2022
FINANCIAL REPORT

HOKKOKU FINANCIAL HOLDINGS
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2022

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CONSOLIDATED BALANCE SHEETS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	As of March 31,	
	2022	2022
	Millions of yen	Thousands of U.S. dollars (Note 2)
Assets:		
Cash and due from banks (Note 15)	¥ 1,607,871	$ 13,137,279
Call loans and bills bought	65,000	531,089
Monetary claims bought	3,052	24,937
Money held in trusts (Note 12)	13,528	110,539
Securities (Notes 9, 10, 11 and 17)	1,356,079	11,079,989
Loans and bills discounted (Notes 9 and 10)	2,585,262	21,123,148
Foreign exchanges (Note 9)	11,138	91,006
Lease receivables and investment in leased assets (Note 22)	35,195	287,565
Other assets (Notes 9 and 17)	37,364	305,288
Tangible fixed assets (Notes 14 and 16)	31,388	256,465
Intangible fixed assets	9,949	81,296
Deferred tax assets (Note 26)	265	2,168
Customers' liabilities for acceptances and guarantees (Note 9)	17,986	146,956
Reserve for possible loan losses	(61,849)	(505,345)
Total assets	¥ 5,712,233	$ 46,672,387
Liabilities:		
Deposits (Notes 10 and 17)	4,257,200	34,783,892
Negotiable certificates of deposit (Note 10)	1,000	8,170
Call money and bills sold (Note 17)	618,824	5,056,172
Guarantee deposit received under securities lending transactions (Note 17)	313,497	2,561,459
Borrowed money (Notes 10, 17 and 18)	155,985	1,274,499
Foreign exchanges	1	14
Bonds payable (Note 19)	20,000	163,412
Borrowed money from trust account (Note 20)	154	1,266
Other liabilities (Note 27)	53,752	439,188
Reserve for bonuses	747	6,110
Net defined benefit liability (Note 27)	2,398	19,596
Reserve for management board benefit trust	496	4,057
Reserve for reimbursement of deposits	127	1,041
Reserve for loss on refund of interest	19	162
Deferred tax liabilities (Note 26)	4,368	35,694
Deferred tax liability arising from revaluation of land (Note 14)	1,412	11,540
Acceptances and guarantees	17,986	146,956
Total liabilities	¥ 5,447,975	$ 44,513,237
Net assets:		
Common stock	10,000	81,706
Capital surplus	29,727	242,891
Retained earnings	182,357	1,489,971
Treasury stock	(3,124)	(25,531)
Total shareholders' equity (Note 21)	218,960	1,789,037
Valuation differences on available-for-sale securities	36,652	299,472
Net deferred gains on hedging instruments	115	945
Land revaluation surplus (Note 14)	2,296	18,762
Remeasurements of defined benefit plans (Note 27)	(1,467)	(11,990)
Total accumulated other comprehensive income	37,597	307,190
Non-controlling interests	7,701	62,922
Total net assets	264,258	2,159,150
Total liabilities and net assets	¥ 5,712,233	$ 46,672,387

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Year ended March 31, 2022 Millions of yen	Year ended March 31, 2022 Thousands of U.S. dollars (Note 2)
Income		
Interest income on:		
Interest on loans and discounts	¥ 24,120	$ 197,078
Interest and dividends on securities	11,378	92,968
Other interest income	588	4,812
Total interest income	36,087	294,859
Trust fees	0	0
Fees and commissions	9,487	77,514
Other operating income	17,559	143,475
Other income (Note 23)	21,595	176,450
Total income	84,730	692,300
Expenses		
Interest expenses on:		
Deposits	110	904
Borrowings and rediscounts	35	297
Interest on bonds	180	1,476
Other	167	1,364
Total interest expenses	494	4,042
Fees and commissions	3,578	29,238
Other operating expenses	13,799	112,753
General and administrative expenses (Note 23)	31,038	253,604
Other expenses (Note 23)	16,651	136,051
Total expenses	65,563	535,690
Special gains and losses (Note 24)	(3,220)	(26,316)
Profit before income taxes	15,946	130,293
Income taxes (Note 26):		
Current	5,723	46,762
Deferred	596	4,875
	6,319	51,637
Profit	9,626	78,655
Profit attributable to non-controlling interests	238	1,951
Profit attributable to owners of parent	¥ 9,387	$ 76,704

	2022 Yen	2022 U.S. dollars (Note 2)
Amounts per share (Note 28)		
Net assets	¥ 9,576.53	$ 78.24
Profit	340.64	2.78

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Year ended March 31, 2022 Millions of yen	Year ended March 31, 2022 Thousands of U.S. dollars (Note 2)
Profit	¥ 9,626	$ 78,655
Other comprehensive income (Note 25)		
Valuation differences on available-for-sale securities	(27,030)	(220,859)
Net deferred gains on hedging instruments	119	978
Remeasurements of defined benefit plans (Note 27)	976	7,977
Total other comprehensive income	(25,934)	(211,904)
Comprehensive income	(16,308)	(133,248)
Total comprehensive income attributable to:		
Owners of parent	¥ (16,424)	$ (134,199)
Non-controlling interests	116	950

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of March 31, 2021	¥ 26,673	¥ 13,053	¥ 176,013	¥ (663)	¥ 215,077
Changes by share transfer	**(16,673)**	**16,673**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**(2,521)**	**–**	**(2,521)**
Profit attributable to owners of parent	**–**	**–**	**9,387**	**–**	**9,387**
Transfer from retained earnings to capital surplus	**–**	**497**	**(497)**	**–**	**–**
Repurchase of treasury stock	**–**	**–**	**–**	**(3,041)**	**(3,041)**
Disposal of treasury stock	**–**	**–**	**–**	**82**	**82**
Cancellation of treasury stock	**–**	**(497)**	**–**	**497**	**–**
Reversal of land revaluation surplus	**–**	**–**	**(23)**	**–**	**(23)**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Total changes during the year	**(16,673)**	**16,673**	**6,344**	**(2,461)**	**3,882**
Balance as of March 31, 2022	**¥ 10,000**	**¥ 29,727**	**¥ 182,357**	**¥ (3,124)**	**¥ 218,960**

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation differences on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation surplus	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Non-controlling interests	Total net assets
Balance as of March 31, 2021	¥ 63,560	¥ (3)	¥ 2,272	¥ (2,443)	¥ 63,385	¥ 7,806	¥ 286,269
Changes by share transfer	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(2,521)**
Profit attributable to owners of parent	**–**	**–**	**–**	**–**	**–**	**–**	**9,387**
Transfer from retained earnings to capital surplus	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Repurchase of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(3,041)**
Disposal of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**82**
Cancellation of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reversal of land revaluation surplus	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**
Net changes in items other than shareholders' equity	**(26,908)**	**119**	**23**	**976**	**(25,788)**	**(105)**	**(25,894)**
Total changes during the year	**(26,908)**	**119**	**23**	**976**	**(25,788)**	**(105)**	**(22,011)**
Balance as of March 31, 2022	**¥ 36,652**	**¥ 115**	**¥ 2,296**	**¥ (1,467)**	**¥ 37,597**	**¥ 7,701**	**¥ 264,258**

See accompanying notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of March 31, 2021	$ 217,942	$ 106,655	$ 1,438,135	$ (5,420)	$ 1,757,312
Changes by share transfers	**(136,236)**	**136,236**	–	–	–
Cash dividends	–	–	**(20,604)**	–	**(20,604)**
Profit attributable to owners of parent	–	–	**76,704**	–	**76,704**
Transfer from retained earnings to capital surplus	–	**4,067**	**(4,067)**	–	–
Repurchase of treasury stock	–	–	–	**(24,853)**	**(24,853)**
Disposal of treasury stock	–	–	–	**674**	**674**
Cancellation of treasury stock	–	**(4,067)**	–	**4,067**	–
Reversal of land revaluation surplus	–	–	**(195)**	–	**(195)**
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	**(136,236)**	**136,236**	**51,836**	**(20,111)**	**31,725**
Balance as of March 31, 2022	**$ 81,706**	**$ 242,891**	**$ 1,489,971**	**$ (25,531)**	**$ 1,789,037**

	Thousands of U.S. dollars (Note 2)						
	Accumulated other comprehensive income						
	Valuation differences on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation surplus	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2021	$ 519,330	$ (32)	$ 18,566	$ (19,967)	$ 517,897	$ 63,784	$ 2,338,994
Changes by share transfers	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	**(20,604)**
Profit attributable to owners of parent	–	–	–	–	–	–	**76,704**
Transfer from retained earnings to capital surplus	–	–	–	–	–	–	–
Repurchase of treasury stock	–	–	–	–	–	–	**(24,853)**
Disposal of treasury stock	–	–	–	–	–	–	**674**
Cancellation of treasury stock	–	–	–	–	–	–	–
Reversal of land revaluation surplus	–	–	–	–	–	–	**(195)**
Net changes in items other than shareholders' equity	**(219,858)**	**978**	**195**	**7,977**	**(210,707)**	**(862)**	**(211,570)**
Total changes during the year	**(219,858)**	**978**	**195**	**7,977**	**(210,707)**	**(862)**	**(179,844)**
Balance as of March 31, 2022	**$ 299,472**	**$ 945**	**$ 18,762**	**$ (11,990)**	**$ 307,190**	**$ 62,922**	**$ 2,159,150**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Year ended March 31,	
	2022	2022
	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash flows from operating activities:		
Profit before income taxes	¥ 15,946	$ 130,293
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:		
Depreciation and amortization	4,331	35,390
Loss on impairment	601	4,915
Increase (decrease) in reserve for possible loan losses	7,700	62,919
Increase (decrease) in reserve for bonuses	(26)	(212)
Increase (decrease) in net defined benefit liability	(10,642)	(86,955)
Increase (decrease) in directors' retirement benefits	(31)	(253)
Increase (decrease) in reserve for management board benefit trust	35	293
Increase (decrease) in reserve for reimbursement of deposits	(45)	(370)
Increase (decrease) in reserve for losses on refund of interest	(13)	(112)
Increase (decrease) in reserve for customer service points	(324)	(2,652)
Accrued interest and dividend income	(36,087)	(294,859)
Accrued interest expenses	494	4,042
Losses (gains) on securities, net	(16,619)	(135,792)
Losses (gains) on money trusts	(15)	(122)
Foreign exchange losses (gains), net	(17,807)	(145,494)
Losses (gains) on disposal of tangible fixed assets	2,048	16,735
Losses (gains) on revision of retirement benefit plan	(726)	(5,934)
Net decrease (increase) in loans and bills discounted	29,603	241,877
Net increase (decrease) in deposits	219,488	1,793,350
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	19,639	160,463
Net decrease (increase) in due from banks (exclusive of Due from the Bank of Japan)	14,854	121,366
Net decrease (increase) in call loans and others	53,044	433,406
Net increase (decrease) in call money and others	(99,869)	(815,993)
Net increase (decrease) in guarantee deposit received under securities lending transactions	83,130	679,230
Net decrease (increase) in trading account assets	105	859
Net decrease (increase) in foreign exchange assets	(359)	(2,939)
Net increase (decrease) in foreign exchange liabilities	(0)	(4)
Net decrease (increase) in lease receivables and investment in leased assets	384	3,141
Net decrease (increase) in cash collateral paid for financial instruments	(1,487)	(12,149)
Net increase (decrease) in borrowed money from trust account	9	76
Interest and dividends received	24,747	202,199
Interest paid	(427)	(3,493)
Other, net	10,692	87,366
Subtotal	302,374	2,470,585
Income taxes paid, net of refund	(8,257)	(67,469)
Net cash provided by (used in) operating activities	294,117	2,403,116
Cash flows from investing activities:		
Purchase of securities	(800,593)	(6,541,334)
Proceeds from sale of securities	555,992	4,542,793
Proceeds from redemption of securities	86,488	706,659
Interests and dividends received on investments	13,694	111,891
Purchase of tangible fixed assets	(2,243)	(18,331)
Purchase of intangible fixed assets	(2,971)	(24,278)
Proceeds from sale of tangible fixed assets	496	4,059
Net cash provided by (used in) investing activities	(149,137)	(1,218,540)
Cash flows from financing activities:		
Cash dividends paid	(2,519)	(20,588)
Cash dividends paid to non-controlling interests	(221)	(1,812)
Repurchases of treasury stock	(3,041)	(24,853)
Proceeds from sale of treasury stock	82	674
Net cash provided by (used in) financing activities	(5,700)	(46,579)
Effect of exchange rate changes on cash and cash equivalents	22	186
Net increase (decrease) in cash and cash equivalents	139,302	1,138,183
Cash and cash equivalents at beginning of year	1,465,419	11,973,355
Cash and cash equivalents at end of year (Note 15)	¥ 1,604,721	$ 13,111,538

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2022

1. Basis of Presentation

Hokkoku Financial Holdings, Inc. (the "Company") is a holding company established on October 1, 2021, by transforming the Hokkoku Bank, Ltd. (the "Bank") and its consolidated subsidiaries into a holding company structure.

Upon the establishment of the Company, the Bank became a wholly owned subsidiary of the Company, and at the same time, the Bank provided all shares of the following nine subsidiaries of the Bank to the Company by dividend in kind for the transformation to a holding company: the Hokkoku General Leasing Co., Ltd., the Hokkoku Credit Service Co., Ltd., the Hokkoku Credit Guarantee Co., Ltd., the Hokkoku Management, Ltd., the Hokkoku Servicer, Ltd., Digital Value Co, Ltd., the FD Advisory, Ltd., the CC Innovation, Ltd. and the QR Investment, Ltd.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (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 Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information. As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. U.S. Dollar Amounts

The Company maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥122.39 = U.S. $1.00, the rate of exchange in effect on March 31, 2022 has been used in conversion. The conversion should not be construed as a meaning that yen could be converted into U.S. dollars at the above or any other rate.

3. Summary of Significant Accounting Policies

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 10 subsidiaries as of March 31, 2022. All significant inter-company receivables and payables and transactions have been eliminated in consolidation.

The following subsidiaries are not consolidated, nor accounted for by the equity method, as the assets, contribution of their income and retained earnings are considered immaterial and do not have a material impact on the consolidated financial statements if excluded from the scope of consolidation, and their non-consolidation will not prevent reasonable judgments regarding the Group's financial position and operating results: Ishikawa Small Business Revitalization No. 2 Fund Investment Limited Liability Partnership, Ishikawa Small Business Revitalization No. 3 Fund Investment Limited Liability Partnership, QR Investment No. 1 Business Succession Fund Investment Limited Partnership, Thai CC Innovation Co., Ltd. and CC Innovation Vietnam Co., Ltd.

Similarly, there are two associates that are not accounted for by the equity method due to insignificancy.

b. Trading account securities

Trading account securities are stated at fair value at end of year, and the related cost of sale is determined using the moving average method.

c. Securities

Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving average method. Stocks of unconsolidated subsidiaries which are not accounted for by the equity method are stated at cost using the moving average method. Available-for-sale securities are stated at fair value based on market prices at the balance sheet date (related cost of sale is determined using the moving average method). However, equity securities without market prices are stated at cost using the moving average method.

The valuation differences on available-for-sale securities are included directly in net assets.

For translation differences of available-for-sale securities (bonds) denominated in foreign currencies, the translation differences related to changes in fair value are recognized as valuation differences and other differences are recognized as foreign exchange gains or losses.

Securities managed as assets held in trust in money trust, whose primary purpose is to invest in securities, are stated at fair value.

d. Derivative financial instruments

Derivatives are stated at fair value.

e. Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank being a consolidated subsidiary of the Company, is computed by the declining-balance method. The useful lives of buildings and equipment are summarized as follows.

Buildings	10 to 50 years
Others	3 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries other than the Bank is computed primarily by the declining-balance method over the estimated useful lives of the respective assets.

f. Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of internal use software are capitalized and amortized by the straight-line method primarily over a useful life, determined by consolidated subsidiaries, of 5 to 10 years.

g. Reserve for possible loan losses

The reserve for possible loan losses of the Bank being a consolidated subsidiary of the Company, is provided as detailed below in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amount expected to be collected by the realization of collateral, or as a result of the execution of a guarantee.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt ("debtors at a risk of bankruptcy"), a reserve is provided according to the amount considered necessary for the claims, net of the amount expected to be collected by the realization of collateral, or as a result of the execution of guarantee, based on an overall debt servicing capacity assessment of the debtor. In addition, for claims to debtors with large exposure exceeding certain amount or debtors at a risk of bankruptcy, including restructured loans, which it is possible to reasonably estimate cash flows from collection of principal and receipt of interest, a reserve is provided according to the difference between the amount of related cash flows discounted by the original contract interest rate before restructuring the loans and their carrying value.

For other claims, a reserve is provided based on the expected loan loss amount over the next one year or three years. The Bank estimates the rate of loan losses with reference to the average rate of loan losses over a certain period of time based on the Bank's past loan-loss experience over one year or three years.

All claims are assessed by the Bank's Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments.

At consolidated subsidiaries other than the Bank, reserves for general claims are provided at an amount estimated based on the actual historical rate of loan losses and reserves for specific claims (from potentially bankrupt customers, etc.) are provided at an amount deemed to be uncollectible based on the respective assessments.

For collateralized or guaranteed claims to debtors who are legally or substantially bankrupt, the amount exceeding the estimated value of the collateral or guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The total amount of write-off was ¥23,472 million ($191,785 thousand) for the year ended March 31, 2022.

h. Bonuses to employees
The reserve for bonuses to employees is provided at the estimated amount to be attributed to the current fiscal year.

i. Reserve for management board benefit trust
The reserve for management board benefit trust is recorded at an estimated amount of obligation to be required for delivery of its shares through the trust to directors and executive officers of the Bank being a consolidated subsidiary of the Company, based on its internal rules.

j. Reserve for reimbursement of deposits
The reserve for reimbursement of deposits is recorded at an estimated amount to be required to reimburse the customers' claims on the derecognized inactive deposit accounts.

k. Reserve for loss on refund of interest
The reserve for loss on refund of interest is recorded by a certain consolidated subsidiary to provide for the customers' claims to refund the interest exceeding the maximum limit of interest rate stipulated by the Interest Rate Restriction Act based on the past experience of refund.

l. Retirement benefit plans
In calculating retirement benefit obligations, the benefit formula basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year. Treatments of prior service cost and actuarial gains or losses are as follows:
Prior service cost is amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred.
Actuarial gains or losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) that falls within the average remaining years of service of the employees.

m. Foreign currency translations
Assets and liabilities denominated in foreign currencies and accounts of overseas branch are translated into Japanese yen equivalents primarily using the exchange rate prevailing at the balance sheet date.

n. Revenue recognition
(1) Revenue recognition for finance leases
Sale and cost of sale are recognized at the time of the receipt of lease payments.
(2) Recognition of dividends on stocks included in interest and dividends on securities
Dividends on stocks resulting from appropriation of other retained earnings (limited to cash to be distributed as dividends), which are approved by resolutions of meetings of shareholders, the Board of Directors or other decision-making bodies of issuing companies, are recognized in the fiscal year to which the effective date of the respective dividend belongs.
However, dividends are recognized in the fiscal year in which the payments are received, when the payments are made within the period normally required after the effective date.
(3) Recognition of revenue from contracts with customers
Revenue from contracts with customers is recognized at a point in time when a promised good or service is transferred to a customer, at the amount assumed to be received in exchange for the good or service.
As to the third-party's point program participated by certain consolidated subsidiaries, the amount assumed to be used is recognized as the amount to be collected on behalf of third-party, and deducted from fees and commissions.

p. Hedge accounting
Hedging interest rate risk
The Group applied the deferral method to account for financial instruments that hedge the interest rate risk on financial assets and liabilities, as provided in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 24, March 17, 2022). The hedge effectiveness is assessed by grouping and specifying hedged items including deposits and loans and hedging instruments including interest rate swaps by a certain period.

Hedging foreign exchange risk
The Group applies the deferral method to account for derivative instruments that hedge the foreign exchange risk on various foreign-currency financial assets and liabilities, as provided in the "Treatment for Accounting and Auditing with Regard to Accounting for Foreign Currency Transactions in Banking Industry" (The Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guideline No. 25, October 8, 2020). The hedge effectiveness of these currency-swap transactions, FX swap transactions and similar instruments to hedge the foreign exchange risks of foreign-currency financial assets or liabilities is assessed by comparing the foreign currency position of the hedged assets or liabilities with that of the hedging instruments.

q. Consumption taxes
Nondeductible consumption taxes levied on the purchase of premises and equipment are charged to income when incurred.

r. Cash and cash equivalents
For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

s. Accounting treatments and procedures adopted in cases where relevant accounting standards are unclear
Gains or losses on cancellation of investment trusts are aggregated by individual issue, then the gains are recognized as interest and dividends on securities under interest income and the losses are recognized as other operating expenses.

4. Significant Accounting Estimates
Reserve for possible loan losses is the item identified and recognized in the current fiscal year's consolidated financial statements based on the accounting estimates and may give significant impact on the consolidated financial statements of the following fiscal year.

(a) Amount recognized in the consolidated financial statements as of March 31, 2022

	2022	2022
	Millions of yen	*Thousands of U.S. dollars*
Reserve for possible loan losses	¥ 61,849	$ 505,345

(b) Information that contributes to an understanding of the nature of significant accounting estimates for the identified items

(1) Estimation method
The Bank being a consolidated subsidiary of the Company, determines the amount of reserve for possible loan losses based on the determination of judgments of debtor classification in accordance with the self-assessment of asset quality guidelines, and as stated in "3. Summary of Significant Accounting Policies, g. Reserve for possible loan losses."

(2) Key assumptions
Key assumptions include "outlook for future performance of debtors in determining debtor classification" and "impact of the COVID-19 pandemic."

Outlook for future performance of debtors in determining debtor classification
In determining debtor classification, the Bank evaluates debtors on an individual basis based on the repayment status, financial position, business performance, future outlook and others. In particular, when assessing the appropriate classification of a debtor with repayment status, financial position, or business performance being deteriorating, such factors as the reasonableness and feasibility of the business improvement plan which embodies the assumption of the outlook for future business performance, serve as significant factors in making the relevant judgment.
The reasonableness and feasibility of the business improvement plan may be affected by changes in the business environment surrounding the debtor, the outcome of the debtor's business strategy and the Bank's supporting policy to the debtor.

Impact of the COVID-19 pandemic
As of March 31, 2022, the Group assumes that the COVID-19 pandemic would be settled down during the year ending March 31, 2023 and economic activities would fully recover during the year ending March 31, 2024, which may have a certain impact on the credit risk of loans held by the Bank.
In the local economy, some industries are beginning to show a worsening trend while there are signs of recovery from the previous year's decline, particularly in the manufacturing sector. Tourists and guests at major hot spring resorts and restaurants in Ishikawa prefecture have been

recovering since the lifting of the pre-emergency measures. Although the economic activity is resuming subject to infection control measures, the impact of the COVID-19 pandemic on the economy is still uncertain, and the Group assumes economic activities would fully recover during the year ending March 31, 2024.
Based on the aforementioned assumptions, the Group determines the debtor classification using the most current information available, and makes estimates of the amount of reserve for possible loan losses. The Group has updated these assumptions from this fiscal year end, considering the most current status of the COVID-19 pandemic.

(3) Impact on the consolidated financial statements in the following fiscal year
Since the aforementioned "(ii) Key assumptions" involves uncertainty, it may give a significant impact on the amount of reserve for possible loan losses in the consolidated financial statements of the following year when the assumption for improvements in outlook of future performance used in determining debtor classification may be changed and/or the status of the COVID-19 pandemic and the impact on the economy may be changed from the aforementioned assumption in the future.

5. Changes in Accounting Policies
(Application of Accounting Standard for Revenue Recognition)
Applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Accounting Standards for Revenue Recognition") effective from the beginning of the year ended March 31, 2022, the Group recognizes revenue at the amount assumed to be received in exchange for a promised good or service at the point in time when the control of the said good or service is transferred to a customer.
In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the Group adjusted the beginning balance of retained earnings for the cumulative effect of retroactive application of this new accounting policy prior to the beginning of the year ended March 31, 2022, and then has applied this new accounting policy.
However, applying a method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition, the Group does not retroactively apply this new accounting policy to the contracts from which almost all the revenue had been recognized before the beginning of the year ended March 31, 2022 in accordance with previous accounting treatment. There is no significant impact on the consolidated financial statements from the changes.

(Application of Accounting Standard for Fair Value Measurement)
Effective from the beginning of the year ended March 31, 2022, the Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter, the "Accounting Standard for FVM"). In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for FVM and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Group has applied this new accounting policy prospectively. There is no impact on the consolidated financial statements from the changes.

6. Accounting Standards and Guidance Issued but Not Yet Effective
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(a) Outline
When the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) was originally issued on July 4, 2019, it was considered necessary to spend certain period of time to complete discussions among parties concerned with regard to the "fair value measurement of investment trusts." It was also considered necessary to discuss how fair value of the "investments in partnerships which are presented in a balance sheet at the net amount equivalent to the holding equity interest" should be disclosed. Those discussions had been carried out approximately over one year after the issuance of the "Accounting Standard for Fair Value Measurement," and finally the relevant amendment was issued on June 17, 2021.

(b) Scheduled date of application
The Group is scheduled to apply this implementation guidance from the beginning of the year ending March 31, 2023.

(c) Impact of the application of this implementation guidance
The application of this implementation guidance has no impact on the consolidated financial statements.

7. Changes in Presentation
With the "Cabinet Office Order to Partially Amend the Regulation for Enforcement of the Banking Act" (Cabinet Office Order No. 3, January 24, 2020) coming into effect on March 31, 2022, the Group has changed the asset categories to be disclosed as "risk monitored loans" under the Banking Act to those to be disclosed as "claims under the Act on Emergency Measures for the Revitalization of the Financial Functions (the "Financial Revitalization Act")."

8. Additional Information
(Management board benefit trust)
The Bank, a consolidated subsidiary of the Company, has adopted a share-based payment plan, "management board benefit trust," (hereinafter the "Plan") to directors and executive officers (hereinafter "Officers") of the Bank.

(a) Outline
The Plan is a share-based payment plan under which the Bank contributes capital to establish a trust (hereinafter the "Trust") and the Trust acquires the Company's shares. The Company's shares are provided to each Officer corresponding to the number of points granted to each Officer through the Trust. In principle, Officers will receive delivery of the Company's shares at the time of their retirement as Officers.

(b) The Company's shares remaining in the Trust
The Company's shares remaining in the Trust are recognized as treasury stock under shareholders' equity. The carrying value and the number of the shares are ¥561 million ($4,584 thousand) and 117 thousand shares for the year ended March 31, 2022.

9. Claims to be disclosed under the Financial Revitalization Act and the Banking Act
Claims to be disclosed under the Financial Revitalization Act and the Banking Act are included in the following accounts in the consolidated balance sheet:
- corporate bonds (limited to those whose principal and interest are fully or partially secured and issued under private placements as permitted in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) under "Securities,"
- "Loans and bills discounted,"
- "Foreign exchanges,"
- Accrued interest and suspense payments under "Other assets,"
- "Customers' liabilities for acceptances and guarantees" and
- securities when such securities are lending (limited to those under loan for use contracts or lease contracts).

The following table summarizes claims to be disclosed under the Financial Revitalization Act and the Baking Act:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Claims against bankrupt or quasi-bankrupt debtors	¥ 17,094	$ 139,671
Doubtful claims	49,797	406,878
Claims past due for three months or more	857	7,007
Restructured claims	9,079	74,188
Total	¥ 76,829	$ 627,746

Claims against bankrupt or quasi-bankrupt debtors present loans to borrowers in bankruptcy procedures, including commencement of bankruptcy proceedings, reorganization proceedings and rehabilitation proceedings, and other similar claims.
Doubtful claims present loans, other than claims against bankrupt or quasi-bankrupt debtors, for which the borrowers have not yet entered into bankruptcy, but their financial conditions and business performance have deteriorated, and therefore, it is highly probable that the principal and interest cannot be collected in accordance with the contracts.
Claims past due for three months or more present loans whose principal or interest payments are three months or more past due, but are not classified as claims against bankrupt or quasi-bankrupt debtors and doubtful claims.
Restructured claims present loans on which certain concessions favorable to debtor, including reduction or waivers of interest, deferred payment of principal or interest and debt forgiveness, are granted.
The amounts of claims are before deducting reserve for possible loan losses.

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank being a consolidated subsidiary of the Company, has the right to sell or re-pledge the banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. The face value of banker's acceptance bills, commercial bills, documentary bills and foreign exchange bought at a discount was ¥9,151 million ($74,773 thousand) as of March 31, 2022.

Overdraft agreements and loan commitments are agreements under which the Group are obliged to extend loans up to a prearranged limit unless the customer is in breach of contract. The loan commitments not yet drawn down as of March 31, 2022 totaled ¥394,436 million ($3,222,784 thousand); ¥381,637 million ($3,118,208 thousand) of which, as of March 31, 2022, was related to agreements whose contractual terms were for one year or less or which were unconditionally cancelable at any time.
As the majority of these agreements expire without the right to extend the loans being exercised, the undrawn commitment balance does not necessarily affect the future cash flows of the Company or of its consolidated subsidiaries. These agreements usually include clauses which stipulate that the Company and its consolidated subsidiaries have the right either to refuse the execution of the loans or to reduce the contractual commitments in cases where changes in the borrower's financial position are identified, protection them through credit enhancement is required or other unforeseen circumstances arise.
The Company and its consolidated subsidiaries take various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of entering into the agreements, monitoring a customer's business on a regular basis in accordance with established internal procedures, and modifying the loan commitment agreements when necessary.

10. Financial Instruments and Related Disclosures
Status of Financial Instruments

(a) Policy on financial instruments
The Group provides financial services such as banking business and leasing business. Major banking business includes lending services, bills discounting and fund management through dealing and underwriting Japanese government bonds, municipal bonds and available-for-sale securities. On the other hand, funds are raised mainly by taking deposits and negotiable certificates of deposit and also by issuance of bonds, call money and others as needed.
The Group conducts asset and liability management (ALM) and manages the risks identifying various types of risk exposures associated with the banking business, since the Group holds financial assets and liabilities exposed to the market risk of fluctuation of interest rates. As part of risk management, the Group also utilizes derivative transactions.

(b) Contents and risk of financial instruments
Financial assets held by the Group mainly consist of loans to corporate and individual customers which are exposed to credit risk arising from nonperformance of the customers. In addition, the loan balances are concentrated to Ishikawa prefecture where the head office of the Bank, a consolidated subsidiary of the Company, is located and accordingly, the changes in the economic circumstances of the region may have a great impact on the credit risk. Securities mainly consist of Japanese government bonds, municipal bonds, corporate bonds and equity securities that are classified as available-for-sale securities. These securities are exposed to credit risk of issuers and market risks of fluctuation in interest rates, market prices and foreign exchange rates for bonds denominated in foreign currencies.
On the other hand, financial liabilities consist of mainly deposits and negotiable certificates of deposit, call money and others. With respect to call money, the Company and the Bank may be forced to raise fund under unfavorable conditions and accordingly, significantly increase funding costs in case that fund raising capacity of the Company and the Bank significantly declined under certain circumstances such as significant deterioration of financial positions of the Company and the Bank, serious systemic risk of the financial system and downgrades of the credit rating of the Company and the Bank by external rating agencies.
Derivative transactions consist of hedging activities performed as part of ALM against market risks (interest rate risk and foreign exchange risk) associated with assets and liabilities held by the Group and transactions to respond to customers' diversified needs for hedging against the risks of customers. The Group applies hedge accounting for interest rate swaps and currency swaps employed by the Group for hedging purposes and periodically verifies the effectiveness of hedging activities to assess if the relationships between hedging instruments and hedged items including assets and liabilities are appropriate, and also if the market risks of interest rates and foreign exchange rates are offset by hedging instruments.

(c) Risk management system for financial instruments
Credit risk management:
The Group has established and operates a credit control system including credit review by individual loan transaction, internal credit rating, self-assessment of asset quality, large exposure control, measurement of risk exposure and management of problem loans in accordance with credit risk management policies, credit policies, lending operation rules and credit risk control rules. These credit controls are performed by the credit review sections of the consolidated subsidiaries as well as each operating office and are periodically deliberated by and reported to the decision-making bodies including Board of Directors, where appropriate. In addition, the Audit Department audits the status of credit risk controls.
Credit risk associated with the issuers of securities and counterparty risk associated with treasury transactions and derivative transactions are controlled by periodically identifying credit information and the mark-to-market values by the Market Finance Division of the Bank being a consolidated subsidiary of the Company.

Market risk management:
(1)Interest rate risk management
The Group funds loans and securities mainly with deposits taken, but holds long-term and short-term interest rate gaps arising from the timing difference in the maturities repricing of deposits and loans. Accordingly, the Management Administration Division of the Group monitors the risk exposures by establishing risk limits based on the integrated risk control policy and integrated risk control rule and reports to the Group Strategic Committee and the Board of Directors. In addition, the General Planning Department and Management Administration Division monitor the interest rate risk based on the interest rate sensitivity analysis, gap analysis, ladder analysis as well as Interest Rate Risk in the Banking Book (IRRBB) approach and report to the Group Strategic Committee on a regular basis.
The Group also enters into interest rate swap contracts to hedge the interest rate fluctuation risk.
(2) Foreign exchange risk management
The Group holds, in part, foreign currency denominated assets and liabilities. These foreign currency denominated assets and liabilities are appropriately hedged using currency swaps and other methods, whereby their exposures to the foreign exchange risk are controlled.
(3) Price fluctuation risk management
The Group controls the price fluctuation risk associated with equity securities and investment trusts in accordance with the integrated risk management policies and procedures to control the exposures within the Group's risk tolerance while securing appropriate earnings. Among these, the Group established limits for transactions which require risk controls.
Moreover, the middle office of the Market Finance Division of the Bank being a consolidated subsidiary of the Company, in cooperation with the Management Administration Division responsible for risk management, monitors the risk exposures and verifies compliance with the limit. In addition, the Management Administration Division identifies, measures and analyzes those risks and conducts stress tests. Such information is reported to the Group Strategic Committee and the Board of Directors on a regular basis and where appropriate.
(4) Derivative transactions
With respect to derivative transactions, The internal rules have been established to define the authority and hedging policies, and the credit lines by counterparty have been determined. Front offices that enter into the contracts, back offices that conduct reconciliation procedures and control the credit lines and the divisions that assess the effectiveness of hedges are separated so that the internal control functions effectively.
(5) Quantitative information related to market risk
The financial instruments exposed to interest rate risk and price fluctuation risk such as stock price fluctuation risk include, among other things, "Loans and bills discounted," "Securities," "Deposits," and "Derivatives" recorded in the banking book. The Group uses the VaR model to measure market risk exposure of interest rate, stock and investment trust related instruments. Adopting the variance-covariance method (holding period: half a year,

confidence level: 99.9%, observation period: 720 business days) in computing the VaR, the Group examines the correlation between interest rate risk and price fluctuation risk. Total market risk exposure of the Group was ¥48,702 million ($397,930 thousand) as of March 31, 2022. The deposit internal models are applied to measure interest rate risk of liquid deposits held by the Bank being a consolidated subsidiary.

The back-testing is implemented to compare the model-based VaR with actual profit and loss for the securities held by the Group and it is confirmed that the measurement model in use captures the market risk with sufficient precision. However, the risk under certain abnormal market fluctuations may not be captured, since the VaR is measured based on the probability of occurrence in a normal distribution of historical market fluctuations. In addition, VaR is a statistical value computed based on assumptions and it is not intended to estimate maximum amount of losses.

(d) Supplementary explanation on the fair value of financial instruments

Certain assumptions are adopted to determine the fair value of financial instruments. The said fair value may differ when different assumptions are adopted.

Fair value of financial instruments

The following table summarizes the carrying value, fair value and difference of financial instruments as of March 31, 2022.

Note that unlisted equity securities without market prices and investments in partnerships are not included in the table (see Note 1 below).

For cash and due from banks, call loans and bills bought, foreign exchanges (assets/ liabilities) call money and bills sold and guarantee deposit received under securities lending transactions, the disclosure is omitted since their fair value approximates their carrying value due to short maturity. The disclosure is also omitted for insignificant items in the consolidate balance sheet.

	March 31, 2022		
	Millions of yen		
	Carrying value	Fair value	Difference
Securities:			
Available-for-sale securities	¥ 1,351,754	¥ 1,351,754	¥ —
Loans	2,585,262		
Reserve for possible loan losses (*1)	(58,399)		
	2,526,862	2,540,105	13,243
Assets, total	3,878,617	3,891,860	13,243
Deposits	4,257,200	4,257,212	11
Negotiable certificates of deposit	1,000	1,000	—
Borrowed money	155,985	155,986	0
Liabilities, total	4,414,186	4,414,199	12
Derivative transactions (*2)			
To which hedge accounting is not applied	[3,312]	[3,312]	—
To which hedge accounting is applied	159	159	—
Derivative transactions, total	¥ [3,152]	¥ [3,152]	¥ —

	March 31, 2022		
	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Securities:			
Available-for-sale securities	$11,044,648	$11,044,648	$ —
Loans	21,123,148		
Reserve for possible loan losses (*1)	(477,158)		
	20,645,989	20,754,195	108,205
Assets, total	31,690,637	31,798,843	108,205
Deposits	34,783,892	34,783,990	97
Negotiable certificates of deposit	8,170	8,170	—
Borrowed money	1,274,499	1,274,504	4
Liabilities, total	36,066,562	36,066,664	102
Derivative transactions (*2)			
To which hedge accounting is not applied	[27,066]	[27,066]	—
To which hedge accounting is applied	1,307	1,307	—
Derivative transactions, total	$ [25,759]	$ [25,759]	$ —

(*1) A general reserve for possible loan losses and a specific reserve for possible loan losses on loans are deducted.

(*2) Derivative transactions recorded under other assets and other liabilities are presented on a net basis. Net liabilities are shown in square parentheses.

(Note 1) The following table summarizes equity securities without market prices and investments in partnerships. Note that these instruments are not included in available-for-sale securities in the table above.

	2022	**2022**
	Millions of yen	*Thousands of U. S. dollars*
	Carrying value	
Unlisted equity securities (*1) (*2)	¥ 3,476	$ 28,401
Investments in partnerships (*3)	849	6,938
Total	¥ 4,325	$ 35,340

(*1) The fair value of unlisted equity securities is not disclosed pursuant to Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020).

(*2) No unlisted equity securities were impaired for the year ended March 31, 2022.

(*3) The fair value of investments in partnerships is not disclosed pursuant to Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Maturity of financial assets and securities with contractual maturities as of March 31, 2022

	March 31, 2022					
	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Securities:						
Available-for-sale securities with contractual maturities:	¥ 48,633	¥ 165,540	¥ 218,573	¥ 96,509	¥ 339,979	¥ 103,831
Japanese government bonds	—	—	—	—	141,000	94,800
Municipal bonds	32,279	61,520	63,609	80,654	125,343	30
Corporate bonds	7,182	66,075	111,195	1,616	774	4,900
Other	9,172	37,944	43,768	14,238	72,862	4,101
Loans (*)	624,232	430,468	296,717	233,524	272,741	696,049
Total	¥ 672,865	¥ 596,009	¥ 515,291	¥ 330,033	¥ 612,720	¥ 799,880

	March 31, 2022					
	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Securities:						
Available-for-sale securities with contractual maturities:	$ 397,367	$ 1,352,567	$ 1,785,876	$ 788,539	$ 2,777,837	$ 848,361
Japanese government bonds	—	—	—	—	1,152,054	774,573
Municipal bonds	263,739	502,660	519,723	658,999	1,024,128	245
Corporate bonds	58,682	539,874	908,535	13,203	6,324	40,035
Other	74,945	310,033	357,617	116,336	595,330	33,507
Loans (*)	5,100,351	3,517,186	2,424,361	1,908,033	2,228,459	5,687,147
Total	$ 5,497,719	$ 4,869,753	$ 4,210,238	$ 2,696,573	$ 5,006,297	$ 6,535,509

(*) Loans to "legally bankrupt," "substantially bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid amounting to ¥18,282 million ($149,380 thousand) are not included.

Loans with no contractual maturities amounting to ¥13,245 million ($108,226 thousand) are not included.

(Note 3) Maturity of bonds and interest-bearing liabilities as of March 31, 2022

	March 31, 2022					
	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 3,362,592	¥ 220,479	¥ 26,301	¥ —	¥ —	¥ —
Negotiable certificates of deposits	1,000	—	—	—	—	—
Borrowed money	155,831	132	22	—	—	—
Total	¥ 3,519,424	¥ 220,611	¥ 26,323	¥ —	¥ —	¥ —

	March 31, 2022					
	Thousands of U. S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$ 27,474,408	$ 1,801,451	$ 214,897	$ —	$ —	$ —
Negotiable certificates of deposits	8,170	—	—	—	—	—
Borrowed money	1,273,239	1,079	180	—	—	—
Total	$ 28,755,817	$ 1,802,530	$ 215,077	$ —	$ —	$ —

(*) On-demand deposits are included under "Due in one year or less."

Fair value hierarchy of financial instruments

The fair value of financial instruments is classified into three categories depending on whether inputs for a fair value measurement are observable or significant.

Level 1 fair value: Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement

Level 2 fair value: Fair value measured by using observable inputs other than those used for Level 1 fair value

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

The fair value is classified into a category to which the lowest priority is assigned for a fair value measurement.

(1) Financial instruments measured at fair value in the consolidated balance sheet

	March 31, 2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities (*1):				
Japanese government bonds	¥ 259,262	¥ —	¥ —	¥ 259,262
Municipal bonds	—	362,602	—	362,602
Government-guaranteed bonds	—	3,013	—	3,013
Public corporation bonds	—	8,284	—	8,284
Bank debentures	—	130,315	—	130,315
Industrial bonds	—	46,517	3,415	49,932
Equity securities	139,466	—	—	139,466
Foreign equity securities	2,360	—	—	2,360
Foreign bonds	39,504	137,016	—	176,520
Included in Assets, total	440,593	687,748	3,415	1,131,758
Derivative transactions (*2):				
Currency related	—	[3,312]	—	[3,312]
Interest rate related	—	159	—	159
Included in Derivative transactions, total	¥ —	¥ [3,152]	¥ —	¥ [3,152]

	March 31, 2022			
	Thousands of U. S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities (*1):				
Japanese government bonds	$2,118,329	$ —	$ —	$2,118,329
Municipal bonds	—	2,962,678	—	2,962,678
Government-guaranteed bonds	—	24,625	—	24,625
Public corporation bonds	—	67,686	—	67,686
Bank debenture bonds	—	1,064,754	—	1,064,754
Industrial bonds	—	380,072	27,909	407,982
Equity securities	1,139,523	—	—	1,139,523
Foreign equity securities	19,283	—	—	19,283
Foreign bonds	322,777	1,119,504	—	1,442,281
Included in Assets, total	3,599,913	5,619,322	27,909	9,247,145
Derivative transactions (*2):				
Currency related	—	[27,066]	—	[27,066]
Interest rate related	—	1,307	—	1,307
Included in Derivative transactions, total	$ —	$ [25,759]	$ —	$ [25,759]

(*1) The table does not include investment trusts for which the transitional treatment prescribed in Article 5, Paragraph 6 of the supplementary provision of the "Cabinet Office Order to Partially Amend the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Cabinet Office Order No. 9, March 6, 2020) are applied. Carrying value of such investment trusts in the consolidated balance sheet is ¥219,996 million ($1,797,502 thousand) as of March 31, 2022.

(*2) Derivative transactions accounted for as other assets or liabilities are shown collectively. Assets and liabilities generated from derivative transactions are stated in net, and net liabilities are shown in square parentheses.

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet

	March 31, 2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans	¥ —	¥ —	¥ 2,540,105	¥ 2,540,105
Included in Assets, total	—	—	2,540,105	2,540,105
Deposits	—	4,257,212	—	4,257,212
Negotiable certificates of deposits	—	1,000	—	1,000
Borrowed money	—	155,986	—	155,986
Included in Liabilities, total	¥ —	¥ 4,414,199	¥ —	¥ 4,414,199

	March 31, 2022			
	Thousands of U. S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans	$ —	$ —	$ 20,754,195	$ 20,754,195
Included in Assets, total	—	—	20,754,195	20,754,195
Deposits	—	34,783,990	—	34,783,990
Negotiable certificates of deposits	—	8,170	—	8,170
Borrowed money	—	1,274,504	—	1,274,504
Included in Liabilities, total	$ —	$ 36,066,664	$ —	$ 36,066,664

(Note 1) Explanation of valuation techniques and inputs used for fair value measurement

Assets

Securities:

Securities for which unadjusted quoted prices in active markets are available are classified into Level 1 fair value. Such securities mainly include listed equity securities and government bonds issued by major countries.

Even if available quoted prices are used, securities are classified into Level 2 fair value when the relevant markets are not active. Such securities mainly include municipal bonds, corporate bonds as well as government bonds issued by countries other than major countries.

When quoted prices are not available, the fair value is measured by using valuation techniques such as the present value technique discounting future cash flows. Observable inputs are used in the valuation to the maximum extent possible. Inputs include risk-free interest rates, credit spreads, probability of default. When unobservable inputs are not used for the measurement or those impact is insignificant, the fair value is classified into Level 2. When significant unobservable inputs are used, the fair value is classified into Level 3.

Loans:
The fair value of loans is measured by discounting the aggregate value of principal and interest at the market interest rate reflecting credit risks, etc. for each category based on type of loans, internal ratings and maturities. Loans with floating interest rates reflect the market interest rates in the short-term; thus, the carrying value is used as the fair value of those loans as the fair value approximates the carrying value, where the credit situation of the borrowers does not vary significantly after executing the loans. For loans with a shorter remaining period (i.e., less than one year), the carrying value is used as the fair value as the fair value approximates the carrying value.
With respect to claims to "legally bankrupt" borrowers, "substantially bankrupt" borrowers and "likely to become bankrupt" borrowers, the fair value is measured at the discounted present value of estimated future cash flows or the discounted present value of estimated collectible amounts through collateral and guarantee. The said fair value is classified into Level 3 since the impact from unobservable inputs is significant.

Liabilities
Deposits and negotiable certificates of deposits:
With respect to on-demand deposits, the fair value is measured at the amount that is required to paid at the balance sheet date. The fair value of time deposits is measured at the discounted present value of future cash flows based on each category of certain period of time. Market rates are used to discount future cash flows. For deposits with a shorter remaining period (i.e., less than one year), the carrying value is presented as the fair value as the fair value approximates the carrying value. The said fair value is classified into Level 2.

Borrowed money:
The fair value of borrowed money is measured at the present value calculated by discounting the aggregate amount of principal and interest at the interest rate reflecting the remaining period of each borrowing and credit risk. Of which, the borrowed money with floating interest rates reflects the market interest rates in the short-term, and the credit status of the Group has not significantly been changed after the execution of borrowings; thus, the carrying value is presented as the fair value since it is deemed that the fair value approximates the carrying value. The said fair value is classified into Level 2.

Derivative transactions
Derivative transactions comprise interest rate related transactions (e.g., interest rate swaps) and currency related transactions (e.g., currency options, currency swaps) and the fair value of derivatives is measured at the value determined by the discounted present value or option pricing models.
The fair value measured by using unadjusted quoted prices in active markets is classified into Level 1, which includes those of bond futures and interest rate futures. When unobservable inputs are not used for the measurement or those impact is insignificant, the fair value is classified into Level 2. When significant unobservable inputs are used, the fair value is classified into Level 3.

(Note 2) Information on Level 3 fair value, of financial instruments measured at fair value in the consolidated balance sheet

(1)Quantitative information on significant unobservable inputs

	Fiscal year ended March 31, 2022			
	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities:				
Available-for-sale securities				
Corporate bonds	Present value	Probability of default	0.14 – 2.11%	0.80%

(2)Reconciliation from beginning balance to ending balance and valuation gains or losses recognized for the year ended March 31, 2022

	March 31, 2022 Millions of yen							
	Balance at beginning of year	Profit or other comprehensive income ("OCI") recognized for the current fiscal year: Profit	OCI (*1)	Purchase, sale, issuance and settlement, net	Reclassi-fication to Level 3	Reclassi-fication from Level 3	Balance at end of year	Valuation gains (losses) (*2)
Securities:								
Available-for-sale securities								
Corporate bonds	¥ 3,106	¥—	¥ 3	¥ 305	¥ —	¥ —	¥ 3,415	—
Assets, total	¥ 3,106	¥—	¥ 3	¥ 305	¥ —	¥ —	¥ 3,415	—

	March 31, 2022 Thousands of U. S. dollars							
	Balance at beginning of year	Profit or other comprehensive income ("OCI") recognized for the current fiscal year: Profit	OCI (*1)	Purchase, sale, issuance and settlement, net	Reclassi-fication to Level 3	Reclassi-fication from Level 3	Balance at end of year	Valuation gains (losses) (*2)
Securities:								
Available-for-sale securities								
Corporate bonds	$ 25,386	$—	$31	$ 2,492	$ —	$ —	$ 27,909	$ —
Assets, total	$ 25,386	$—	$31	$ 2,492	$ —	$ —	$ 27,909	$ —

(*1) The amount is included in "Valuation difference on available-for-sale securities" of "Other comprehensive income" of the consolidated statement of comprehensive income.
(*2) It presents valuation gains or losses of financial assets or liabilities held at the balance sheet date, out of profit recognized for the current fiscal year.

(3)Fair value valuation procedures
The Market Trading Division performs a fair value measurement in accordance with the policies and procedures prepared by the Risk Management Division. The measured fair value is verified by the independent valuation division for the reasonableness of inputs and valuation techniques used for the measurement and appropriateness of the classified level of the fair value. The verification result is reported to the Risk Management Division periodically, and thus, the appropriateness of the policies and procedures of the fair value measurement is ensured.
The fair value is measured using a valuation model that most appropriately reflects the nature, characteristics and risk of each asset. In case where quoted prices obtained from third parties are used, the reasonableness of the prices is verified by confirming the valuation techniques and inputs used and by applying appropriate methods including comparison with the market prices of similar financial instruments.

(4) The impact on the fair value in case where any changes are made to significant unobservable inputs
The significant unobservable input used in measuring the fair value of corporate bonds is a probability of default. Significant increase (decrease) in this input alone results in significant decrease (increase) in the fair value.

11. Securities
(a) Trading account securities
Valuation differences of trading account securities included in earnings for the year ended March 31, 2022 were ¥(0) million ($(6) thousand).

(b) Held-to-maturity securities which have a readily determinable fair value
There were no held-to-maturity securities to be reported as of March 31, 2022.

(c) Available-for-sale securities which have a readily determinable fair value
The acquisition cost and carrying value of available-for-sale securities

which have a readily determinable fair value and the related unrealized gains or losses as of March 31, 2022 are summarized as follows:

	March 31, 2022				
	Millions of yen				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Stock	¥ 139,466	¥ 67,255	¥ 72,210	¥ 73,372	¥ 1,161
Debt securities	813,410	818,936	(5,525)	422	5,948
Others	398,877	411,881	(13,004)	5,362	18,366
Total	¥ 1,351,754	¥ 1,298,073	¥ 53,680	¥ 79,156	¥ 25,476

	March 31, 2022				
	Thousands of U.S. dollars				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Stock	$ 1,139,523	$ 549,518	$ 590,005	$ 599,496	$ 9,490
Debt securities	6,646,056	6,691,206	(45,149)	3,450	48,600
Others	3,259,067	3,365,318	(106,251)	43,812	150,063
Total	$ 11,044,648	$ 10,606,043	$ 438,604	$ 646,759	$ 208,154

Japanese government bonds, equities and others loaned under the securities lending agreement in the amount of ¥72,998 million ($596,440 thousand) is included in the above as of March 31, 2022.
Securities (excluding equity securities without market prices and investments in partnerships) other than trade account securities, whose fair value is available, are written down to the fair value if the fair value has significantly declined compared with the acquisition cost and such decline is not considered to be recoverable. The difference between the acquisition cost and the fair value is recognized as a loss on impairment. The related loss on impairment amounted to ¥3,803 million ($31,072 thousand) (of which, ¥3,803 million ($31,072 thousand) for stock) for the year ended March 31, 2022. The criteria for determining if such decline is significant are as follows:
Securities whose fair value is 50% or less than the acquisition cost are necessarily written down and securities whose fair value is between 50% and 70% of the acquisition cost are written down when the market price is considered to be non-recoverable within one year, taking into consideration the trend of the market price and operating performances of the issuing entities. The components of net unrealized gains on available-for-sale securities recorded under net assets as of March 31, 2022 are as follows:

	2022	**2022**
	Millions of yen	*Thousands of U. S. dollars*
Unrealized gains on available-for-sale securities	**¥ 53,734**	**$ 439,042**
Deferred tax liabilities	**(15,736)**	**(128,572)**
	¥ 37,998	**$ 310,469**
Attributable to non-controlling interest	**(1,345)**	**(10,997)**
Net unrealized gains on available-for-sale securities	**¥ 36,652**	**$ 299,472**

Note:
Unrealized gains on investments in partnerships without market prices, in the amount of ¥53 million ($433 thousand), are included in unrealized gains on available-for-sale securities.

Available-for-sale securities sold during the year ended March 31, 2022 are summarized as follows:

	2022	**2022**
	Millions of yen	*Thousands of U. S. dollars*
Proceeds from sale	**¥ 550,686**	**$ 4,499,440**
Gain on sale	**24,530**	**200,428**
Loss on sale	**3,828**	**31,278**

12. Money Held in Trusts

Money held in trusts for investment purposes

	2022	**2022**
	Millions of yen	*Thousands of U. S. dollars*
Amount recorded in the consolidated balance sheet	¥ 13,528	$110,539
Valuation difference included in profit and loss for the fiscal year	28	236

13. Derivatives

The Group enters into interest rate swaps to hedge interest rate risk associated with deposits, loans and holding debt securities and currency swaps and foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. In addition, to respond to the customers' hedging needs related to their interest rate risk and foreign exchange risk, the Group enters into derivative contracts including interest rate swaps, currency swaps, foreign exchange forward contracts and currency options. These transactions are covered by the reversing trades to avoid market risk. The effectiveness of these hedging activities is assessed and verified on a regular basis.

Derivative contracts to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal amount defined in the contract, fair value and valuation gains or losses by transaction type as of March 31, 2022 are as follows:
Note that contract amount does not represent the market risk exposure of the derivative transactions.
(1) Interest rate related derivatives
There are no interest rate related derivatives as of March 31, 2022.

(2) Currency related derivatives

		March 31, 2022			
		Millions of yen			
		Contract amount			Valuation gains (losses)
		Total	Over one year	Fair value	
OTC transactions:					
Currency swaps		¥ —	¥ —	¥ —	¥ —
Forward contracts on foreign exchange	Sold	82,922	—	(3,836)	(3,836)
	Bought	27,568	—	524	524
Currency options	Sold	3,488	—	(266)	(68)
	Bought	3,488	—	266	76
Total		¥ —	¥ —	¥ (3,312)	¥ (3,304)

		March 31, 2022			
		Thousands of U. S. dollars			
		Contract amount			Valuation gains (losses)
		Total	Over one year	Fair value	
OTC transactions:					
Currency swaps		$ —	$ —	$ —	$ —
Forward contracts on foreign exchange	Sold	677,523	—	(31,350)	(31,350)
	Bought	225,250	—	4,283	4,283
Currency options	Sold	28,503	—	(2,178)	(560)
	Bought	28,503	—	2,178	627
Total		$ —	$ —	$ (27,066)	$ (26,999)

Note:
The above transactions are stated at fair value and valuation gains or losses is recorded in the consolidated statement of income.

Derivative contracts to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal amount defined in the contract and fair value by transaction type and by hedge accounting method as of March 31, 2022 are as follows:
Note that contract amount does not represent the market risk exposure of the derivative transactions.

(1)Interest rate related derivatives

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
			March 31, 2022		
			Millions of yen		
Deferral hedge accounting	Interest rate swaps: Receive floating Pay fixed	Securities	¥ 20,000	¥ 20,000	¥ 159
Total			—	—	¥ 159

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
			March 31, 2022		
			Thousands of U. S. dollars		
Deferral hedge accounting	Interest rate swaps: Receive floating Pay fixed	Securities	$ 163,412	$ 163,412	$ 1,307
Total			—	—	$ 1,307

Note:
Gains or losses on above contacts is deferred until maturity of the hedged items in accordance with JICPA Industry Audit Committee Report No. 25.

(2)Currency related derivatives
There are no currency related derivatives as of March 31, 2022.

14. Revaluation of Land

Pursuant to the "Act on Revaluation of Land" (the "Act"), land used for the business operations of the Bank being a consolidated subsidiary of the Company, was revalued on March 31, 1999. The excess of the revalued aggregate market value over the total book value (carrying value) before revaluation was included in net assets as land revaluation surplus at the net amount of the related tax effect as of March 31, 1999. The corresponding income taxes were included in liabilities as of March 31, 1999 as deferred tax liability arising from revaluation of land. The revaluation of the land was determined based on the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, with certain necessary adjustments.
The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the Act, and the total book value of the land after the revaluation was ¥6,047 million ($49,408 thousand) as of March 31, 2022.

15. Cash Flows

A reconciliation between cash and due from banks in the consolidated balance sheet as of March 31, 2022 and cash and cash equivalents in the consolidated statements of cash flows for the year then ended is as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Cash and due from banks	**¥ 1,607,871**	**$ 13,137,279**
Due from banks other than the Bank of Japan	**(3,150)**	**(25,740)**
Cash and cash equivalents	**¥ 1,604,721**	**$ 13,111,538**

16. Accumulated Depreciation and Deferred Gains on Tangible Fixed Assets

Accumulated depreciation totaled ¥34,133 million ($278,894 thousand) as of March 31, 2022.
Deferred gains on tangible fixed assets deducted for tax purposes as of March 31, 2022 were ¥2,847 million ($23,268 thousand).

17. Assets Pledged

Assets pledged as collateral as of March 31, 2022 were as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Pledged assets:		
Securities	**¥ 662,707**	**$ 5,414,715**
Other assets	**4,130**	**33,746**
Total	**666,837**	**5,448,462**
Liabilities secured by the above assets:		
Deposits	**42,761**	**349,387**
Borrowed money	**155,700**	**1,272,162**
Call money and bills sold	**22,000**	**179,753**
Guarantee deposit received under securities lending transactions	**313,497**	**2,561,459**
Total	**¥ 533,958**	**$ 4,362,763**

Margin deposits with the clearing house of ¥20,000 million ($163,412 thousand) as of March 31, 2022 and guarantee deposits of ¥85 million ($695 thousand) were included in other assets as of March 31, 2022.

18. Borrowed Money

The details of borrowed money as of March 31, 2022 were as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Borrowed money Due from April 2022 through February 2026 Average interest rate: 0.00% p.a.	**¥ 155,985**	**$ 1,274,499**

Scheduled repayments of borrowed money by each year:

Year ending March 31,	*Millions of yen*	*Thousands of U. S. dollars*
2023	**¥ 155,831**	**$ 1,273,239**
2024	**70**	**574**
2025	**61**	**505**
2026	**22**	**180**
2027 and thereafter	**—**	**—**
Total	**¥ 155,985**	**$ 1,274,499**

19. Bonds Payable

In the fiscal year of 2021, the Bank has issued series of unsecured callable subordinated bonds with special exemption clause in case of actual bankruptcy. The details of bonds payable as of March 31, 2022 were as follows:

	Issued date	Redemption date	Interest rate	2022 *Millions of yen*	2022 *Thousands of U. S. dollars*
The Hokkoku Bank Ltd.:					
1st Unsecured Callable Bonds	July 22, 2020	July 22, 2030	0.94%	**¥ 10,000**	**$ 81,706**
2nd Unsecured Callable Bonds	March 10, 2021	March 10, 2031	0.86%	**10,000**	**81,706**
Total				**¥ 20,000**	**$ 163,412**

Scheduled redemptions of bonds payable by each year:

Year ending March 31,	*Millions of yen*	*Thousands of U. S. dollars*
2023	**¥ —**	**$ —**
2024	**—**	**—**
2025	**—**	**—**
2026	**—**	**—**
2027 and thereafter	**20,000**	**163,412**
Total	**¥ 20,000**	**$ 163,412**

20. Borrowed Money from Trust Account

The principal amount of trust account with contracts indemnifying the principal is as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Money trust	**¥ 154**	**$ 1,266**

21. Shareholders' Equity

Japanese banks are subject to the Banking Act and the Companies Act. The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance generally does not give rise to changes within the shareholders' accounts.

The Banking Act provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Companies Act. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock subject to resolution of the Board of Directors.

The Companies Act allows Japanese companies to repurchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the ordinary general meeting of shareholders.

Dividends are approved by the shareholders at the meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Companies Act. The movements of outstanding shares and cash dividends during the years ended March 31, 2022 are as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2022

	Thousand shares			
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	28,115	—	206	27,908
Treasury stock:				
Common stock	141	1,201	223	1,118

Note:

1. The decrease in issued stock of 206 thousand shares is due to the cancellation of treasury stock.
2. The increase in treasury stock of 1,201 thousand shares consists of the repurchase of treasury stock of 1,200 thousand shares and requests for the buyback of shares less than one unit of 1 thousand shares.
3. The decrease in treasury stock of 223 thousand shares is due to the cancellation of treasury stock of 206 thousand shares and shares provided from the Bank's management board benefit trust of 17 thousand shares.
4. The number of treasury stock (common stock) as of March 31, 2022 includes 117 thousand shares held by the Bank's management board benefit trust at Custody Bank of Japan, Ltd. (Trust account).

(b) Stock acquisition rights

There are no stock acquisition rights as of March 31, 2022.

(c) Dividends paid to the shareholders during the year

The Company is a holding company established through sole share transfer on October 1, 2021. Dividends paid to the shareholders are the amounts resolved at the Ordinary general meeting of shareholders and the meeting of the Board of Directors of the Bank being its a wholly owned subsidiary.

For the year ended March 31, 2022

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
June 18,2021	Ordinary general meeting of shareholders	Common Stock of the Bank	¥1,405 million ($11,483 thousand) (Note 1)	¥50.0 ($0.40)	March 31, 2021	June 21, 2021
October 29,2021	Board of Directors	Common Stock of the Bank	¥1,116 million ($9,121 thousand) (Note 2)	¥40.0 ($0.32)	September 30, 2021	December 3, 2021

Note:

1. The total amount of dividends paid includes ¥6 million ($55 thousand) of dividends for shares held by the Bank's management board benefit trust.
2. The total amount of dividends paid includes ¥4 million ($40 thousand) of dividends for shares held by the Bank's management board benefit trust.

Dividends applicable to the year ended March 31, 2022, but not recorded in the accompanying consolidated financial statements, since the effective date is subsequent to the current fiscal year end:

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
June 14, 2022	Ordinary general meeting of shareholders	Common stock	¥1,345 million ($10,992 thousand) (Note)	¥50.0 ($0.40)	March 31, 2022	June 15, 2022

(Above cash dividends are distributed from retained earnings.)

Note:

The total amount of dividends paid includes ¥5 million ($48 thousand) of dividends for shares held by the Bank's management board benefit trust.

22. Leases

As lessee:

(a) Finance leases

The Group have tangible fixed assets, mainly consisting of vehicles, under finance lease arrangements which do not transfer ownership of the leased assets to the lessee. The leased assets are depreciated on a straight-line method over respective lease periods with the salvage value determined in the agreements or otherwise nil.

(b) Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases as of March 31, 2022:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Due within one year	**¥ 160**	**$ 1,313**
Due after one year	**246**	**2,016**
Total	**¥ 407**	**$ 3,330**

As lessor:

(a) Finance leases

Investment in leased assets consists of the following:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Lease receivables	¥ **34,452**	$ **281,498**
Residual value	**632**	**5,168**
Unearned interest income	**(2,496)**	**(20,394)**
Total	¥ **32,589**	$ **266,273**

Maturities of lease receivables and investment in leased assets as of March 31, 2022 are as follows:

	Millions of yen		*Thousands of U. S. dollars*	
Year ending March 31	Lease receivables	Investment in leased assets	Lease receivables	Investment in leased assets
2023	¥ **712**	¥ **9,657**	$ **5,823**	$ **78,905**
2024	**604**	**8,308**	**4,940**	**67,883**
2025	**425**	**6,060**	**3,478**	**49,518**
2026	**321**	**4,166**	**2,626**	**34,039**
2027	**224**	**2,874**	**1,836**	**23,484**
2028 and thereafter	**316**	**3,386**	**2,586**	**27,666**
Total	¥ **2,605**	¥ **34,452**	$ **21,292**	$ **281,498**

(b) Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases as of March 31, 2022:

	Millions of yen	*Thousands of U. S. dollars*
Due within one year	¥ **190**	$ **1,559**
Due after one year	**286**	**2,343**
Total	¥ **477**	$ **3,903**

23. Other Income, Other Expenses and General and Administrative Expenses

Major income included in other income for the year ended March 31, 2022 are as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Recoveries of written off receivables	¥ **360**	$ **2,945**
Gain on sale of equity securities	¥ **20,098**	$ **164,217**

Major expenses included in other expenses for the year ended March 31, 2022 are as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Provision of reserve for possible loan losses	¥ **11,357**	$ **92,796**
Loss on sale of equity securities	**911**	**7,449**
Loss on devaluation of equity securities	**3,862**	**31,561**
Loss on sale of receivables	¥ **291**	$ **2,381**

Loss on disposable of tangible fixed assets includes loss on unusable software of ¥2,475 million ($20,226 thousand).

Major expenses included in general and administrative expenses for the year ended March 31, 2022 are as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Salaries and allowances	¥ **11,478**	$ **93,783**
Retirement benefit expenses	**1,310**	**10,709**
Depreciation	¥ **4,145**	$ **33,867**

24. Special gains and losses

Special gains and losses for the year ended March 31, 2022 consist of the following:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Special gains (losses):		
Gain on revision of retirement benefit plan	¥ **726**	$ **5,934**
Gain on disposal of tangible fixed assets	**5**	**43**
Loss on disposal of tangible fixed assets	**(2,492)**	**(20,361)**
Loss on impairment	**(601)**	**(4,915)**
Business restructuring expenses	**(858)**	**(7,017)**
Total	¥ **(3,220)**	$ **(26,316)**

Loss on Impairment

For identifying a loss on impairment, the Bank's operating branches are grouped by the areas under control of the area management (or by branches if not under control of the area management) and the Bank's idle assets are grouped individually. Headquarters, office centers, dormitories, welfare facilities, etc. are treated as common use assets because they do not generate independent cash flows. In principle, Each of the consolidated subsidiaries is treated as a group of units.

For the following operating branches and idle assets among above tangible fixed assets, loss on impairment is recognized in the consolidated statement of income, by reducing the carrying value to the respective recoverable amount.

	Year ended March 31, 2022			
Location	Main use	Asset type	Millions of yen	Thousands of U.S. dollars
Ishikawa Pref.	11 operating branches	Land	¥ 226	$ 1,852
	8 operating branches	Buildings	146	1,195
	8 idle assets	Land	57	471
	1 idle asset	Buildings	21	173
Outside Ishikawa Pref.	1 operating branch	Land	36	301
	2 operating branches	Buildings	16	133
	2 idle assets	Land	49	407
	1 idle asset	Buildings	46	379
Total			¥ 601	$ 4,915

In the assessment of loss on impairment, the recoverable amount is computed using the net realizable value, which is determined mainly based on the real estate appraisal value.

25. Other Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2022 were as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Reclassification adjustments		
Valuation differences on available-for-sale securities:		
Gains (losses) incurred during the year	¥ **(21,653)**	$ **(176,921)**
Reclassification adjustment	**(17,034)**	**(139,181)**
Amount before tax effect	**(38,687)**	**(316,103)**
Deferred gains (losses) on hedging instruments:		
Gains (losses) incurred during the year	**166**	**1,359**
Reclassification adjustment	**5**	**46**
Amount before tax effect	**172**	**1,406**
Remeasurements of defined benefit plans		
Gains (losses) incurred during the year	**(31)**	**(260)**
Reclassification adjustment	**1,573**	**12,857**
Amount before tax effect	**1,541**	**12,597**
Total amount before tax effect	**(36,973)**	**(302,099)**
Tax effect	**11,039**	**90,195**
Total other comprehensive income	¥ **(25,934)**	$ **(211,904)**

	2022 Millions of yen		2022 Thousands of U. S. dollars
Tax effect on other comprehensive income:			
Valuation differences on available-for-sale securities:			
Amount before tax effect	¥	(38,687) $	(316,103)
Tax effect		11,656	95,243
Amount after tax effect		(27,030)	(220,859)
Deferred gains (losses) on hedging instruments:			
Amount before tax effect		172	1,406
Tax effect		(52)	(428)
Amount after tax effect		119	978
Remeasurements of defined benefit plans			
Amount before tax effect		1,541	12,597
Tax effect		(565)	(4,620)
Amount after tax effect	¥	976 $	7,977

26. Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2022 are summarized as follows:

	2022 Millions of yen		2022 Thousands of U. S. dollars
Deferred tax assets:			
Reserve for possible loan losses	¥	18,238 $	149,017
Net defined benefit liability		651	5,321
Depreciation of real estate		992	8,108
Devaluation of equity securities		928	7,587
Other		4,451	36,373
Subtotal		25,262	206,408
Valuation allowance		(13,388)	(109,396)
Total deferred tax assets		11,873	97,012
Deferred tax liabilities:			
Valuation differences on available-for-sale securities		(15,736)	(128,572)
Other		(240)	(1,965)
Total deferred tax liabilities		(15,976)	(130,538)
Net deferred tax assets (liabilities)	¥	(4,103) $	(33,525)

A reconciliation of the statutory tax rate applicable to the Company and its consolidated subsidiaries to the effective tax rate for the year ended March 31, 2022 is presented as follows:

	2022
Statutory tax rate	30.3%
Reconciliation:	
Nondeductible permanent differences, such as entertainment expenses	0.5
Nontaxable permanent differences, such as dividend income	(4.6)
Per capita residents' taxes	0.2
Valuation allowance	8.4
Offsetting dividends from subsidiaries	3.9
Other	0.9
Effective tax rate	39.6%

27. Retirement Benefit Plans

The Group has the defined contribution pension plans (corporate type) ("defined contribution plan"), and consolidated subsidiaries of the Company have defined benefit corporate pension plans ("defined benefit plans"). Effective February 28, 2022, certain consolidated subsidiaries transferred all lump-sum payment plans to the defined contribution plan. Applying "Implementation Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (PITF No.2, February 7, 2007), the Company treated the portion transferred to the benefit contribution plans as the termination of the retirement benefit plans.

Defined benefit Plans

(a) The reconciliation of in defined benefit obligation for the year ended March 31, 2022 is as follows:

	2022 Millions of yen		2022 Thousands of U. S. dollars
Balance at beginning of year	¥	29,725 $	242,874
Service cost		459	3,751
Interest cost		48	399
Actuarial gains or losses		126	1,034
Benefits paid		(1,459)	(11,920)
Decrease due to transfer to the defined contribution plan		(9,598)	(78,422)
Balance at end of year	¥	19,302 $	157,715

(b) The reconciliation of in plan assets for the year ended March 31, 2022 is as follows:

	2022 Millions of yen		2022 Thousands of U. S. dollars
Balance at beginning of year	¥	16,684	$136,322
Expected return on plan assets		250	2,044
Actuarial gains or losses		94	774
Contributions from the employer		896	7,327
Benefits paid		(1,021)	(8,348)
Balance at end of year	¥	16,904	$138,119

(c) The reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances at end of year of defined benefit obligation and plan assets

	2022 Millions of yen		2022 Thousands of U. S. dollars
Funded defined benefit obligation	¥	19,302 $	157,715
Plan assets		(16,904)	(138,119)
		2,398	19,596
Unfunded defined benefit obligation		–	–
Net liability recorded in the consolidated balance sheet	¥	2,398 $	19,596

	2022 Millions of yen		2022 Thousands of U. S. dollars
Net defined benefit liability	¥	2,398 $	19,596
Net liability recorded in the consolidated balance sheet	¥	2,398 $	19,596

(d) The components of retirement benefit expenses for the year ended March 31, 2022 are as follows:

	2022 Millions of yen		2022 Thousands of U. S. dollars
Service cost	¥	459 $	3,751
Interest cost		48	399
Expected return on plan assets		(250)	(2,044)
Amortization of actuarial gains or losses		919	7,509
Amortization of prior service cost		(135)	(1,109)
Retirement benefit expenses	¥	1,041 $	8,506

Other than above, the Group recognized ¥726 million ($5,934 thousand) of gain on revision of retirement benefit plan for the year ended March 31, 2022 due to the transfer of all lump-sum payment plans to the defined contribution plan.

(e) The components of remeasurements of defined benefit plans (before deducting tax effect) on other comprehensive income as of March 31, 2022 are as follows:

	2022 Millions of yen		2022 Thousands of U. S. dollars
Prior service cost	¥	(271) $	(2,218)
Net actuarial gains or losses		3,467	28,331
Total	¥	3,195 $	26,112

(f) The components of remeasurements of defined benefit plans (before deducting tax effect) on accumulated other comprehensive income as of March 31, 2022 are as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Unrecognized prior service cost	¥ **113**	$ **924**
Unrecognized net actuarial gains or losses	**(2,084)**	**(17,027)**
Total	¥ **(1,970)**	$ **(16,103)**

(g) Plan assets

(1) The components of plan assets are as follows:

	2022
General account	**85%**
Equity securities	**9**
Debt securities	**5**
Other	**1**
Total	**100%**

Note:
Total plan assets include 0% of retirement benefit trust established on corporate pension plans as of March 31, 2022.

(2) Method of determining the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the year ended March 31, 2022, were set forth as follows:

	2022
Discount rate	**0.0% to 0.6%**
Long-term expected rate of return on plan assets	**1.5**
Expected salary increase rate	**–**

Defined Contribution Plan
The amount of the required contribution to the defined contribution plan of the Company was ¥269 million ($2,202 thousand) for the year ended March 31, 2022.

Other matters
In connection with the transfer from lump-sum payment plans to the defined contribution plan, the funds of ¥8,120 million ($66,346 thousand) are to be transferred to the defined contribution plan. Of which, the portion not yet transferred, in the amount of ¥6,090 million ($49,759 thousand), was included in "Other liabilities" as of March 31, 2022.

28. Per Share Information

Net assets per share as of March 31, 2022 and profit per share for the year then ended are as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Net assets per share	¥ **9,576.53**	$ **78.24**
Profit per share	¥ **340.64**	$ **2.78**

Note:
1. Custody Bank of Japan, Ltd. (Trust account) holds the shares of the Company as trust assets relevant to the management board benefit trust of the Bank, a consolidated subsidiary of the Company. In the calculation of net assets per share and profit per share, the shares are included in treasury stock, which are deducted in calculating outstanding number of shares at end of year and average outstanding number of shares during the year. For the year ended March 31, 2022, the number of shares of treasury stock deducted in calculating outstanding number of shares at end of year is 117 thousand shares and average outstanding number of shares during the year is 127 thousand shares.
2. Profit per share-diluted is not disclosed since there is no dilutive share.

Basic information in computing above per share data is as follows:

	2022	2022
	Millions of yen	*Thousands of U. S. dollars*
Net assets per share:		
Net assets per balance sheets	¥ **264,258**	$ **2,159,150**
Amounts to be attributed to non-controlling interests	**7,701**	**62,922**
Net assets attributed to common stock shareholders	¥ **256,557**	$ **2,096,227**
Number of shares_outstanding at end of year (unit: thousand shares)	**26,790**	
Profit per share:		
Profit attributable to owners of parent	¥ **9,387**	$ **76,704**
Profit attributable to common stock shareholders	¥ **9,387**	$ **76,704**
Average number of shares_outstanding during the year (unit: thousand shares)	**27,559**	

29. Segment Information

(a) Reportable segments
The reportable segments of the Group are the components of the Group for which separate financial information is "available" and are subject to periodic review by the Board of Directors which is the chief operating decision maker to determine the allocation of management resources and assess performance.
The Group consists of the Company and its 10 consolidated subsidiaries. The Group designs comprehensive strategies to provide financial services including banking and leasing businesses and is engaged in operating activities. Accordingly, the Group is composed of operating segments by financial services based on the group companies and "Banking" and "Leasing" segments are identified as the reportable segments.
The "Banking" segment provides customers with banking services, credit guarantee services related to consumer finance services, credit card services, subsidiaries' accounting services, e-commerce website operation business, servicer business, system development/management/administration services, investment advisory business, consulting services and fund administration services.
The "Leasing" segment provides customers with leasing services.

(b) Calculation method of gross Revenue and net operating income
Accounting policies adopted by the reportable segments are the same as those described in "3. Summary of Significant Accounting Policies," except for the scope of consolidation. Segment profit of the reportable segments is measured based on revenue from ordinary operations and intersegment income is based on the market transaction price in the same manner as income from external customers.

(c) Reportable segment information concerning income, profit or loss, assets, liabilities and other items

	Year ended March 31, 2022				
	Millions of yen				
	Reportable segments			Adjustments	Consolidated
	Banking	Leasing	Total		
Total revenue:					
External customers	¥ 72,812	¥ 11,917	¥ 84,730	¥ —	¥ 84,730
Intersegments	137	7	145	(145)	—
Total	72,950	11,925	84,875	(145)	84,730
Segment profit	18,450	727	19,178	(11)	19,167
Segment assets	5,700,481	37,273	5,737,755	(25,521)	5,712,233
Other information					
Depreciation	4,121	209	4,331	—	4,331
Interest income	36,208	—	36,208	(120)	36,087
Interest expenses	493	114	608	(113)	494
Increase in tangible and intangible fixed assets	¥ 5,193	¥ —	¥ 5,193	¥ —	¥ 5,193

	Year ended March 31, 2022				
	Thousands of U. S. dollars				
	Reportable segments			Adjustments	Consolidated
	Banking	Leasing	Total		
Total revenue:					
External customers	$ 594,923	$ 97,376	$ 692,300	$ —	$ 692,300
Intersegments	1,127	59	1,186	(1,186)	—
Total	596,050	97,436	693,487	(1,186)	692,300
Segment profit	150,753	5,947	156,700	(90)	156,609
Segment assets	46,576,367	304,546	46,880,914	(208,527)	46,672,387
Other information					
Depreciation	33,678	1,712	35,390	—	35,390
Interest income	295,844	—	295,844	(984)	294,859
Interest expenses	4,033	936	4,970	(927)	4,042
Increase in tangible and intangible fixed assets	$ 42,430	$ —	$ 42,430	$ —	$ 42,430

Note:
1. "Total revenue" corresponds to "Net Sales" of non-banking industries.
2. Adjustments refer to the elimination of intersegment transactions.

Other information:
Information by service line:

	Year ended March 31, 2022				
	Millions of yen				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	¥ 23,989	¥ 35,908	¥ 11,917	¥ 12,914	¥ 84,730

	Year ended March 31, 2022				
	Thousands of U. S. dollars				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	$ 196,008	$ 293,396	$ 97,376	$ 105,517	$ 692,300

Information about loss on impairment of long-lived assets by reportable segment:

	Year ended March 31, 2022		
	Millions of yen		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	¥ 601	¥ —	¥ 601

	Year ended March 31, 2022		
	Thousands of U. S. dollars		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	$ 4,915	$ —	$ 4,915

30. Revenue Recognition

The following table summarizes the information on disaggregation of revenue from contracts with customers for the year ended March 31, 2022:

	2022			2022		
	Millions of yen			Thousands of U. S. dollars		
	Banking	Leasing	Total	Banking	Leasing	Total
Fees and commissions:						
Deposits and loans business	¥ 1,605	¥ —	¥ 1,605	$ 13,120	$ —	$ 13,120
Foreign exchange business	2,397	—	2,397	19,593	—	19,593
Trust-related business	63	—	63	516	—	516
Securities-related business	734	—	734	5,999	—	5,999
Agency business	269	—	269	2,200	—	2,200
Card business	2,053	—	2,053	16,779	—	16,779
Consulting business	751	—	751	6,143	—	6,143
Other business	1,242	27	1,270	10,153	227	10,381
Fees and commissions, total	9,118	27	9,146	74,507	227	74,734
Other operating income	198	563	762	1,623	4,605	6,228
Income other than operating oncome	421	2	423	3,440	17	3,457
Income from contracts with customers	9,738	593	10,332	79,570	4,849	84,420
Income other than above	63,073	11,324	74,398	515,352	92,527	607,879
Total income from external customers	¥ 72,812	¥ 11,917	¥ 84,730	$594,923	$97,376	$692,300

The information that provides a base for understanding revenue from contracts with customers is stated in "3. Summary of Significant Accounting Policies, n. Revenue recognition."
The information that contributes to an understanding of the amounts of revenue for the year ended March 31, 2022, the year ending March 31, 2023 and thereafter is omitted due to insignificancy.

31. Related Party Transactions

There was no applicable transaction to be reported for the year ended March 31, 2022.

32. Business Combinations

Transaction under common control
(a) Overview of the business combination
(1) Name of the company and description of the business
Wholly owned subsidiary resulting from the share transfer: the Hokkoku Bank, Ltd. (Banking business)

(2) Date of business combination
October 1, 2021

(3) Legal form of the business combination
Establishment of a holding company through a sole share transfer

(4) Company name after the business combination
Wholly owning parent company established in the share transfer: Hokkoku Financial Holdings, Inc.

(5) Other matters
The Company has established to respond to changes in business environment, including deregulation, and to meet expectations of and contribute to its customers and local communities, without being limited by the conventional framework of the banking industry.
Effective October 1, 2021, the Company acquired all shares of the following nine subsidiaries of the Bank, the Company's wholly owned subsidiary, as dividend in kind: the Hokkoku General Leasing Co., Ltd., the Hokkoku Credit Service Co., Ltd., the Hokkoku Credit Guarantee Co., Ltd., the Hokkoku Management, Ltd., the Hokkoku Servicer, Ltd., Digital Value Co, Ltd., the FD Advisory, Ltd., the CC Innovation, Ltd. and the QR Investment, Ltd. Thus, these nine companies became directly and wholly owned subsidiaries of the Company.

(b) Overview of the accounting treatment
For accounting purposes, this transaction was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

33. Subsequent Events

Cancellation of treasury stock
At the Board of Directors' meeting held on April 28, 2022, the Company resolved to cancel its treasury stock on May 13, 2022, in accordance with the provision of Article 178 of the Companies Act. The cancellation was conducted on the same date.

(1) Reason for cancellation	To enhance shareholder returns, improve capital efficiency, and take flexible capital measures.
(2) Type of shares to be cancelled	Common stock
(3) Number of shares to be cancelled	1,000,000 shares
(4) Cancellation date	May 13, 2022

Repurchase of own shares
At the Board of Directors' meeting held on April 28, 2022, the Company resolved to repurchase its own shares in accordance with the provision of Article 156 of the Companies Act as applied pursuant to the provision of Article 165, Paragraph 3 of the same act in order to take flexible capital policies responding to changes in the business environment and to enhance shareholder returns.

(1) Type of shares to be repurchase	Common stock
(2) Number of shares to be repurchase	2,500,000 shares (upper limit)
(3) Total cost of shares to be repurchase	¥9,000 million ($73,535 thousand) (upper limit)
(4) Repurchase period	From May 9, 2022 to April 28, 2023

Balance Sheets

The Hokkoku Bank, Ltd.

	As of March 31,		
	2022	2021	**2022**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets:			
Cash and due from banks	**¥ 1,607,831**	¥ 1,483,350	**$ 13,136,954**
Call loans	**65,000**	118,000	**531,089**
Monetary claims bought	**1,286**	1,312	**10,514**
Trading account securities	**–**	105	**–**
Money held in trusts	**13,528**	13,513	**110,539**
Securities	**1,351,149**	1,195,702	**11,039,705**
Loans and bills discounted	**2,603,927**	2,633,905	**21,275,653**
Foreign exchanges	**11,138**	10,778	**91,006**
Investment in leased assets	**8,546**	9,762	**69,832**
Other assets	**33,460**	36,731	**273,390**
Tangible fixed assets	**30,275**	30,349	**247,371**
Intangible fixed assets	**10,199**	12,182	**83,338**
Customers' liabilities for acceptances and guarantees	**17,986**	17,345	**146,956**
Reserve for possible loan losses	**(60,390)**	(52,559)	**(493,424)**
Total assets	**¥ 5,693,941**	¥ 5,510,480	**$ 46,522,929**
Liabilities:			
Deposits	**4,271,285**	3,976,489	**34,898,975**
Negotiable certificates of deposit	**1,450**	75,557	**11,847**
Call money	**618,824**	718,694	**5,056,172**
Guarantee deposit received under securities lending transactions	**313,497**	230,366	**2,561,459**
Borrowed money	**155,869**	135,998	**1,273,547**
Foreign exchanges	**1**	2	**14**
Bonds payable	**20,000**	20,000	**163,412**
Borrowed money from trust account	**154**	145	**1,266**
Other liabilities	**46,308**	38,931	**378,372**
Reserve for bonuses	**560**	757	**4,579**
Reserve for retirement benefits	**427**	9,452	**3,493**
Reserve for management board benefit trust	**496**	460	**4,057**
Reserve for reimbursement of deposits	**127**	172	**1,041**
Reserve for customer service points	**–**	276	**–**
Deferred tax liabilities	**3,775**	14,584	**30,851**
Deferred tax liability arising from revaluation of land	**1,412**	1,473	**11,540**
Acceptances and guarantees	**17,986**	17,345	**146,956**
Total liabilities	**¥ 5,452,179**	¥ 5,240,709	**$ 44,547,588**
Net assets:			
Common stock	**26,673**	26,673	**217,942**
Capital surplus	**11,289**	11,289	**92,241**
Retained earnings	**166,010**	168,092	**1,356,404**
Treasury stock	**–**	(663)	**–**
Total shareholders' equity	**203,973**	205,392	**1,666,588**
Valuation differences on available-for-sale securities	**35,376**	62,110	**289,044**
Net deferred gains (losses) on hedging instruments	**115**	(3)	**945**
Land revaluation surplus	**2,296**	2,272	**18,762**
Total valuation and translation adjustments	**37,788**	64,378	**308,753**
Total net assets	**241,762**	269,771	**1,975,341**
Total liabilities and net assets	**¥ 5,693,941**	¥ 5,510,480	**$ 46,522,929**

Statements of Income

The Hokkoku Bank, Ltd.

	Years ended March 31,		
	2022	2021	**2022**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Income			
Interest income on:			
Interest on loans and discounts	**¥ 24,123**	¥ 25,096	**$ 197,106**
Interest and dividends on securities	**11,290**	9,204	**92,249**
Other interest income	**588**	497	**4,810**
Total interest income	**36,003**	34,799	**294,166**
Trust fees	**0**	0	**0**
Fees and commissions	**8,549**	9,341	**69,856**
Other operating income	**8,200**	6,593	**67,006**
Other income	**21,164**	17,680	**172,929**
Total income	**73,918**	68,414	**603,959**
Expenses			
Interest expenses on:			
Deposits	**110**	223	**905**
Borrowings and rediscounts	**35**	27	**288**
Interest on bonds	**180**	69	**1,476**
Other	**166**	219	**1,364**
Total interest income	**493**	540	**4,034**
Fees and commissions	**3,631**	3,604	**29,669**
Other operating expenses	**5,438**	7,862	**44,439**
General and administrative expenses	**29,585**	30,113	**241,733**
Other expenses	**16,677**	15,010	**136,265**
Total expenses	**55,827**	57,131	**456,141**
Special gains and losses	**(3,203)**	(897)	**(26,178)**
Profit before income taxes	**14,887**	10,385	**121,638**
Income taxes:	**5,229**	5,588	**42,730**
Current	**614**	(1,156)	**5,018**
Deferred	**5,843**	4,431	**47,748**
Profit	**¥ 9,043**	¥ 5,954	**$ 73,890**

Independent Auditor's Report

The Board of Directors
Hokkoku Financial Holdings, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matter as part of the audit of the consolidated financial statements for the current period.

Classification of debtors for the purpose of determining the reserve for possible loan losses for debtors for which repayment status, financial position or business performance is deteriorating	
Description of Key Audit Matter	**Auditor’s Response**
The Group has consolidated subsidiaries that operate in the banking business, and the Group provides loans as one of its core business activities. The Group recorded loans and bills discounted of 2,585,262 million yen on its consolidated balance sheet as of March 31, 2022, representing a significant portion of the Group’s total assets of 5,712,233 million yen. By region, loans and bills discounted in the Hokuriku region, particularly Ishikawa Prefecture, where the Group’s head office is located, account for a large portion of total loans and bills discounted. The collectability of loans is subject to uncertainties that are difficult to predict due to economic trends in Japan and overseas, particularly those in the Hokuriku region, deterioration in the business conditions of debtors, and decreases in the value of collateral caused by declines in the prices of real estate and stocks. As a result, there is a possibility of default by debtors. As such, the Group calculates the amount of loans that are not expected to be collected and records this as a reserve for possible loan losses. The amount of the reserve for possible loan losses recorded in the consolidated balance sheet as of March 31, 2022 was 61,849 million yen. The method used for recognizing the reserve for possible loan losses is described in detail in “g. Reserve for Possible Loan Losses” under “3. Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements. Details of the estimation of the reserve for possible loan losses are described in “Significant Accounting Estimates” in Notes to Consolidated Financial Statements. The reserve for possible loan losses is	We mainly performed the following audit procedures to examine the debtor classification: ・We evaluated the Group’s internal control over the determination of debtor classification and the relevant credit rating used as basis of such determination as well as the process to ensure the reliability of the underlying debtors’ information. ・We inspected the minutes of important meetings including those of the Board of Directors to examine events that have a significant impact on the debtor classification, including debt waivers, sale of distressed debt and consent to the restructuring plan. ・We selected samples by taking into account the type of business, repayment status, financial position or degree of deterioration in business performance of the debtor, the business support provided by the Group to the debtor, the liquidity support related to the COVID-19 pandemic, and potential increases in credit risk estimated based on available external public information, in addition to the monetary impact of changes in the debtor classification on the amount of the reserve for possible loan losses. ・In order to obtain an understanding of the recent status of deterioration in the repayment status, financial position, or business performance of the debtors, including the impact of the COVID-19 pandemic, we inspected a set of materials related to the self-assessment of asset quality performed by the Group, such as explanatory materials on the business conditions of debtors, materials on debts and repayment status, investigation

calculated in accordance with the Group's predetermined guidelines for self-assessment of asset quality as well as for write-offs and provisioning. The calculation process includes the determination of the debtor classification, which is determined by evaluating the debtor's repayment ability based on its repayment history, financial position, business performance and future prospects thereof. In particular, when determining the classification of a debtor for which repayment status, financial position, or business performance is deteriorating, factors such as the reasonableness and feasibility of the business improvement plan, which embodies the assumption of the outlook for future business performance including the impact of the COVID-19 pandemic, serve as significant factors in making the relevant judgment. The reasonableness and feasibility of business improvement plans are affected by changes in the business environment surrounding debtors, the outcome of their business strategies, and the Group's supporting policies and lending strategies for such debtors. Therefore, the determination of debtor classification involves estimation uncertainty and requires significant management judgement. In addition, the degree of estimation uncertainty and reliance on management judgment may be higher when COVID-19 has a significant impact on the debtor's repayment status, financial position or business performance. Accordingly, we have determined that the classification of debtors for the purpose of determining the reserve for possible loan losses for debtors for which repayment status, financial position, or business performance is deteriorating is a key audit matter.	materials that provide details of the actual financial position of debtors, financial statements, and trial balances, and compared them with information publicly disclosed by the Group, made inquiries of the corporate department, and inspected the negotiation history as necessary. For particularly significant debtors affected by the Group's supporting policy and lending strategy, we compared materials related to the self-assessment of asset quality performed by the Group with available external credit information. ・For debtors for which repayment status, financial position or business performance is deteriorating and who are preparing business improvement plans, to consider the reasonableness and feasibility of such plans, we analyzed trends based on past results for the debtors' plan items such as sales, gross profit or loss, operating profit or loss, profit or loss from ordinary activities, and net profit or loss, evaluated the accuracy of estimates based on the degree of achievement of previous business improvement plans, and made inquiries of the corporate department and inspected the negotiation history as necessary. In cases where COVID-19 has had a significant impact on the debtor's repayment status, financial position or business performance, we confirmed that such impact was taken into account in considering the reasonableness and feasibility of business improvement plans. For particularly significant debtors affected by the Group's supporting policy and lending strategy, we made inquiries of management and executives in the corporate department regarding the Group's supporting policy and the current status and future prospects of such debtors, and compared their business improvement plans with available external information.

Other Information

The other information comprises the information included in the financial report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, 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, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 10, 2022

根　津　昌　史　　　　　　　　㊞

/s/Masashi Nezu
Designated Engagement Partner
Certified Public Accountant

池　田　裕　之　　　　　　　　㊞

/s/Hiroyuki Ikeda
Designated Engagement Partner
Certified Public Accountant

刀　禰　哲　朗　　　　　　　　㊞

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Designated Engagement Partner
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