufficiency of retained earnings, profit status, and management environment, while keeping stable shareholder returns in mind.

	For the fiscal year ended Mar. 31, 2021	For the fiscal year ended Mar. 31, 2022	For the fiscal year ended Mar. 31, 2023
Total annual dividends (billions of yen)	2.0	2.0	2.1
Dividend per share (Yen)	Interim	40 yen	30 yen
	Year-end	30 yen	40 yen
	Annual	70 yen	70 yen
Purchase of treasury stock (billions of yen)	—	1.0	0.6*
Shareholder returns (billions of yen)	2.0	3.0	2.7
Consolidated profit (billions of yen)	2.5	11.7	9.1
Dividend payout ratio	80.5%	17.6%	23.8%
Shareholder return ratio	80.5%	26.2%	30.2%

*The amount of treasury stock repurchased for the fiscal year ended March 31, 2023 is based on the case where shares are repurchased at the maximum amount of the treasury stock repurchase limit announced on May 11, 2023. [Details of acquisition quota] Maximum number of shares to be repurchased: 400,000 shares; Maximum repurchase amount: 600 million yen; Repurchase period: June 12, 2023 to August 31, 2023

Proactive information disclosure

The Bank strives to enhance its recognition and reputation through the timely and appropriate provision of information to shareholders, customers and investors.

<IR Calendar>



*IR for individual investors is held as needed.

Shareholder Benefit Program

As a way of expressing our appreciation to our shareholders for their ongoing support, increasing the attractiveness of investing in our shares, and encouraging more people to hold our shares over the long term, the Bank has introduced a shareholder benefit program.

▶ Eligible shareholders

Shareholders who have had continuous ownership* of 100 or more shares (one unit) for at least one year are eligible for the program, with March 31 of each year as the record date.

▶ Description of benefit program

Shareholders can choose their favorite item according to the number of shares they own from an exclusive catalog listing local specialties of Kagawa Prefecture as well as donation courses for social contribution activities.

This exclusive catalog is published every June.

No. of shares owned	Exclusive catalog
100 shares or more but less than 500 shares	2,500 yen equivalent
500 shares or more	5,000 yen equivalent

*The term "continuous ownership for one year or more" means that the same shareholder number is recorded in the shareholder registry as of the record date (March 31) and March 31 and September 30 of the previous year, and that the shareholding of 100 shares or more is recorded consecutively in the shareholder registry.



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.

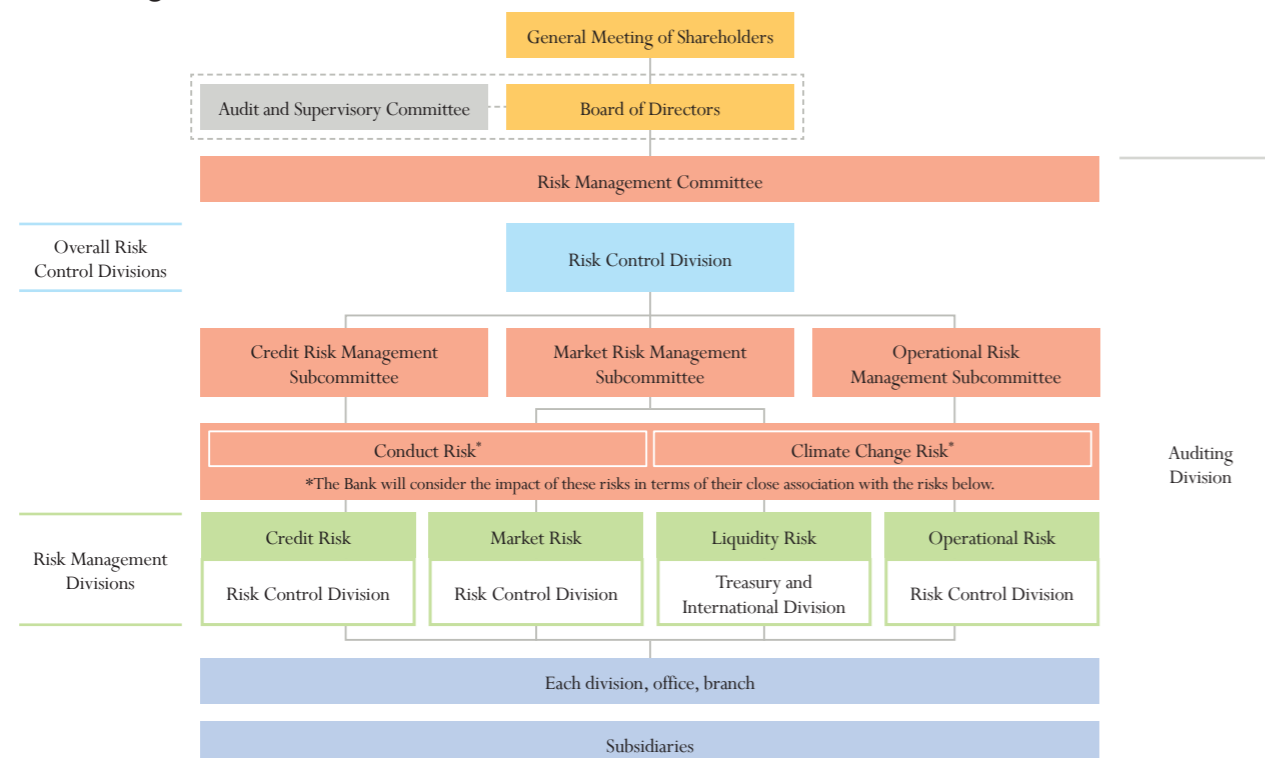
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

Risk Management Framework

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.

Risk Management Framework



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	
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
Core capital: Equity capital established under Basel III (domestic standard)
Operational risk equivalent amount: Calculated using the Basic Indicator Approach
Return on risk-adjusted capital (RORAC): Profit and loss indicator, arrived at by deducting expenses, deemed allowance 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

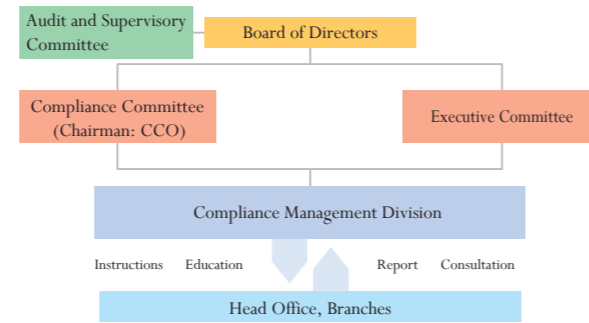
Basic Policy

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. and its consolidated subsidiaries (hereinafter collectively the “Group”) 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 Group 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 Group’s business on that basis.

Operation policy

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

Organizational structure

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

Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2023	2022	2021	2020	2019	2023
FOR THE YEAR:						
Total income	¥84,949	¥73,147	¥68,989	¥76,895	¥77,292	\$636,179
Total expenses	71,739	58,108	63,877	65,928	68,477	537,250
Profit before income taxes	13,209	15,039	5,111	10,966	8,814	98,921
Income taxes-current	3,056	1,705	3,402	3,518	3,565	22,886
Income taxes-deferred	979	1,631	(855)	(266)	(450)	7,331
Profit attributable to non-controlling interests	—	—	—	—	115	—
Profit attributable to owners of parent	9,172	11,702	2,565	7,715	5,584	68,688
AT YEAR-END:						
Loans and bills discounted	3,362,245	3,159,889	3,035,782	2,847,316	2,825,869	25,179,697
Securities and trading account securities	1,044,674	1,274,877	1,272,956	1,259,734	1,046,956	7,823,515
Foreign exchange assets	19,938	6,236	9,429	9,793	5,750	149,314
Other assets	1,382,497	1,306,258	1,057,396	837,097	1,017,044	10,353,456
Total assets	5,809,359	5,747,266	5,375,569	4,953,946	4,895,624	43,506,021
Deposits and negotiable certificates of deposit	4,780,670	4,632,815	4,525,292	4,155,267	4,044,109	35,802,216
Foreign exchange liabilities	248	321	1,341	296	352	1,857
Other liabilities	747,336	829,786	557,229	548,544	564,580	5,596,764
Total liabilities	5,528,260	5,462,929	5,083,870	4,704,115	4,609,048	41,400,883
Common stock	37,322	37,322	37,322	37,322	37,322	279,502
Capital surplus	30,486	30,486	30,486	30,486	30,486	228,308
Retained earnings	187,908	183,444	173,620	173,374	167,615	1,407,234
Treasury stock	(513)	(2,030)	(2,071)	(1,999)	(2,041)	(3,841)
Total stockholders’ equity	255,204	249,223	239,357	239,184	233,382	1,911,210
Net unrealized gains on other securities, net of taxes	14,669	25,891	42,595	15,048	47,822	109,855
Net deferred gains (losses) on hedging instruments, net of taxes	138	2,611	2,720	(7,447)	(1,121)	1,033
Revaluation reserve for land	7,952	7,927	7,928	7,976	8,540	59,552
Remeasurements of defined benefit plans	3,113	(1,339)	(945)	(4,971)	(2,109)	23,313
Total accumulated other comprehensive income	25,873	35,091	52,299	10,605	53,131	193,761
Share subscription rights	21	21	41	41	61	157
Non-controlling interests	—	—	—	—	—	—
Total net assets	281,098	284,336	291,699	249,831	286,576	2,105,129
Total liabilities and net assets	¥5,809,359	¥5,747,266	¥5,375,569	¥4,953,946	¥4,895,624	\$43,506,021

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 ¥133.53 to US\$1.00 on March 31, 2023.

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.

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets:			
Cash and due from banks	¥1,197,854	¥1,115,997	\$8,970,673
Call loans and bills bought	—	¥9,730	—
Monetary claims bought	34,950	28,445	261,738
Trading account securities	9	—	67
Securities (Notes 6, 8, 9 and 10)	1,044,665	1,274,877	7,823,447
Loans and bills discounted (Notes 8, 10 and 11)	3,362,245	3,159,889	25,179,697
Foreign exchange assets (Note 8)	19,938	6,236	149,314
Lease receivables and investments in leases	18,677	21,265	139,871
Other assets (Notes 8 and 10)	70,679	75,424	529,311
Tangible fixed assets (Notes 13 and 14)	36,867	37,134	276,095
Intangible fixed assets	4,406	4,654	32,996
Net defined benefit asset	15,948	8,276	119,433
Deferred tax assets	732	737	5,481
Customers' liabilities for acceptances and guarantees (Note 8)	19,898	22,881	149,015
Reserve for possible loan losses	(17,514)	(18,285)	(131,161)
Total assets	¥5,809,359	¥5,747,266	\$43,506,021

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liabilities and net assets			
Liabilities:			
Deposits (Note 10)	¥4,696,403	¥4,558,239	\$35,171,145
Negotiable certificates of deposit	84,267	74,576	631,071
Call money and bills sold	20,360	23,254	152,475
Payables under securities lending transactions (Note 10)	—	12,696	—
Borrowed money (Notes 10 and 30)	624,432	700,615	4,676,342
Foreign exchange liabilities	248	321	1,857
Other liabilities	73,773	58,400	552,482
Reserve for bonuses for directors and corporate auditors	49	57	366
Net defined benefit liability	248	208	1,857
Reserve for retirement benefits for directors and corporate auditors	38	39	284
Reserve for claims on dormant accounts	163	125	1,220
Reserve for contingent liabilities	69	107	516
Reserve for stock-based compensation plan	181	147	1,355
Deferred tax liabilities	3,048	6,180	22,826
Deferred tax liability for land revaluation (Note 14)	5,077	5,077	38,021
Acceptance and guarantees	19,898	22,881	149,015
Total liabilities	5,528,260	5,462,929	41,400,883

Net assets :			
Stockholders' equity:			
Common stock	37,322	37,322	279,502
Capital surplus	30,486	30,486	228,308
Retained earnings	187,908	183,444	1,407,234
Treasury stock	(513)	(2,030)	(3,841)
Total stockholders' equity	255,204	249,223	1,911,210
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities, net of taxes	14,669	25,891	109,855
Net deferred gains on hedging instruments, net of taxes	138	2,611	1,033
Revaluation reserve for land (Note 14)	7,952	7,927	59,552
Remeasurements of defined benefit plans	3,113	(1,339)	23,313
Total accumulated other comprehensive income	25,873	35,091	193,761
Share subscription rights	21	21	157
Total net assets	281,098	284,336	2,105,129
Total liabilities and net assets	¥5,809,359	¥5,747,266	\$43,506,021

As of March 31	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Per share			
Net assets	¥9,719.34	¥9,639.96	\$72.787

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)
	2023	2022	2023
Income:			
Interest on loans and bills discounted	¥32,898	¥26,513	\$246,371
Interest and dividends on securities	13,577	13,167	101,677
Other interest income	1,389	1,454	10,402
Fees and commissions	12,176	12,191	91,185
Other operating income	13,040	7,361	97,655
Other income (Note 17)	11,865	12,457	88,856
Total income	84,949	73,147	636,179
Expenses:			
Interest on deposits and negotiable certificates of deposit	3,488	524	26,121
Interest on call money and bills sold	583	94	4,366
Interest on borrowed money	1,861	160	13,936
Other interest expenses	1,971	728	14,760
Fees and commissions	3,144	3,052	23,545
Other operating expenses	18,036	7,931	135,070
General and administrative expenses (Note 18)	34,215	35,204	256,234
Other expenses (Note 19)	8,436	10,411	63,176
Total expenses	71,739	58,108	537,250
Profit before income taxes	13,209	15,039	98,921
Income taxes :			
Current	3,056	1,705	22,886
Deferred	979	1,631	7,331
Subtotal	4,036	3,336	30,225
Profit	9,172	11,702	68,688
Profit attributable to owners of parent	¥9,172	¥11,702	¥68,688

For the years ended March 31	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Per share			
Basic earnings	¥315.57	¥396.83	\$2.363

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Profit	¥ 9,172	¥ 11,702	\$ 68,688
Other comprehensive loss (Note 20)	(9,242)	(17,207)	(69,212)
Net unrealized losses on available-for-sale securities, net of taxes	(11,222)	(16,703)	(84,041)
Net deferred losses on hedging instruments, net of taxes	(2,472)	(109)	(18,512)
Remeasurements of defined benefit plans	4,452	(394)	33,340
Total comprehensive loss	¥ (70)	¥ (5,504)	\$ (524)
Total comprehensive loss attributable to:			
Owners of parent	¥ (70)	¥ (5,504)	\$ (524)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Stockholders' equity				Total stockholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
For the years ended March 31					
Balance as of March 31, 2021	¥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
Balance as of March 31, 2022	¥37,322	¥30,486	¥183,444	¥(2,030)	¥249,223
Changes in items during the period					
Dividends from surplus	—	—	(2,198)	—	(2,198)
Profit attributable to owners of parent	—	—	9,172	—	9,172
Purchase of treasury stock	—	—	—	(1,001)	(1,001)
Disposal of treasury stock	—	—	(0)	31	31
Cancellation of treasury stock	—	—	(2,486)	2,486	—
Transfer from revaluation reserve for land	—	—	(24)	—	(24)
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	4,463	1,516	5,980
Balance as of March 31, 2023	¥37,322	¥30,486	¥187,908	¥(513)	¥255,204

	Millions of yen						
	Accumulated other comprehensive income						Total net assets
	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	
For the years ended March 31							
Balance as of March 31, 2021	¥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)
Balance as of March 31, 2022	¥25,891	¥2,611	¥7,927	¥(1,339)	¥35,091	¥21	¥284,336
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(2,198)
Profit attributable to owners of parent	—	—	—	—	—	—	9,172
Purchase of treasury stock	—	—	—	—	—	—	(1,001)
Disposal of treasury stock	—	—	—	—	—	—	31
Cancellation of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	(24)
Net changes in items other than stockholders' equity	(11,222)	(2,472)	24	4,452	(9,218)	—	(9,218)
Total changes in items during the period	(11,222)	(2,472)	24	4,452	(9,218)	—	(3,238)
Balance as of March 31, 2023	¥14,669	¥ 138	¥7,952	¥ 3,113	¥25,873	¥21	¥281,098

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				Total stockholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
For the years ended March 31					
Balance as of March 31, 2022	\$279,502	\$228,308	\$1,373,803	\$(15,202)	\$1,866,419
Changes in items during the period					
Dividends from surplus	—	—	(16,460)	—	(16,460)
Profit attributable to owners of parent	—	—	68,688	—	68,688
Purchase of treasury stock	—	—	—	(7,496)	(7,496)
Disposal of treasury stock	—	—	(0)	232	232
Cancellation of treasury stock	—	—	(18,617)	18,617	—
Transfer from revaluation reserve for land	—	—	(179)	—	(179)
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	33,423	11,353	44,783
Balance as of March 31, 2023	\$279,502	\$228,308	\$1,407,234	\$(3,841)	\$1,911,210

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						Total net assets
	Net unrealized gains on available-for-sale securities, net of taxes	Net deferred gains on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	
For the years ended March 31							
Balance as of March 31, 2022	\$193,896	\$19,553	\$59,364	\$(10,027)	\$262,794	\$157	\$2,129,379
Changes in items during the period							
Dividends from surplus	—	—	—	—	—	—	(16,460)
Profit attributable to owners of parent	—	—	—	—	—	—	68,688
Purchase of treasury stock	—	—	—	—	—	—	(7,496)
Disposal of treasury stock	—	—	—	—	—	—	232
Cancellation of treasury stock	—	—	—	—	—	—	—
Transfer from revaluation reserve for land	—	—	—	—	—	—	(179)
Net changes in items other than stockholders' equity	(84,041)	(18,512)	179	33,340	(69,033)	—	(69,033)
Total changes in items during the period	(84,041)	(18,512)	179	33,340	(69,033)	—	(24,249)
Balance as of March 31, 2023	\$109,855	\$1,033	\$59,552	\$23,313	\$193,761	\$157	\$2,105,129

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities			
Profit before income taxes	¥ 13,209	¥ 15,039	\$ 98,921
Depreciation	3,129	3,249	23,432
Impairment losses	63	72	471
Net change in reserve for possible loan losses	(770)	113	(5,766)
Net change in reserve for bonuses for directors and corporate auditors	(7)	36	(52)
Net change in net defined benefit asset	(1,274)	(1,121)	(9,540)
Net change in net defined benefit liability	39	4	292
Net change in reserve for retirement benefits for directors and corporate auditors	(1)	(9)	(7)
Net change in reserve for claims on dormant accounts	37	(121)	277
Net change in reserve for contingent liabilities	(37)	(20)	(277)
Net change in reserve for stock-based compensation plan	33	24	247
Interest income	(47,866)	(41,136)	(358,466)
Interest expenses	7,907	1,508	59,215
Net loss related to securities transactions	14,736	3,343	110,357
Net gain related to foreign exchange	(16,175)	(17,619)	(121,133)
Net gain on disposal of fixed assets	(380)	(279)	(2,845)
Net change in trading account securities	(9)	13	(67)
Net change in loans and bills discounted	(202,355)	(124,107)	(1,515,427)
Net change in deposits	138,163	117,668	1,034,696
Net change in negotiable certificates of deposit	9,691	(10,145)	72,575
Net change in borrowed money excluding subordinated borrowings	(76,183)	307,283	(570,530)
Net change in due from banks other than Bank of Japan	(10,186)	68	(76,282)
Net change in call loans and others	3,224	(14,576)	24,144
Net change in call money and others	(2,893)	11,164	(21,665)
Net change in payables under securities lending transactions	(12,696)	(43,947)	(95,079)
Net change in foreign exchange assets	(13,702)	3,193	(102,613)
Net change in foreign exchange liabilities	(73)	(1,020)	(546)
Net change in lease receivables and investments in leases	2,587	1,601	19,373
Proceeds from fund operations	47,118	40,944	352,864
Payments on fund procurement	(5,796)	(1,503)	(43,405)
Other	(640)	7,962	(4,792)
Subtotal	(151,107)	257,681	(1,131,633)
Payment of income taxes	(1,046)	(3,759)	(7,833)
Net cash provided by (used in) operating activities	(152,153)	253,921	(1,139,466)
Cash flows from investing activities			
Purchase of securities	(528,251)	(713,439)	(3,956,047)
Proceeds from sales of securities	474,209	440,070	3,551,329
Proceeds from redemption of securities	283,113	246,559	2,120,220
Purchases of tangible fixed assets	(1,095)	(1,358)	(8,200)
Purchases of intangible fixed assets	(1,409)	(1,322)	(10,551)
Proceeds from sales of tangible fixed assets	443	384	3,317
Net cash provided by (used in) investing activities	227,010	(29,105)	1,700,067
Cash flows from financing activities			
Purchase of treasury stock	(1,001)	(1)	(7,496)
Proceeds from sales of treasury stock	7	3	52
Dividends paid	(2,198)	(1,774)	(16,460)
Net cash used in financing activities	(3,191)	(1,772)	(23,897)
Effect of exchange rate changes on cash and cash equivalents	3	7	22
Net change in cash and cash equivalents	71,669	223,050	536,725
Cash and cash equivalents at beginning of year	1,086,721	863,671	8,138,403
Cash and cash equivalents at end of year (Note 3 (16))	¥1,158,391	¥1,086,721	\$ 8,675,136

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, 2023, which was ¥133.53 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 8 subsidiaries.

There are no affiliates accounted for by the equity method as of March 31, 2023.

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.

[Changes in the scope of consolidation]

Hyakujushi Saita Agency Co., Ltd. completed liquidation procedure on June 24, 2022. The company's statement of income until the completion of liquidation procedure are consolidated.

(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 debtors 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 debtors 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 debtors 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 ¥8,191 million (\$61,342 thousand) and ¥8,906 million as of March 31, 2023 and 2022, 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, 2023. 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
	2023	2022	2023
Cash and due from banks.....	¥1,197,854	¥1,115,997	\$8,970,673
Time deposits with banks other than Bank of Japan.....	(38,040)	(27,540)	(284,879)
Deposits with banks other than Bank of Japan.....	(836)	(574)	(6,260)
Other.....	(585)	(1,161)	(4,381)
Cash and cash equivalents.....	¥1,158,391	¥1,086,721	\$8,675,136

(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 ¥4,186 million (\$31,348 thousand) and ¥3,092 million were recorded in "Interest and dividends on securities" for the fiscal years ended March 31, 2023 and 2022, 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: ¥17,514 million (\$131,161 thousand) and ¥18,285 million as of March 31, 2023 and 2022, 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 debtors 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 group mainly calculates the amount of expected losses from future bad debts for each debtor 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 debtor in determining the debtor classification."

The "future business prospects of each debtor in determining the debtor classification" consist of the assessment of the financial condition and repayment capacity of each borrower based on the impact of the COVID-19 infection, high prices and resources on supply chains caused by the Russia's invasion of Ukraine and changes in local economy. In addition to this, individual assessment of debt repayment capacity of each debtor based on the progress of each debtor's management improvement plan and other factors is conducted.

Although the start of repayment of the special loan for the COVID-19 infection may increase the risk of cash flow failure in some cases, a reserve for possible loan losses is provided based on the assumption that there will be no significant impact on the determination of debtor classification, etc., as the normalization of corporate activities progresses with the cessation of the COVID-19 infection and a new refinancing guarantee program is initiated by the national government.

(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 debtors and the success or failure of their business strategies. Therefore, in the event of an unexpected deterioration in

the business conditions of major debtors 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

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

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Guidance on Fair Value Measurement") effective from the beginning of the current fiscal year, and prospectively applies the new accounting policies stipulated by the Guidance on Fair Value Measurement in accordance with the transitional treatment provided in Paragraph 27-2 of the Guidance on Fair Value Measurement. Accordingly, investment trusts are classified into investment trusts whose investment trust assets are financial instruments and investment trusts whose investment trust assets are real estate, and fair value is calculated by determining whether there is a market trading price, whether there are material restrictions on cancellation, etc., and whether the net asset value is deemed fair value. This change does not affect the consolidated financial statements for the current fiscal year.

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 ¥226 million (\$1,692 thousand) and ¥257 million as of March 31, 2023 and 2022, 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 76 thousand and 87 thousand as of March 31, 2023 and 2022, respectively. The average numbers of shares during the year were 79 thousand and 88 thousand for the fiscal years ended March 31, 2023 and 2022, 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:

2023	Thousands of shares			
	March 31, 2022	Increase	Decrease	March 31, 2023
Shares issued				
Common stock (Note 1)	30,000	—	900	29,100
Total	30,000	—	900	29,100
Treasury stock				
Common stock (Notes 2, 3 and 4)	506	584	910	180
Total	506	584	910	180

Notes: 1. The 900 thousand share decrease in the number of common shares is due to the cancellation of treasury stock.
2. The number of shares of common stock at the end of the fiscal years ended March 31, 2023 and 2022 includes 76 thousand and 87 thousand shares, respectively, of the Bank's shares held by the BIP Trust.
3. The 584 thousand share increase in the number of common shares of treasury stock consists of increases of 583 thousand shares due to an acquisition based on a resolution of the Board of Directors and 0 thousand shares due to a purchase demand for fractional shares from shareholders.
4. The 910 thousand share decrease in the number of common shares of treasury stock consists of decreases of 900 thousand shares due to the cancellation of treasury stock, 10 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.

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.

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

The balance of share subscription rights (for stock options) as of March 31, 2023 and 2022 stood at ¥21 million (\$157 thousand) and ¥21 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

2023	Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
November 14, 2022 (Meeting of the Board of Directors) (Note 2)	Common stock	1,014	35.0	September 30, 2022	December 9, 2022	

2022	Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
November 9, 2021 (Meeting of the Board of Directors) (Note 2)	Common stock	887	30.0	September 30, 2021	December 10, 2021	

2023

Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2022 (Regular Annual General Meeting of Shareholders) (Note 1)	Common stock	\$8,859	\$0.299	March 31, 2022	June 30, 2022
November 14, 2022 (Meeting of the Board of Directors) (Note 2)	Common stock	7,593	0.262	September 30, 2022	December 9, 2022

Notes: 1. In accordance with the resolutions approved at the Bank's Regular Annual General Meetings of Shareholders held on June 29, 2022 and June 29, 2021, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥3 million (\$22 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 14, 2022 and November 9, 2021, total amount of dividends paid includes the dividend payment to the BIP Trust of ¥2 million (\$14 thousand) and ¥2 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

2023

Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2023 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	¥1,159	Retained earnings	¥40.0	March 31, 2023	June 30, 2023

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

2023

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, 2023 (Regular Annual General Meeting of Shareholders) (Note)	Common stock	\$8,679	Retained earnings	\$0.299	March 31, 2023	June 30, 2023

Note: The total dividend amounts resolved on June 29, 2023 and June 29, 2022 include the dividends for the BIP Trust of ¥3 million (\$22 thousand) and ¥3 million, respectively.

6. Securities and trading account securities

(1) Investments in affiliates

Investments in affiliates as of March 31, 2023 and 2022 totaled ¥50 million (\$374 thousand) and ¥50 million, respectively.

(2) Securities lending transactions

National government bonds as of March 31, 2023 and 2022 included bonds of ¥10,099 million (\$75,630 thousand) and ¥28,327 million, respectively, which were lent to third parties without collateral under lending contracts.

(3) Trading account securities

Valuation profit (losses) of ¥0 million and nil were recognized for the fiscal years ended March 31, 2023 and 2022, respectively.

(4) Held-to-maturity debt securities

Consolidated balance sheet amount and fair value of held-to-maturity securities and their difference as of March 31, 2023 were as follows:

2023	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount			
Bonds:			
Local	¥36,900	¥37,068	¥168
Subtotal	36,900	37,068	168
Total	¥36,900	¥37,068	¥168

2023	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount			
Bonds:			
Local	\$276,342	\$277,600	\$1,258
Subtotal	276,342	277,600	1,258
Total	\$276,342	\$277,600	\$1,258

Not applicable as of March 31, 2022.

(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, 2023 and 2022 were as follows:

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
2023			
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 98,773	¥ 41,497	¥ 57,276
Bonds:			
National	18,178	18,118	59
Local	19,786	19,669	116
Corporate	21,591	21,558	33
	59,556	59,346	209
Other	56,050	55,650	399
Subtotal	214,380	156,494	57,885
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	9,996	11,821	(1,824)
Bonds:			
National	20,721	22,852	(2,131)
Local	335,300	344,350	(9,050)
Corporate	175,726	179,250	(3,523)
	531,748	546,454	(14,705)
Other	244,695	265,185	(20,489)
Subtotal	786,441	823,461	(37,019)
Total	¥1,000,822	¥ 979,955	¥ 20,866

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
2022			
Consolidated balance sheet amount exceeding acquisition cost			
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
Consolidated balance sheet amount not exceeding acquisition cost			
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

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
2023			
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	\$ 739,706	\$ 310,769	\$428,937
Bonds:			
National	136,134	135,684	441
Local	148,176	147,300	868
Corporate	161,694	161,446	247
	446,012	444,439	1,565
Other	419,755	416,760	2,988
Subtotal	1,605,481	1,171,976	433,498
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	74,859	88,526	(13,659)
Bonds:			
National	155,178	171,137	(15,958)
Local	2,511,046	2,578,821	(67,775)
Corporate	1,316,003	1,342,394	(26,383)
	3,982,236	4,092,368	(110,125)
Other	1,832,509	1,985,958	(153,441)
Subtotal	5,889,620	6,166,861	(277,233)
Total	\$7,495,109	\$7,338,837	\$156,264

(b) Gains and losses on sale of available-for-sale securities for the fiscal years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
2023			
Equity stock	¥ 7,539	¥2,997	¥ 127
Bonds:			
National	210,121	245	6,779
Local	58,610	48	96
Corporate	30,581	5	252
	299,313	299	7,128
Other	158,855	134	10,870
Total	¥465,709	¥3,431	¥18,126

	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
2022			
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

	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
2023			
Equity stock	\$ 56,459	\$22,444	\$ 951
Bonds:			
National	1,573,586	1,834	50,767
Local	438,927	359	718
Corporate	229,019	37	1,887
	2,241,541	2,239	53,381
Other	1,189,657	1,003	81,404
Total	\$3,487,673	\$25,694	\$135,744

(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 were nil in the fiscal years ended March 31, 2023 and 2022, 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
	2023	2022	2023
Valuation difference	¥20,866	¥37,060	\$156,264
Available-for-sale securities	20,866	37,060	156,264
Money held in trust	—	—	—
Deferred tax liabilities	(6,196)	(11,168)	(46,401)
Net unrealized gains on available-for-sale securities (before equity equivalent)	14,669	25,891	109,855
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	¥14,669	¥25,891	\$109,855

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 U.S. dollars
	2023	2022	2023
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥ 5,695	¥ 5,435	\$ 42,649
Claims with risks	29,509	29,930	220,991
Claims requiring management	26,087	27,112	195,364
Loans overdue for three months or more	374	111	2,800
Restructured loans	25,712	27,000	192,555
Sub-total	61,293	62,478	459,020
Ordinary claims	3,348,285	3,149,563	25,075,151
Total	¥3,409,579	¥3,212,042	\$25,534,179

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.

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 U.S. dollars
	2023	2022	2023
Bills discounted	¥13,572	¥12,848	\$101,640

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 ¥23,707 million (\$177,540 thousand) and ¥26,354 million as of March 31, 2023 and 2022, respectively.

10. Assets pledged as collateral

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets pledged as collateral:			
Securities	¥561,172	¥484,461	\$4,202,591
Loans and bills discounted	130,080	256,221	974,163
Total	691,253	740,682	5,176,761
Liabilities corresponding to assets pledged as collateral:			
Deposits.....	17,040	17,212	127,611
Payables under securities lending transactions	—	12,696	—
Borrowed money	604,762	678,399	4,529,034

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Securities.....	¥ 71	¥ 372	\$ 531
Other assets	30,000	30,000	224,668

As of March 31, 2023 and 2022, in addition to the items presented above, other assets included cash collateral paid for financial instruments of ¥9,298 million (\$69,632 thousand) and ¥6,710 million, and guarantees and household deposits of ¥1,051 million (\$7,870 thousand) and ¥1,055 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, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unused commitments	¥1,040,754	¥1,009,060	\$7,794,158
Contracts with less than a year of contract period or contracts that are cancellable unconditionally at any time	945,905	919,092	7,083,838

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Net unrealized losses on available-for-sale securities	¥ 11,253	¥ 7,514	\$ 84,273
Excess reserve for possible loan losses.....	6,440	6,914	48,228
Excess depreciation	1,016	1,067	7,608
Reserve for bonuses.....	488	505	3,654
Loss on devaluation of equity securities	337	333	2,523
Net deferred losses on hedging instruments.....	77	35	576
Net defined benefit liability.....	—	2,320	—
Other	2,185	2,089	16,363
Subtotal	21,799	20,780	163,251
Valuation reserve	(6,362)	(6,218)	(47,644)
Deferred tax assets	15,437	14,562	115,606
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(17,450)	(18,682)	(130,682)
Net deferred gains on hedging instruments.....	(137)	(1,175)	(1,025)
Reserve for advanced depreciation of non-current assets.....	(119)	(119)	(891)
Net defined benefit asset	(19)	—	(142)
Other	(25)	(27)	(187)
Deferred tax liabilities.....	(17,752)	(20,005)	(132,943)
Net deferred tax liabilities	¥ (2,315)	¥ (5,443)	\$ (17,336)

(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, 2023 and 2022.

	2023	2022
Statutory income tax rate	30.4%	30.4%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	0.5	0.3
Non-taxable income, including dividend income	(3.4)	(2.6)
Per-capita resident tax	0.4	0.4
Increase (decrease) of valuation reserve	1.1	(7.8)
Other	1.5	1.4
Effective income tax rate under tax-effect accounting	30.5%	22.1%

13. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2023 and 2022 amounted to ¥37,755 million (\$282,745 thousand) and ¥37,546 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,396 million (\$17,943 thousand) and ¥2,452 million as of March 31, 2023 and 2022, respectively. Reduction entry for the fiscal years ended March 31, 2023 and 2022 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, 2023 and 2022, the difference between the carrying amount and the fair value of the revalued land was ¥12,322 million (\$92,278 thousand) and ¥12,331 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 U.S. dollars
	2023	2022	2023
Lease revenue	¥7,251	¥7,594	\$54,302
Gain on sale of equity securities ...	2,997	2,308	22,444

18. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥14,358 million (\$107,526 thousand) and ¥14,546 million for the fiscal years ended March 31, 2023 and 2022, respectively.

19. Other expenses**(1) Other expenses include the following:**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cost of lease	¥5,978	¥6,255	\$44,768
Loan write-offs	1,433	1,912	10,731

(2) Impairment losses

During the fiscal years ended March 31, 2023 and 2022, the Bank recorded impairment losses on fixed assets as described below:

	Millions of yen			Thousands of U.S. dollars
	Impairment losses			
	2023	2022		
Kagawa Pref. ... Assets for business use and idle assets (2023: 27 locations; 2022: 19 locations)	¥61	¥67	land: 21 buildings: 38 movables: 2	land: 57 buildings: 8 movables: 1
Other	¥0	¥5	land: 0 buildings: 0 movables: 0	land: 0 buildings: 4 movables: 0
Total	¥63	¥72	land: 21 buildings: 39 movables: 2	land: 57 buildings: 12 movables: 2

	Thousands of U.S. dollars	
	Impairment losses	
	2023	
Kagawa Pref. ... Assets for business use and idle assets (2023: 27 locations)	land: 157 buildings: 284 movables: 14	\$456
Other	land: 0 buildings: 0 movables: 0	\$ 0
Total	land: 157 buildings: 292 movables: 14	\$471

The Bank posted impairment losses of ¥63 million (\$471 thousand) and ¥72 million, respectively, during the fiscal years ended March 31, 2023 and 2022 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, 2023, the recoverable amounts are measured using the higher of either the net selling prices or the 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.

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.

20. Matters relating to consolidated statements of comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized losses on available-for-sale securities, net of taxes:			
Amount recognized during the year	¥(26,745)	¥(24,176)	\$(200,292)
Amount of recycling	10,551	247	79,015
Prior to income tax effect.....	(16,194)	(23,929)	(121,276)
Income tax effect	4,972	7,225	37,235
Net unrealized losses on available-for-sale securities, net of taxes	(11,222)	(16,703)	(84,041)
Net deferred losses on hedging instruments, net of taxes:			
Amount recognized during the year	(5,291)	(530)	(39,624)
Amount of recycling	1,738	373	13,015
Prior to income tax effect.....	(3,552)	(157)	(26,600)
Income tax effect	1,080	47	8,088
Net deferred losses on hedging instruments	(2,472)	(109)	(18,512)
Remeasurements of defined benefit plans:			
Amount recognized during the year	6,242	(657)	46,746
Amount of recycling	154	91	1,153
Prior to income tax effect.....	6,397	(566)	47,906
Income tax effect	(1,944)	172	(14,558)
Remeasurements of defined benefit plans	4,452	(394)	33,340
Total other comprehensive loss	¥(9,242)	¥(17,207)	\$(69,212)

21. Finance leases

Information on finance leases for the fiscal years ended March 31, 2023 and 2022 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
	2023	2022	2023
Lease receivables.....	¥17,557	¥20,140	\$131,483
Estimated residual value.....	2,791	3,025	20,901
Interest received	(1,929)	(2,255)	(14,446)
Investments in leases	¥18,419	¥20,910	\$137,939

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

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2023		
Up to 1 year	¥101	¥5,742
Over 1 year, up to 2 years.....	63	4,542
Over 2 years, up to 3 years	46	3,277
Over 3 years, up to 4 years	24	2,069
Over 4 years, up to 5 years	23	1,094
Over 5 years.....	2	832

	Millions of yen	
	Lease receivables	Receivables on investments in leases
2022		
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

	Thousands of U.S. dollars	
	Lease receivables	Receivables on investments in leases
2023		
Up to 1 year	\$756	\$43,001
Over 1 year, up to 2 years.....	471	34,014
Over 2 years, up to 3 years	344	24,541
Over 3 years, up to 4 years	179	15,494
Over 4 years, up to 5 years	172	8,192
Over 5 years.....	14	6,230

3. Operating leases

As lessor

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Up to 1 year	¥—	¥0	\$—
Over 1 year	—	—	—
Total	¥—	¥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 a non-pure investment vehicle. In addition, certain bonds are held for resale and held-to-maturity. 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, 2023 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥12 million (\$89 thousand) (compared with ¥11 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 ¥48,018 million (\$359,604 thousand) and ¥57,708 million as of March 31, 2023 and 2022, 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, 2023 and 2022 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.

2023	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Trading account securities.....	¥ 9	¥ 9	¥ —
(2) Securities			
Held-to-maturity debt securities	36,900	37,068	168
Available-for-sale securities	1,000,822	1,000,822	—
(3) Loans and bills discounted.....	3,362,245		
Reserve for possible loan losses*1	(16,087)		
	<u>3,346,158</u>	<u>3,321,294</u>	<u>(24,863)</u>
Total assets.....	4,383,889	4,359,195	(24,694)
(1) Deposits	4,696,403	4,696,925	522
(2) Negotiable certificates of deposit	84,267	84,270	2
(3) Borrowed money.....	624,432	624,262	(169)
Total liabilities.....	5,405,102	5,405,458	355
Derivative Transactions*2			
Not subject to hedge accounting	(314)	(314)	—
Subject to hedge accounting	(2,554)	(2,554)	—
Total Derivative Transactions	¥ (2,868)	¥ (2,868)	¥ —

2022	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(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)		
	<u>3,143,152</u>	<u>3,141,889</u>	<u>(1,262)</u>
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	¥ —

2023	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
(1) Trading account securities	\$ 67	\$ 67	\$ —
(2) Securities			
Held-to-maturity debt securities	276,342	277,600	1,258
Available-for-sale securities	7,495,109	7,495,109	—
(3) Loans and bills discounted.....	25,179,697		
Reserve for possible loan losses*1	(120,474)		
	<u>25,059,222</u>	<u>24,873,017</u>	<u>(186,197)</u>
Total assets.....	32,830,742	32,645,809	(184,932)
(1) Deposits	35,171,145	35,175,054	3,909
(2) Negotiable certificates of deposit	631,071	631,094	14
(3) Borrowed money.....	4,676,342	4,675,069	(1,265)
Total liabilities.....	40,478,559	40,481,225	2,658
Derivative Transactions*2			
Not subject to hedge accounting	(2,351)	(2,351)	—
Subject to hedge accounting	(19,126)	(19,126)	—
Total Derivative Transactions	\$ (21,478)	\$ (21,478)	\$ —

*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	Consolidated balance sheet amount	2023
1. Private equity shares*1*2	¥2,653	¥2,730	\$19,868
2. Investments in partnership*3*4 ..	4,289	3,292	32,120

*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 ¥5 million (\$37 thousand) and ¥1 million were recognized for the fiscal years ended March 31, 2023 and 2022, respectively.
*3 Investments in partnership are excluded from the disclosure of fair value in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).
*4 Impairment loss on investments in partnership of ¥37 million (\$277 thousand) and ¥3 million were recognized for the fiscal years ended March 31, 2023 and 2022, respectively.

(Note 2) The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2023 and 2022 are as follows:

2023	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
Securities:						
Held-to-maturity debt securities	¥ —	¥ —	¥ 26,166	¥ 10,830	¥ —	¥ —
Local government bonds	—	—	26,166	10,830	—	—
Available-for-sale securities with maturities	52,077	86,000	154,131	156,275	330,833	75,294
National government bonds	—	18,000	—	—	—	22,000
Local government bonds	9,073	18,309	10,875	80,957	216,062	28,710
Corporate bonds.....	12,529	24,799	11,249	62,954	73,310	15,944
Other	30,473	24,891	132,006	12,364	41,460	8,639
Loans and bills discounted*.....	1,244,062	571,071	379,764	275,465	303,009	542,438
Total	¥1,296,139	¥657,071	¥560,062	¥442,571	¥633,843	¥617,733

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
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

2023	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
Securities:						
Held-to-maturity debt securities	\$ —	\$ —	\$ 195,955	\$ 81,105	\$ —	\$ —
Local government bonds	—	—	195,955	81,105	—	—
Available-for-sale securities with maturities	390,002	644,050	1,154,279	1,170,336	2,477,593	563,873
National government bonds	—	134,801	—	—	—	164,756
Local government bonds	67,947	137,115	81,442	606,283	1,618,078	215,007
Corporate bonds.....	93,829	185,718	84,243	471,459	549,015	119,403
Other	228,210	186,407	988,586	92,593	310,492	64,697
Loans and bills discounted*.....	9,316,722	4,276,724	2,844,035	2,062,944	2,269,220	4,062,293
Total	\$9,706,725	\$4,920,774	\$4,194,278	\$3,314,393	\$4,746,820	\$4,626,173

*Loans and bills discounted do not include ¥35,174 million (\$263,416 thousand) and ¥35,324 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt debtors or other loans of which repayment is not expected, or ¥11,259 million (\$84,318 thousand) and ¥11,617 million in loans with no established maturity as of March 31, 2023 and 2022, respectively.

(Note 3) The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2023 and 2022 is as follows:

2023	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*	¥4,497,302	¥182,443	¥ 6,299	¥10,144	¥213	¥ —
Negotiable certificates of deposit.....	84,267	—	—	—	—	—
Borrowed money	138,289	269,576	215,029	877	233	425
Total	¥4,719,859	¥452,019	¥221,328	¥11,021	¥446	¥425

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

2023	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*	\$33,680,086	\$1,366,307	\$ 47,172	\$75,967	\$1,595	\$ —
Negotiable certificates of deposit	631,071	—	—	—	—	—
Borrowed money	1,035,639	2,018,842	1,610,342	6,567	1,744	3,182
Total	\$35,346,805	\$3,385,149	\$1,657,515	\$82,535	\$3,340	\$3,182

*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

2023	Millions of yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Trading account securities and securities:				
Trading securities				
National government bonds	¥ 9	¥ —	¥ —	¥ 9
Available-for-sale securities				
National government bonds	38,899	—	—	38,899
Local government bonds	—	355,087	—	355,087
Corporate bonds	—	173,668	23,650	197,318
Equity stock	108,770	—	—	108,770
Other	21,254	270,647	8,728	300,630
Total assets	¥168,934	¥799,402	¥32,378	¥1,000,715
Derivative transactions				
Interest rate related	¥ —	¥ 668	¥ —	¥ 668
Currency related	—	(3,536)	—	(3,536)
Total derivative transactions	¥ —	¥ (2,868)	¥ —	¥ (2,868)

*For investment trusts to which the treatment of deeming net asset value as fair value is applied, no note is provided regarding the fair value information by level within the fair value hierarchy. The amount of such investment trusts in the consolidated balance sheet as of March 31, 2023 is ¥115 million (\$861 thousand).

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

*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 as of March 31, 2022 is ¥179,251 million.

2023	Thousands of U.S. dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Trading account securities and securities:				
Trading securities				
National government bonds	\$ 67	\$ —	\$ —	\$ 67
Available-for-sale securities				
National government bonds	291,312	—	—	291,312
Local government bonds	—	2,659,230	—	2,659,230
Corporate bonds	—	1,300,591	177,113	1,477,705
Equity stock	814,573	—	—	814,573
Other	159,170	2,026,862	65,363	2,251,404
Total assets	\$1,265,138	\$5,986,684	\$242,477	\$7,494,308
Derivative transactions				
Interest rate related	\$ —	\$5,002	\$ —	\$5,002
Currency related	—	(26,480)	—	(26,480)
Total derivative transactions	\$ —	\$ (21,478)	\$ —	\$ (21,478)

*For investment trusts to which the treatment of deeming net asset value as fair value is applied, no note is provided regarding the fair value information by level within the fair value hierarchy. The amount of such investment trusts in the consolidated balance sheet is \$861 thousand.

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

2023	Millions of yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Local government bonds	¥—	¥ 37,068	¥ —	¥ 37,068
Loans and bills discounted	—	—	3,321,294	3,321,294
Total assets	¥—	¥37,068	¥3,321,294	¥3,358,363
Deposits	¥—	¥4,696,925	¥ —	¥4,696,925
Negotiable certificates of deposit	—	84,270	—	84,270
Borrowed money	—	624,262	—	624,262
Total liabilities	¥—	¥5,405,458	¥ —	¥5,405,458

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

2023	Thousands of U.S. dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Local government bonds	\$—	\$ 277,600	\$ —	\$ 277,600
Loans and bills discounted	—	—	24,873,017	24,873,017
Total assets	\$—	\$ 277,600	\$24,873,017	\$25,150,625
Deposits	\$—	\$35,175,054	\$ —	\$35,175,054
Negotiable certificates of deposit	—	631,094	—	631,094
Borrowed money	—	4,675,069	—	4,675,069
Total liabilities	\$—	\$40,481,225	\$ —	\$40,481,225

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

Assets

Trading account securities and securities:

Trading account securities and 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. For investment trusts for which no market trading prices exist, the net asset value is used as fair value and classified as Level 2 fair value if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests.

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 in the fiscal year ended March 31, 2022 were based on published reference prices, and no level is assigned 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 debtors, 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

2023	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	0.06% to 0.31%	0.17%

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
2023		
Beginning balance	¥26,365	¥15,170
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	(1,946)
Recorded in other comprehensive income (*2)	(68)	1,998
Purchases, sales, issuances, and settlements (net)	(2,646)	(6,493)
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	¥23,650	¥ 8,728
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.....	¥ —	¥ —

	Millions of yen	
	Securities	
	Available-for-sale securities	
	Privately-subscribed bonds	Structured bonds
2022		
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
2023		
Beginning balance	\$197,446	\$113,607
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	0	(14,573)
Recorded in other comprehensive income (*2)	(509)	14,962
Purchases, sales, issuances, and settlements (net)	(19,815)	(48,625)
Transfer into Level 3 (*3)	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance	\$177,113	\$ 65,363
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 fiscal year.

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

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligations at beginning of period	¥58,765	¥58,818	\$440,088
Service costs*	1,596	1,608	11,952
Interest costs	139	139	1,040
Actuarial differences	(6,606)	260	(49,472)
Retirement benefits paid	(2,202)	(2,061)	(16,490)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥51,691	¥58,765	\$387,111

*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

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Pension assets at beginning of period	¥66,833	¥66,335	\$500,509
Expected return on pension assets	1,228	1,160	9,196
Actuarial differences	(364)	(396)	(2,725)
Contribution from employer	1,232	1,256	9,226
Retirement benefits paid	(1,538)	(1,522)	(11,518)
Pension assets at end of period	¥67,391	¥66,833	\$504,688

(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

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligations of funded plan	¥ 51,691	¥58,765	\$ 387,111
Pension assets	(67,391)	(66,833)	(504,688)
	(15,699)	(8,067)	(117,569)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(15,699)	¥(8,067)	\$(117,569)

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net defined benefit liability	¥ 248	¥ 208	\$ 1,857
Net defined benefit asset	(15,948)	(8,276)	(119,433)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(15,699)	¥(8,067)	\$(117,569)

(d) Breakdown of retirement benefit costs

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service costs*	¥1,596	¥1,608	\$11,952
Interest costs	139	139	1,040
Expected return on pension assets	(1,228)	(1,160)	(9,196)
Amortization of actuarial differences	154	91	1,153
Amortization of past service costs	—	—	—
Retirement benefit costs for defined benefit plans	¥ 662	¥ 678	\$ 4,957

*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.

For the fiscal years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial differences	¥6,397	¥(566)	\$47,906
Total	¥6,397	¥(566)	\$47,906

(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:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized actuarial differences	¥4,472	¥(1,924)	\$33,490
Total	¥4,472	¥(1,924)	\$33,490

(g) Items related to pension assets

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

As of March 31	2023	2022
Bonds	15.5%	12.8%
Stocks	35.6	34.0
Life insurers' general account	24.6	24.9
Other	24.3	28.3
Total	100.0%	100.0%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (18.4% and 18.0% as of March 31, 2023 and 2022, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (21.6% and 21.0% as of March 31, 2023 and 2022, 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

	2023	2022
1) Discount rate	0.91%	0.23%
2) Expected long-term rate of return	mainly 2.00% to 3.00%	mainly 2.00% to 3.00%
3) Assumed salary increase rate	3.22%	3.20%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million (\$52 thousand) and ¥7 million for the years ended March 31, 2023 and 2022, 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

	2014 stock options	2015 stock options	2016 stock options
Category and number of grant recipients	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: 13,660 shares	Common stock: 9,430 shares	Common stock: 13,770 shares
Grant date	July 25, 2014	July 24, 2015	July 26, 2016
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
Exercise period	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

	2014 stock options	2015 stock options	2016 stock options
Prior to vesting (shares):			
Prior fiscal year end	1,140	1,720	3,680
Granted	—	—	—
Expired	—	—	—
Vested shares	—	—	—
Unvested shares	1,140	1,720	3,680
After vesting (shares):			
Prior fiscal year end	—	—	—
Vested shares	—	—	—
Exercised	—	—	—
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))

	2014 stock options	2015 stock options	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	—	—	—
Fair value on grant date	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, 2023 and 2022 were as follows:

2023	Millions of yen			Appraised profit/(loss)
	Contracted value	Over 1 year	Fair value	
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥29,747	¥28,186	¥30	¥30
Variable rate receivable/variable rate payable	29,747	28,186	313	313
Others:				
Sell	6,313	5,922	(47)	49
Buy	6,313	5,922	47	16
Total			¥344	¥409

2022	Millions of yen			Appraised profit/(loss)
	Contracted value	Over 1 year	Fair value	
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	¥32,657	¥31,631	¥378	¥378
Variable rate receivable/variable 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

2023	Thousands of U.S. dollars			Appraised profit/(loss)
	Contracted value	Over 1 year	Fair value	
Over the Counter				
Interest rate swaps:				
Fixed rate receivable/variable rate payable	\$222,773	\$211,083	\$224	\$224
Variable rate receivable/variable rate payable	222,773	211,083	2,344	2,344
Others:				
Sell	47,277	44,349	(351)	366
Buy	47,277	44,349	351	119
Total			\$2,576	\$3,062

Fair value of currency-related transactions as of March 31, 2023 and 2022 were as follows:

2023	Millions of yen			
	Contracted value	Over 1 year	Fair value	Appraised profit/(loss)
Over the Counter				
Currency swaps	¥ 7,082	¥ 7,082	¥ 2	¥ 2
Forward exchange contracts:				
Sell	150,201	40,316	(2,612)	(2,612)
Buy	138,363	41,405	2,572	2,572
Currency options:				
Sell	112,237	87,715	(6,513)	(1,164)
Buy	112,237	87,715	6,343	1,968
Others:				
Sell	210,522	210,255	4,508	4,535
Buy	210,522	210,255	(4,958)	(2,343)
Total			¥ (658)	¥ 2,957

2022	Millions of yen			
	Contracted value	Over 1 year	Fair value	Appraised profit/(loss)
Over the Counter				
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

2023	Thousands of U.S. dollars			
	Contracted value	Over 1 year	Fair value	Appraised profit/(loss)
Over the Counter				
Currency swaps	\$ 53,036	\$ 53,036	\$ 14	\$ 14
Forward exchange contracts:				
Sell	1,124,848	301,924	(19,561)	(19,561)
Buy	1,036,194	310,080	19,261	19,261
Currency options:				
Sell	840,537	656,893	(48,775)	(8,717)
Buy	840,537	656,893	47,502	14,738
Others:				
Sell	1,576,589	1,574,589	33,760	33,962
Buy	1,576,589	1,574,589	(37,130)	(17,546)
Total			\$ (4,927)	\$ 22,144

(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, 2023

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest rate swaps	Available-for-sale securities (bonds)	¥23,100	¥23,100	¥323
	Variable rate receivable/variable rate payable				
	Total				¥323

As of March 31, 2022

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

As of March 31, 2023

Hedge accounting method	Type	Main hedged item	Thousands of U.S. dollars		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps	Available-for-sale securities (bonds)	\$172,994	\$172,994	\$2,418
	Variable rate receivable/variable rate payable				
	Total				\$2,418

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, 2023

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥33,421	¥26,706	¥(1,039)
	Monetary swaps		104,834	—	(1,838)
	Total				¥(2,878)

As of March 31, 2022

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

As of March 31, 2023

Hedge accounting method	Type	Main hedged item	Thousands of U.S. dollars		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	\$250,288	\$200,000	\$(7,781)
	Monetary swaps		785,096	—	(13,764)
	Total				\$(21,553)

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
	2023	2022	2023
	Operating income	¥84,888	¥73,092
Of which, Fees and commissions	12,175	12,190	91,178
Deposit and loan services	2,878	2,415	21,553
Foreign exchange services	2,805	3,055	21,006
Securities-related services	1,097	1,753	8,215
Guarantee services	380	387	2,845
Agency services	91	94	681
Others	4,922	4,483	36,860

(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, 2023 and 2022 is as follows:

2023	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	¥ 75,414	¥ 7,382	¥ 82,796	¥ 2,091	¥ 84,888	¥ —	¥ 84,888
Inter-segment transactions	583	563	1,147	3,414	4,561	(4,561)	—
Total	¥ 75,998	¥ 7,945	¥ 83,943	¥ 5,506	¥ 89,450	¥ (4,561)	¥ 84,888
Segment profit	¥ 11,871	¥ 489	¥ 12,361	¥ 1,593	¥ 13,954	¥ (658)	¥ 13,295
Segment assets	¥5,789,023	¥25,614	¥5,814,637	¥23,654	¥5,838,291	¥(28,932)	¥5,809,359
Segment liabilities	¥5,524,635	¥20,279	¥5,544,915	¥ 9,412	¥5,554,328	¥(26,067)	¥5,528,260
Other items:							
Depreciation	¥ 2,654	¥ 145	¥ 2,800	¥ 287	¥ 3,088	¥ 41	¥ 3,129
Interest income	48,087	278	48,365	86	48,452	(585)	47,866
Interest expenses	7,906	63	7,970	25	7,995	(88)	7,907
Gain from disposal of tangible assets	0	65	65	—	65	(4)	61
Loss from disposal of tangible assets	74	0	74	10	84	0	84
Impairment losses	63	—	63	—	63	—	63
Tax expenses	3,448	121	3,570	507	4,077	(41)	4,036
Increases in tangible fixed assets and intangible fixed assets	2,139	2	2,142	300	2,442	68	2,510

2022	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
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

2023	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	\$ 564,771	\$ 55,283	\$ 620,055	\$ 15,659	\$ 635,722	\$ —	\$ 635,722
Inter-segment transactions	4,366	4,216	8,589	25,567	34,157	(34,157)	—
Total	\$ 569,145	\$ 59,499	\$ 628,645	\$ 41,234	\$ 669,886	\$ (34,157)	\$ 635,722
Segment profit	\$ 88,901	\$ 3,662	\$ 92,570	\$ 11,929	\$ 104,500	\$ (4,927)	\$ 99,565
Segment assets	\$43,353,725	\$191,822	\$43,545,547	\$177,143	\$43,722,691	\$(216,670)	\$43,506,021
Segment liabilities	\$41,373,736	\$151,868	\$41,525,612	\$ 70,486	\$41,596,105	\$(195,214)	\$41,400,883
Other items:							
Depreciation	\$ 19,875	\$ 1,085	\$ 20,969	\$ 2,149	\$ 23,125	\$ 307	\$ 23,432
Interest income	360,121	2,081	362,203	644	362,854	(4,381)	358,466
Interest expenses	59,207	471	59,686	187	59,874	(659)	59,215
Gain from disposal of tangible assets	0	486	486	—	486	(29)	456
Loss from disposal of tangible assets	554	0	554	74	629	0	629
Impairment losses	471	—	471	—	471	—	471
Tax expenses	25,821	906	26,735	3,796	30,532	(307)	30,225
Increases in tangible fixed assets and intangible fixed assets	16,018	14	16,041	2,246	18,288	509	18,797

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. For the fiscal year ended March 31, 2023, the amounts in the column of "Adjustment" under the following line items primarily represent the elimination arising from the inter-segment transactions: Segment profit, Segment assets, Segment liabilities, Depreciation, Interest income, Interest expenses, Gain from disposal of tangible assets, Loss from disposal of tangible assets, Impairment losses, Tax expenses and Increases in tangible fixed assets and intangible fixed assets.
For the fiscal year ended March 31, 2022, the amounts in the column of "Adjustment" under the following line items primarily represent the elimination arising from the inter-segment transactions: 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.
4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

1. Information on each service

2023	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥34,809	¥18,106	¥7,382	¥24,589	¥84,888

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

2023	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	\$260,682	\$135,594	\$55,283	\$184,145	\$635,722

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, 2023 and 2022 was as follows:

2023	Millions of yen					Total
	Banking	Leasing	Total	Other	Corporate/ Elimination	
Impairment losses on fixed assets.....	¥63	¥—	¥63	¥—	¥—	¥63

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

2023	Thousands of U.S. dollars					Total
	Banking	Leasing	Total	Other	Corporate/ Elimination	
Impairment losses on fixed assets.....	\$471	\$—	\$471	\$—	\$—	\$471

28. Related-party transactions

Not applicable to the fiscal years ended March 31, 2023 and 2022.

29. Per share data

Amounts per share as of March 31, 2023 and 2022 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥9,719.34	¥9,639.96	\$72.787
Basic earnings per share	315.57	396.83	2.363
Diluted earnings per share	315.50	396.72	2.362

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
	2023	2022	2023
Net assets	¥281,098	¥284,336	\$2,105,129
Amount excluded from net assets (of which, share subscription rights)	21	21	157
Net assets attributable to common stock at the fiscal year-end	281,077	284,315	2,104,972
Number of common stock at the fiscal-year end for calculation of net assets per share (in thousands)	28,919	29,493	

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
	2023	2022	2023
Basic earnings per share			
Profit attributable to owners of parent	¥9,172	¥11,702	\$68,688
Amount not attributable to common stockholders	—	—	—
Profit attributable to common stockholders	9,172	11,702	68,688
Average number of common stock during the year (in thousands)	29,066	29,490	
Diluted earnings per share			
Increase in number of common stock (in thousands)	6	8	
(of which, share subscription rights)	6	8	

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 76 thousand shares and 87 thousand shares as of March 31, 2023 and 2022, 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 79 thousand shares and 88 thousand shares for the fiscal years ended March 31, 2023 and 2022, respectively.

30. Borrowed money

The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2023 is 0.57%.

Annual maturities of borrowed money as of March 31, 2023 are as follows:

	Millions of yen	Thousands of U.S. dollars
Up to 1 year	¥138,289	\$1,035,639
Over 1 year, up to 2 years.....	90,791	679,929
Over 2 years, up to 3 years	178,785	1,338,912
Over 3 years, up to 4 years	214,001	1,602,643
Over 4 years, up to 5 years	1,028	7,698
Over 5 years.....	1,538	11,518

31. Subsequent event

Acquisition and cancellation of treasury stock

At a meeting of the Board of Directors held on May 11, 2023, 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 implemented the acquisition as described below. In addition, with regard to the cancellation of its treasury stock in accordance with the provisions of Article 178 of the Companies Act, which was resolved at the same meeting of the Board of Directors, the total number of shares to be cancelled was confirmed as described below. (Note 1)

Furthermore, at a meeting of the Board of Directors held on September 20, 2023, the Bank resolved to cancel its treasury stock in accordance with the provisions of Article 178 of the Companies Act. (Note 2)

1. Details of treasury stock acquired

- (1) Type of shares acquired: Common stock
- (2) Total number of shares acquired: 306,000 shares
- (3) Total cost of stock acquired: ¥599,9754 million (\$4,493 thousand)
- (4) Period of acquisition of treasury stock: From June 12, 2023 to August 14, 2023
- (5) Method of acquisition: Market purchase on the Tokyo Stock Exchange

2. Details of treasury stock to be cancelled

- (1) Type of shares to be cancelled: Common stock
- (2) Total number of shares to be cancelled:
 - 306,000 shares (Note 1)
 - 4,000 shares (Note 2)
 - 310,000 shares in total (Ratio to the total number of shares issued before cancellation: 1.07%)
- (3) Scheduled date of cancellation: September 29, 2023
- (4) Total number of shares issued after cancellation: 28,790,000 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, 2023, 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, 2023, 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.

Adequacy of borrower classification in determining the reserve for possible loan losses	
Description of Key Audit Matter	Auditor's Response
The group has a wide-area retail network in Japan in 11 prefectures surrounding the Seto Inland Sea and urban areas, mainly in Kagawa Prefecture, with its lending operations representing a core business activity. As of March 31, 2023, loans and	In considering the adequacy of the borrower classification, our audit procedures consisted primarily of the following: <ul style="list-style-type: none"> We evaluated the Group's internal controls for determining the borrower classification. The controls tested included, but were not



bills discounted and advances of 3,362,245 million yen were recorded in the consolidated balance sheet, accounting for 57% of consolidated assets in the amount of 5,809,359 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 borrowers 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 the impact of COVID-19, and inflation and rising resource prices in supply chains due to the invasion of Ukraine by Russia ("COVID-19, etc."). 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, 2023 was 17,514 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 borrower classification, which is determined by assessing the relevant borrower's ability to repay loans based on its repayment status, financial position, business performance, and future prospects, including the impact of COVID-19, etc.

In determining the classification of borrowers, it is important to determine the

limited to, controls to evaluate the accuracy and completeness of schedules used in determining the borrower classification and controls over the underlying credit rating data concerning the borrower.

- 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. In order to identify risk scenarios where credit risk is assumed to be high from a different perspective than those described above and select borrowers for which there are concerns about deterioration in their future business performance outlook, we performed an analysis by using a self-assessment data analysis tool (a tool that visualizes borrowers and claims data based on regions, and industries, etc. in self-assessment audits and supports the identification of specific borrowers to be audited focusing on the extent of credit risk), and also selected borrowers corresponding to risk scenarios set in consideration of the results of the analysis.

- We inspected data on the recent repayment status of sampled borrowers, 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. In addition, we examined consistency with reports obtained from credit agencies, made comparisons with available external information, made inquiries to responsible personnel and the head of the loan department, and considered responses received, as necessary to supplement our

outlook for improvement in business performance (including the details of management improvement plans, etc.) as there are many cases when uncertainty associated with future business performance increases, especially for entities for which a downgrade in the borrower classification has a certain degree of impact on profit or loss and whose repayment status and financial conditions have deteriorated, entities which have obtained loans following the Group's examination of their future business outlook and growth potential (entities for which an assessment of business feasibility is necessary), and entities which have developed management improvement plans (entities for which a business improvement plan has been formulated).

The above-mentioned outlook for improvement in business performance for borrowers, including debt repayment capacity and business improvement plans, is based on significant assumptions, such as forecasts of future sales and expenses of borrowers. Therefore, the outlook for such improvement is affected by changes in the economic environment surrounding the borrower and the success or failure of its business strategy, and the determination of borrower classification will depend more on the judgment of management.

Accordingly, we have determined that the adequacy of borrower classification in determining the reserve for possible loan losses with respect to entities for which a downgrade in the borrower classification has a certain degree of impact on profit or loss and whose repayment status and financial conditions have deteriorated, entities for which an assessment of business feasibility is necessary, and entities for which a business improvement plan has been formulated to be a key audit matter.

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 or losses of borrowers, etc., evaluating the accuracy of estimates based on the historical degree of achievement of business improvement plans in previous years, as well as performing a comprehensive analysis that included degree of impact of factors such as COVID-19, etc. Furthermore, we examined consistency of borrower's financial plan and results with reports obtained from credit agencies, made comparisons with available external information, made inquiries to responsible personnel and the head of the loan department, and considered responses received, as necessary to 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.



- 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.



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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 25, 2023

/s/ Motoki Nagao

Motoki Nagao
Designated Engagement Partner
Certified Public Accountant

/s/ Teruaki Kawaguchi

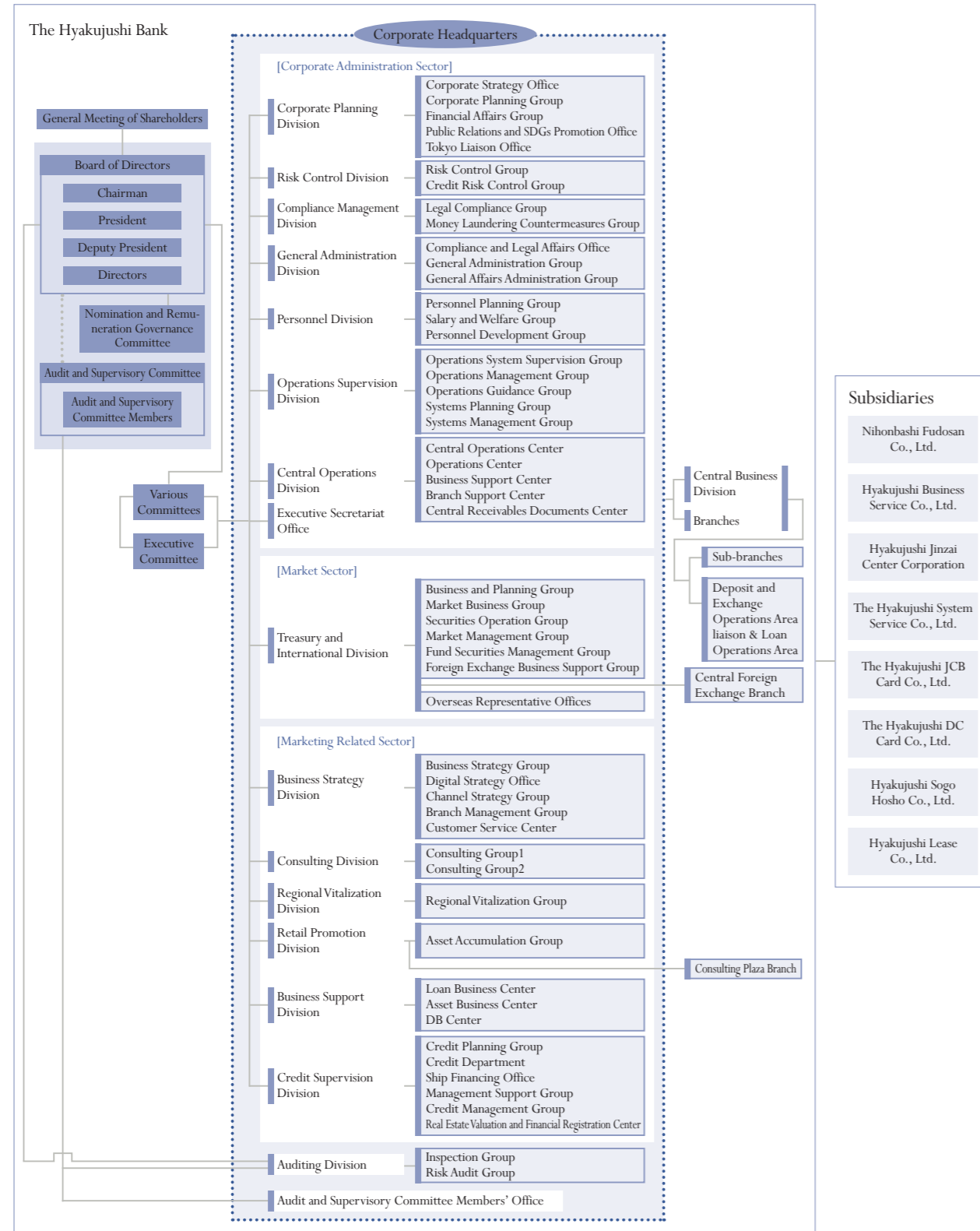
Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

Profile (as of March 31, 2023)

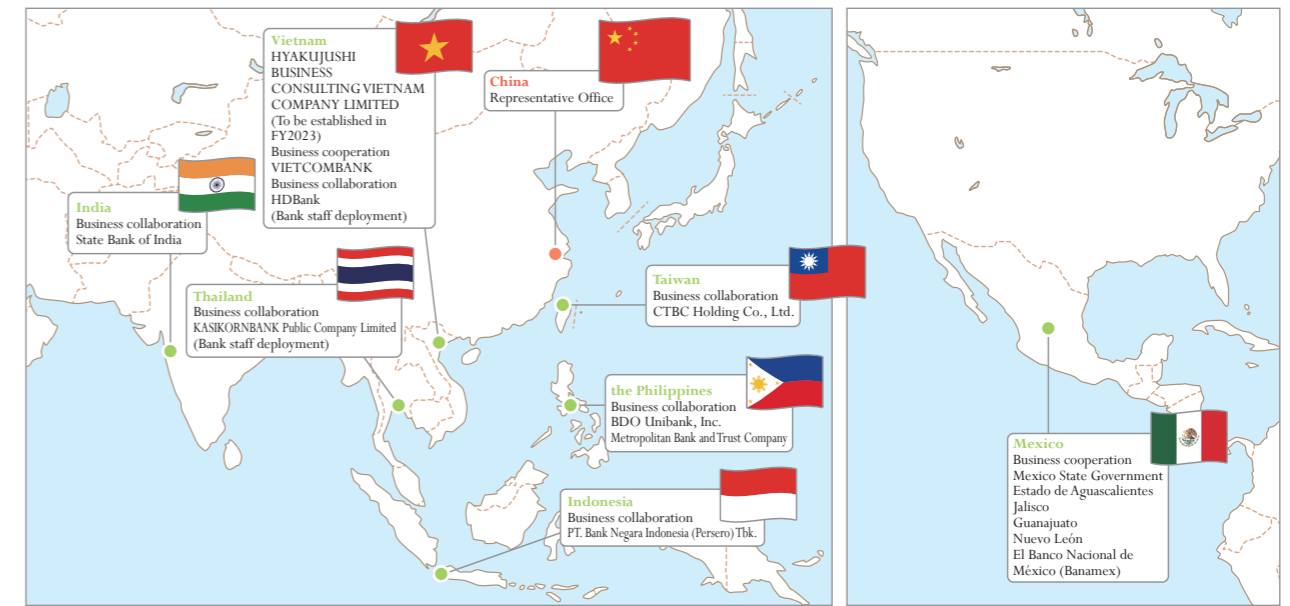
*The Shanghai Representative Office closed on April 28, 2023.

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥5,784.5 billion
Deposits and negotiable certificates of deposit	¥4,795.8 billion
Loans and bills discounted	¥3,366.8 billion
Paid-in capital	¥37.3 billion
Total shares issued	29,100 thousand shares
Employees	1,995
Offices	132 (Head Office, 99 branches, 22 sub-branches, 6 Quick Square, 5 Consulting Plaza)
Non-branch ATMs and CDs	Overseas Representative Offices: 1 (Shanghai)* 145 locations

Organization (as of July 1, 2023)



Overseas Support Organizations (as of April 30, 2023)



List of Major Shareholders (as of March 31, 2023)

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	2,504	8.63
Custody Bank of Japan, Ltd.	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	1,619	5.58
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	669	2.30
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	629	2.17
TAIHEIYO CEMENT CORPORATION (Note) 2	1-1, Koishikawa 1-chome, Bunkyo-ku, Tokyo	595	2.05
NAMBA HOLDINGS CORPORATION	9-1-2803, Oosaki 2-chome, Shinagawa-ku, Tokyo	556	1.91
NH Foods Ltd. (Note) 3	4-9, Umeda 2-Chome, Kita-ku, Osaka	505	1.74
SUMITOMO LIFE INSURANCE COMPANY	18-24, Tsukiji 7-Chome, Chuo-ku, Tokyo	500	1.72
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	490	1.69
Tadano Ltd.	34, Shindencho, Takamatsu-shi, Kagawa Prefecture	438	1.51
Total	-	8,509	29.34

(Notes)

- The 103 thousand treasury shares held by the Bank are excluded from the number of shares outstanding.
- 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.
- The number of shares held by NH Foods Ltd. includes 373 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.

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