2023
FINANCIAL REPORT

HOKKOKU FINANCIAL HOLDINGS
FINANCIAL REPORT
2023

HOKKOKU FINANCIAL HOLDINGS

CONSOLIDATED BALANCE SHEET

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	As of March 31,		
	2023	2022	**2023**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets:			
Cash and due from banks (Note 14)	¥ 1,354,859	¥ 1,607,871	$ 10,146,480
Call loans and bills bought	141,000	65,000	1,055,942
Monetary claims bought	3,266	3,052	24,461
Money held in trusts (Note 11)	13,535	13,528	101,368
Securities (Notes 8, 9, 10 and 16)	1,468,300	1,356,079	10,996,032
Loans and bills discounted (Notes 8 and 9)	2,523,613	2,585,262	18,899,225
Foreign exchanges (Note 8)	11,684	11,138	87,502
Lease receivables and investment in leased assets (Note 21)	36,445	35,195	272,935
Other assets (Notes 8 and 16)	51,111	37,364	382,768
Tangible fixed assets (Notes 13 and 15)	32,102	31,388	240,413
Intangible fixed assets	8,539	9,949	63,948
Deferred tax assets (Note 25)	4,617	265	34,576
Customers' liabilities for acceptances and guarantees (Note 8)	17,282	17,986	129,428
Reserve for possible loan losses	(62,631)	(61,849)	(469,047)
Total assets	¥ 5,603,724	¥ 5,712,233	$ 41,966,037
Liabilities:			
Deposits (Notes 9 and 16)	4,360,798	4,257,200	32,657,821
Negotiable certificates of deposit (Note 9)	–	1,000	–
Call money and bills sold (Note 16)	532,156	618,824	3,985,294
Guarantee deposit received under securities lending transactions (Note 16)	360,955	313,497	2,703,181
Borrowed money (Notes 9, 16 and 17)	26,553	155,985	198,860
Foreign exchanges	3	1	25
Bonds payable (Note 18)	20,000	20,000	149,779
Borrowed money from trust account (Note 19)	164	154	1,229
Other liabilities (Note 26)	42,925	53,752	321,466
Reserve for bonuses	712	747	5,337
Net defined benefit liability (Note 26)	1,376	2,398	10,308
Reserve for management board benefit trust	410	496	3,073
Reserve for reimbursement of deposits	96	127	724
Reserve for loss on refund of interest	2	19	19
Deferred tax liabilities (Note 25)	1,185	4,368	8,879
Deferred tax liability arising from revaluation of land (Note 13)	1,411	1,412	10,569
Acceptances and guarantees	17,282	17,986	129,428
Total liabilities	¥ 5,366,036	¥ 5,447,975	$ 40,185,999
Net assets:			
Common stock	10,000	10,000	74,889
Capital surplus	27,139	29,727	203,246
Retained earnings	188,428	182,357	1,411,131
Treasury stock	(8,216)	(3,124)	(61,534)
Total shareholders' equity (Note 20)	217,351	218,960	1,627,732
Valuation differences on available-for-sale securities	11,332	36,652	84,871
Net deferred gains on hedging instruments	(2)	115	(19)
Land revaluation surplus (Note 13)	2,296	2,296	17,195
Remeasurements of defined benefit plans (Note 26)	(1,333)	(1,467)	(9,986)
Total accumulated other comprehensive income	12,292	37,597	92,060
Non-controlling interests	8,044	7,701	60,244
Total net assets	237,688	264,258	1,780,037
Total liabilities and net assets	¥ 5,603,724	¥ 5,712,233	$ 41,966,037

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Years ended March 31,		
	2023	2022	**2023**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Income			
Interest income on:			
Interest on loans and discounts	¥ 24,105	¥ 24,120	$ 180,528
Interest and dividends on securities	13,701	11,378	102,610
Other interest income	511	588	3,832
Total interest income	38,319	36,087	286,971
Trust fees	0	0	3
Fees and commissions	9,628	9,487	72,106
Other operating income	15,897	17,559	119,058
Other income (Note 22)	20,897	21,595	156,498
Total income	84,743	84,730	634,637
Expenses			
Interest expenses on:			
Deposits	103	110	777
Borrowings and rediscounts	1,689	35	12,649
Interest on bonds	179	180	1,342
Cash collateral received for securities lent	2,169	149	16,247
Other	7	17	58
Total interest expenses	4,149	494	31,076
Fees and commissions	3,517	3,578	26,345
Other operating expenses	21,847	13,799	163,618
General and administrative expenses (Note 22)	30,992	31,038	232,103
Other expenses (Note 22)	8,187	16,651	61,319
Total expenses	68,696	65,563	514,463
Special gains and losses (Note 23)	(1,484)	(3,220)	(11,113)
Profit before income taxes	14,562	15,946	109,060
Income taxes (Note 25):			
Current	2,305	5,723	17,268
Deferred	3,216	596	24,088
	5,522	6,319	41,357
Profit	9,040	9,626	67,703
Profit attributable to non-controlling interests	299	238	2,241
Profit attributable to owners of parent	¥ 8,741	¥ 9,387	$ 65,462

	2023	2022	**2023**
	Yen		U.S. dollars (Note 2)
Amounts per share (Note 27)			
Net assets	¥ 9,149.42	¥ 9,576.53	$ 68.51
Profit	336.06	340.64	2.51
Profit - diluted	336.05	–	2.51

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Years ended March 31,		
	2023	2022	**2023**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Profit	¥ 9,040	¥ 9,626	$ 67,703
Other comprehensive income (Note 24)			
Valuation differences on available-for-sale securities	(25,269)	(27,030)	(189,245)
Net deferred gains on hedging instruments	(118)	119	(886)
Remeasurements of defined benefit plans (Note 26)	133	976	1,003
Total other comprehensive income	(25,254)	(25,934)	(189,128)
Comprehensive income	(16,213)	(16,308)	(121,424)
Total comprehensive income attributable to:			
Owners of parent	¥ (16,562)	¥ (16,424)	$ (124,037)
Non-controlling interests	348	116	2,612

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
Cash dividends	–	–	(2,670)	–	(2,670)
Profit attributable to owners of parent	–	–	8,741	–	8,741
Repurchase of treasury stock	–	–	–	(8,081)	(8,081)
Disposal of treasury stock	–	(25)	–	427	401
Cancellation of treasury stock	–	(2,562)	–	2,562	–
Reversal of land revaluation surplus	–	–	0	–	0
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	(2,588)	6,070	(5,091)	(1,609)
Balance as of March 31, 2023	¥ 10,000	¥ 27,139	¥ 188,428	¥ (8,216)	¥ 217,351

	Millions of yen						
	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	¥ 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
Cash dividends	–	–	–	–	–	–	(2,670)
Profit attributable to owners of parent	–	–	–	–	–	–	8,741
Repurchase of treasury stock	–	–	–	–	–	–	(8,081)
Disposal of treasury stock	–	–	–	–	–	–	401
Cancellation of treasury stock	–	–	–	–	–	–	–
Reversal of land revaluation surplus	–	–	–	–	–	–	0
Net changes in items other than shareholders' equity	(25,319)	(118)	(0)	133	(25,304)	343	(24,960)
Total changes during the year	(25,319)	(118)	(0)	133	(25,304)	343	(26,569)
Balance as of March 31, 2023	¥ 11,332	¥ (2)	¥ 2,296	¥ (1,333)	¥ 12,292	¥ 8,044	¥ 237,688

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, 2022	$ 74,889	$ 222,627	$ 1,365,667	$ (23,401)	$ 1,639,783
Cash dividends	—	—	(20,001)	—	(20,001)
Profit attributable to owners of parent	—	—	65,462	—	65,462
Repurchase of treasury stock	—	—	—	(60,523)	(60,523)
Disposal of treasury stock	—	(192)	—	3,201	3,008
Cancellation of treasury stock	—	(19,189)	—	19,189	—
Reversal of land revaluation surplus	—	—	2	—	2
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	(19,381)	45,463	(38,132)	(12,051)
Balance as of March 31, 2023	$ 74,889	$ 203,246	$ 1,411,131	$ (61,534)	$ 1,627,732

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Non-controlling interests	Total net assets
Balance as of March 31, 2022	$ 274,487	$ 866	$ 17,197	$ (10,989)	$ 281,562	$ 57,672	$ 1,979,018
Cash dividends	—	—	—	—	—	—	(20,001)
Profit attributable to owners of parent	—	—	—	—	—	—	65,462
Repurchase of treasury stock	—	—	—	—	—	—	(60,523)
Disposal of treasury stock	—	—	—	—	—	—	3,008
Cancellation of treasury stock	—	—	—	—	—	—	—
Reversal of land revaluation surplus	—	—	—	—	—	—	2
Net changes in items other than shareholders' equity	(189,616)	(886)	(2)	1,003	(189,501)	2,571	(186,929)
Total changes during the year	(189,616)	(886)	(2)	1,003	(189,501)	2,571	(198,980)
Balance as of March 31, 2023	$ 84,871	$ (19)	$ 17,195	$ (9,986)	$ 92,060	$ 60,244	$ 1,780,037

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries

	Years ended March 31,		
	2023	2022	**2023**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Cash flows from operating activities:			
Profit before income taxes	¥ 14,562	¥ 15,946	$ 109,060
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,190	4,331	31,380
Loss on impairment	93	601	701
Increase (decrease) in reserve for possible loan losses	782	7,700	5,860
Increase (decrease) in reserve for bonuses	(35)	(26)	(263)
Increase (decrease) in net defined benefit liability	(1,021)	(10,642)	(7,652)
Increase (decrease) in directors' retirement benefits	–	(31)	–
Increase (decrease) in reserve for management board benefit trust	(86)	35	(645)
Increase (decrease) in reserve for reimbursement of deposits	(30)	(45)	(230)
Increase (decrease) in reserve for losses on refund of interest	(17)	(13)	(129)
Increase (decrease) in reserve for customer service points	–	(324)	–
Accrued interest and dividend income	(38,319)	(36,087)	(286,971)
Accrued interest expenses	4,149	494	31,076
Losses (gains) on securities, net	(11,325)	(16,619)	(84,813)
Losses (gains) on money trusts	(6)	(15)	(50)
Foreign exchange losses (gains), net	(19,204)	(17,807)	(143,819)
Losses (gains) on disposal of tangible fixed assets	640	2,048	4,799
Losses (gains) on revision of retirement benefit plan	–	(726)	–
Net decrease (increase) in loans and bills discounted	61,648	29,603	461,683
Net increase (decrease) in deposits	102,598	219,488	768,354
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(129,432)	19,639	(969,311)
Net decrease (increase) in due from banks (excluding of Due from the Bank of Japan)	(3,700)	14,854	(27,710)
Net decrease (increase) in call loans and others	(76,214)	53,044	(570,765)
Net increase (decrease) in call money and others	(86,668)	(99,869)	(649,057)
Net increase (decrease) in guarantee deposit received under securities lending transactions	47,458	83,130	355,416
Net decrease (increase) in trading account assets	–	105	–
Net decrease (increase) in foreign exchange assets	(545)	(359)	(4,087)
Net increase (decrease) in foreign exchange liabilities	1	(0)	11
Net decrease (increase) in lease receivables and investment in leased assets	(1,672)	384	(12,525)
Net decrease (increase) in cash collateral paid for financial instruments	3,387	(1,487)	25,365
Net increase (decrease) in borrowed money from trust account	9	9	68
Interest and dividends received	24,471	24,747	183,266
Interest paid	(3,955)	(427)	(29,621)
Other, net	(12,827)	10,692	(96,066)
Subtotal	(121,068)	302,374	(906,675)
Income taxes refund	1,315	–	9,853
Income taxes paid, net of refund	(9,196)	(8,257)	(68,875)
Net cash provided by (used in) operating activities	(128,949)	294,117	(965,697)
Cash flows from investing activities:			
Purchase of securities	(489,726)	(800,593)	(3,667,542)
Proceeds from sale of securities	298,613	555,992	2,236,304
Proceeds from redemption of securities	60,669	86,488	454,351
Interests and dividends received on investments	17,125	13,694	128,255
Purchase of tangible fixed assets	(2,477)	(2,243)	(18,555)
Purchase of intangible fixed assets	(2,569)	(2,971)	(19,242)
Proceeds from sale of tangible fixed assets	1,000	496	7,491
Net cash provided by (used in) investing activities	(117,364)	(149,137)	(878,935)
Cash flows from financing activities:			
Cash dividends paid	(2,673)	(2,519)	(20,025)
Cash dividends paid to non-controlling interests	(5)	(221)	(40)
Repurchase of treasury stock	(8,081)	(3,041)	(60,523)
Proceeds from sale of treasury stock	340	82	2,552
Net cash provided by (used in) financing activities	(10,420)	(5,700)	(78,036)
Effect of exchange rate changes on cash and cash equivalents	21	22	163
Net increase (decrease) in cash and cash equivalents	(256,712)	139,302	(1,922,506)
Cash and cash equivalents at beginning of year	1,604,721	1,465,419	12,017,683
Cash and cash equivalents at end of year (Note 14)	¥ 1,348,008	¥ 1,604,721	$ 10,095,176

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokkoku Financial Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 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.

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 ¥133.53 = U.S. $1.00, the rate of exchange in effect on March 31, 2023 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

As of and for the year ended March 31, 2023, the accompanying consolidated financial statements include the accounts of the Company and its 11 subsidiaries: the Bank, the Hokkoku General Leasing Co., Ltd., the Hokkoku Credit Service Co., Ltd., the Hokkoku Credit Guarantee Co., Ltd., the COREZO, Ltd. (formerly, the Hokkoku Management, Ltd.), the Hokkoku Servicer, Ltd., Digital Value Co, Ltd., the FD Advisory, Ltd., the CC Innovation, Ltd., the BPO Management, Ltd. and the QR Investment, Ltd.

On April 1, 2022, the BPO Management, Ltd. was newly established by the former Hokkoku Management, Ltd. through an incorporation-type company split, and included in the scope of consolidation from the year ended March 31, 2023. All significant inter-company receivables and payables and transactions have been eliminated in consolidation.

The following six 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 Fund Investment Limited Partnership, Thai CC Innovation Co., Ltd., CC Innovation Vietnam Co., Ltd. and CC Innovation Singapore Pte. Ltd.

Similarly, there are three 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 claims, 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 (estimated cash flow method).

For other claims, the Bank classifies debtors into groups based on relationship with debtors, understanding of debtors' business (business feasibility), as well as debtors' financial information. For each group, the Bank estimates the probability of default using the Bank's past default experience over one year or three years. In addition, in order to take into account economic fluctuation factors, the expected rate of loan losses calculated with reference to the long-term average rate of default is also used for the calculation of the probability of default.

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 ¥23,327 million ($174,700 thousand) and ¥23,472 million for the years ended March 31, 2023 and 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 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. Amounts recognized in the consolidated financial statements as of March 31, 2023 and 2022

	2023	2022	2023
	Millions of yen		*Thousands of U.S. dollars*
Reserve for possible loan losses	¥ 62,631	¥ 61,849	$ 469,047

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."

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 including the impacts of the COVID-19 situation and soaring resource prices, the outcome of the debtor's business strategy and the Bank's supporting policy to the debtor.

(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 from the assumptions originally used in the estimates, due to the change in future performance of debtors or other factors.

5. Changes in Accounting Policies

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the year ended March 31, 2023, the Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter "Implementation Guidance"). In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance, the Group has applied this new accounting policy prospectively. There is no impact on the consolidated financial statements from the changes.

Further, in accordance with Paragraph 27-3 of the Implementation Guidance, the footnote of investment trusts for the year ended March 31, 2022 is not disclosed in Note "9. Financial Instruments and Related Disclosures, Fair value hierarchy of financial instruments."

6. Changes in Accounting Estimates

The Bank being a consolidated subsidiary of the Company previously provided the general reserve for possible loan losses for debtors (excluding those with restructured claims and for which estimated cash flow method is applied) based on the expected loan loss amount over the next one year or three years. The expected loan loss amount is estimated by using 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.

On the other hand, the Group has adopted the policy to conduct business based on an understanding of a client's business feasibility focusing on future and growth potential, with the strong relationship with the customer, and has worked to solve the customer's business agendas, while better-managing credit.

In light of this background, the Bank has examined a more appropriate method for providing the reserve for possible loan losses by making debtor classification more granular to accurately identify change in loan portfolio profile of the Bank and taking into account future economic fluctuations by reflecting past long-term cyclical changes. For the year ended March 31, 2023 the Bank has changed the method of accounting estimates after completing the data analysis and its procedures as well as related internal control procedures.

In particular, the method to calculate expected loan loss has been changed as follows: (i) to break down the debtor classification into groups based on relationship with debtors, understanding of debtors' business (business feasibility), in addition to debtors' financial information which the Bank has focused on, (ii) for each group, to obtain the probability of default based on the Bank's past default experience over one year or three years, and finally (iii) to estimate expected rate of loan loss with reference to the long-term average rate of default in order to take into account economic fluctuations.

As a result of this change in accounting estimates, the reserve for possible loan losses decreased by ¥2,443 million ($18,295 thousand) and profit before income taxes increased by ¥2,443 million ($18,295 thousand) for the year ended March 31, 2023.

7. 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 the respective Officers corresponding to the number of points granted to the respective Officers 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 ¥500 million ($3,745 thousand) and 105 thousand shares for the year ended March 31, 2023 and ¥561 million and 117 thousand shares for the year ended March 31, 2022, respectively.

8. Claims to be disclosed under the Financial Revitalization Act and the Banking Act

Claims to be disclosed under the Act on Emergency Measures for the Revitalization of the Financial Functions (the "Financial Revitalization Act") and the Banking Act are included in the following accounts in the consolidated balance sheets:

- 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:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Claims against bankrupt or quasi-bankrupt debtors	¥ 29,654	¥ 17,094	$ 222,079
Doubtful claims	41,099	49,797	307,792
Claims past due for three months or more	1,381	857	10,349
Restructured claims	2,187	9,079	16,383
Total	¥ 74,323	¥ 76,829	$ 556,605

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 are granted to debtor, including reduction or waivers of interest, deferred payment of principal or interest and debt forgiveness. 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 ¥9,701 million ($72,657 thousand) and ¥9,151 million as of March 31, 2023 and 2022, respectively.

Overdraft agreements and loan commitments are agreements under which the Group is 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, 2023 and 2022 totaled ¥378,685 million ($2,835,955 thousand) and ¥394,436 million, respectively; ¥366,897 million ($2,747,679 thousand) of which, as of March 31, 2023 (2022: ¥381,637 million), 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 make 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.

9. 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 ¥45,660 million ($341,947 thousand) and ¥48,702 million as of March 31, 2023 and 2022, respectively. 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, 2023 and 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 sheets.

	March 31, 2023		
	Millions of yen		
	Carrying value	Fair value	Difference
Securities:			
Available-for-sale securities	¥ 1,448,587	¥ 1,448,587	¥ —
Loans	2,523,613		
Reserve for possible loan losses (*1)	(60,945)		
	2,462,668	2,469,876	7,208
Assets, total	3,911,255	3,918,463	7,208
Deposits	4,360,798	4,360,802	3
Borrowed money	26,553	26,554	0
Liabilities, total	4,387,352	4,387,356	3
Derivative transactions (*2)			
To which hedge accounting is not applied	105	105	—
To which hedge accounting is applied	(4)	(4)	—
Derivative transactions, total	¥ 101	¥ 101	¥ —

	March 31, 2023		
	Thousands of U. S. dollars		
	Carrying value	Fair value	Difference
Securities:			
Available-for-sale securities	$10,848,402	$10,848,402	$ —
Loans	18,899,225		
Reserve for possible loan losses (*1)	(456,417)		
	18,442,808	18,496,792	53,984
Assets, total	29,291,210	29,345,194	53,984
Deposits	32,657,821	32,657,848	26
Borrowed money	198,860	198,862	1
Liabilities, total	32,856,682	32,856,710	28
Derivative transactions (*2)			
To which hedge accounting is not applied	792	792	—
To which hedge accounting is applied	(33)	(33)	—
Derivative transactions, total	$ 759	$ 759	$ —

	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)	¥ —

(*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.

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
	Carrying value		
Unlisted equity securities (*1) (*2)	¥ 3,765	¥ 3,476	$ 28,197
Investments in partnerships (*3)	15,947	849	119,432
Total	¥ 19,712	¥ 4,325	$147,629

(*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) The Group recognized loss on impairment of ¥308 million ($2,310 thousand) on unlisted equity securities for the year ended March 31, 2023. 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 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Maturity of financial assets and securities with contractual maturities as of March 31, 2023

	March 31, 2023					
	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:	¥ 87,513	¥ 170,839	¥ 189,861	¥ 119,176	¥ 362,476	¥ 81,963
Japanese government bonds	—	—	—	—	159,800	67,000
Municipal bonds	36,989	67,735	60,342	83,507	132,450	15
Corporate bonds	39,578	55,575	91,093	1,016	2,116	3,900
Other	10,945	47,529	38,426	34,653	68,110	11,048
Loans (*)	607,672	396,417	272,183	239,930	274,701	690,379
Total	¥ 695,186	¥ 567,257	¥ 462,045	¥ 359,106	¥ 637,178	¥ 772,342

	March 31, 2023					
	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:	$ 655,382	$ 1,279,412	$ 1,421,865	$ 892,504	$ 2,714,571	$ 613,817
Japanese government bonds	—	—	—	—	1,196,734	501,759
Municipal bonds	277,014	507,265	451,899	625,380	991,913	112
Corporate bonds	296,400	416,203	682,195	7,608	15,846	29,206
Other	81,968	355,942	287,771	259,515	510,076	82,738
Loans (*)	4,550,834	2,968,753	2,038,369	1,796,826	2,057,228	5,170,219
Total	$ 5,206,217	$ 4,248,165	$ 3,460,235	$ 2,689,330	$ 4,771,799	$ 5,784,037

(*) Loans to "legally bankrupt," "substantially bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid amounting to ¥29,790 million ($223,101 thousand) are not included.
Loans with no contractual maturities amounting to ¥12,537 million ($93,892 thousand) are not included.

(Note 3) Maturity of bonds and interest-bearing liabilities as of March 31, 2023

	March 31, 2023					
	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 (*)	¥ 3,490,436	¥ 198,281	¥ 43,553	¥ —	¥ —	¥ —
Borrowed money	26,467	86	—	—	—	—
Total	¥ 3,516,904	¥ 198,368	¥ 43,553	¥ —	¥ —	¥ —

	March 31, 2023					
	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 (*)	$ 26,139,718	$ 1,484,921	$ 326,167	$ —	$ —	$ —
Borrowed money	198,213	647	—	—	—	—
Total	$ 26,337,931	$ 1,485,568	$ 326,167	$ —	$ —	$ —

(*) 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 sheets

	March 31, 2023			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Japanese government bonds	¥ 245,129	¥ —	¥ —	¥ 245,129
Municipal bonds	—	372,490	—	372,490
Government-guaranteed bonds	—	399	—	399
Public corporation bonds	—	6,027	—	6,027
Bank debentures	—	125,187	—	125,187
Industrial bonds	—	57,730	3,364	61,095
Equity securities	136,175	—	—	136,175
Foreign equity securities	2,617	—	—	2,617
Foreign bonds	65,598	132,928	—	198,527
Others	54,148	246,788	—	300,937
Included in Assets, total	503,670	941,552	3,364	1,448,587
Derivative transactions (*1):				
Currency related	—	105	—	105
Interest rate related	—	(4)	—	(4)
Included in Derivative transactions, total	¥ —	¥ 101	¥ —	¥ 101

	March 31, 2023			
	Thousands of U. S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Japanese government bonds	$1,835,762	$ —	$ —	$1,835,762
Municipal bonds	—	2,789,560	—	2,789,560
Government-guaranteed bonds	—	2,994	—	2,994
Public corporation bonds	—	45,137	—	45,137
Bank debenture bonds	—	937,524	—	937,524
Industrial bonds	—	432,343	25,197	457,541
Equity securities	1,019,812	—	—	1,019,812
Foreign equity securities	19,604	—	—	19,604
Foreign bonds	491,266	995,493	—	1,486,760
Others	405,517	1,848,186	—	2,253,704
Included in Assets, total	3,771,963	7,051,240	25,197	10,848,402
Derivative transactions (*1):				
Currency related	—	792	—	792
Interest rate related	—	(33)	—	(33)
Included in Derivative transactions, total	$ —	$ 759	$ —	$ 759

	March 31, 2022			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities (*2):				
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 (*1):				
Currency related	—	(3,312)	—	(3,312)
Interest rate related	—	159	—	159
Included in Derivative transactions, total	¥ —	¥ (3,152)	¥ —	¥ (3,152)

(*1) 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) The table as of March 31, 2022 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 as of March 31, 2022 is ¥219,996 million.

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

	March 31, 2023			
	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans	¥ —	¥ —	¥ 2,469,876	¥ 2,469,876
Included in Assets, total	—	—	2,469,876	2,469,876
Deposits	—	4,360,802	—	4,360,802
Borrowed money	—	26,554	—	26,554
Included in Liabilities, total	¥ —	¥ 4,387,356	¥ —	¥ 4,387,356

	March 31, 2023			
	Thousands of U. S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Loans	$ —	$ —	$ 18,496,792	$ 18,496,792
Included in Assets, total	—	—	18,496,792	18,496,792
Deposits	—	32,657,848	—	32,657,848
Borrowed money	—	198,862	—	198,862
Included in Liabilities, total	$ —	$ 32,856,710	$ —	$ 32,856,710

	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

(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 sheets

(1)Quantitative information on significant unobservable inputs

	Fiscal year ended March 31, 2023			
	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities:				
Available-for-sale securities				
Industrial bonds	Present value	Probability of default	0.30 – 1.53%	1.07%

	Fiscal year ended March 31, 2022			
	Valuation techniques	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities:				
Available-for-sale securities				
Industrial 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 years ended March 31, 2023 and 2022

	March 31, 2023							
	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								
Industrial bonds	¥ 3,415	¥ —	¥ 6	¥ (58)	¥ —	¥ —	¥ 3,364	¥ —
Assets, total	¥ 3,415	¥ —	¥ 6	¥ (58)	¥ —	¥ —	¥ 3,364	¥ —

	March 31, 2023							
	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								
Industrial bonds	$ 25,581	$ —	$ 50	$ (434)	$ —	$ —	$ 25,197	$ —
Assets, total	$ 25,581	$ —	$ 50	$ (434)	$ —	$ —	$ 25,197	$ —

	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								
Industrial bonds	¥ 3,106	¥ —	¥ 3	¥ 305	¥ —	¥ —	¥ 3,415	¥ —
Assets, total	¥ 3,106	¥ —	¥ 3	¥ 305	¥ —	¥ —	¥ 3,415	¥ —

(*1) The amount is included in "Valuation differences on available-for-sale securities" of "Other comprehensive income" of the consolidated statements 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 Industrial bonds is a probability of default. Significant increase (decrease) in this input alone results in significant decrease (increase) in the fair value.

10. Securities

a. Trading account securities

Valuation differences on trading account securities included in earnings for the years ended March 31, 2023 and 2022 were nil and ¥(0) million, respectively.

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, 2023 and 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, 2023 and 2022 are summarized as follows:

	March 31, 2023				
	Millions of yen				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Stock	¥ 136,175	¥ 66,359	¥ 69,815	¥ 70,885	¥ 1,069
Debt securities	810,329	827,370	(17,040)	150	17,190
Others	502,082	537,200	(35,118)	3,663	38,781
Total	¥ 1,448,587	¥ 1,430,930	¥ 17,657	¥ 74,698	¥ 57,041

	March 31, 2023				
	Thousands of U.S. dollars				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Stock	$ 1,019,812	$496,964	$ 522,847	$ 530,854	$ 8,007
Debt securities	6,068,520	6,196,135	(127,614)	1,125	128,740
Others	3,760,069	4,023,068	(262,999)	27,432	290,432
Total	$ 10,848,402	$ 10,716,169	$ 132,233	$ 559,413	$ 427,180

	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

Japanese government bonds, equities and others loaned under the securities lending agreement in the amount of ¥32,936 million ($246,659 thousand) and ¥72,998 million is included in the above as of March 31, 2023 and 2022, respectively.

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 was not recognized for the year ended March 31, 2023. The related loss on impairment amounted to ¥3,803 million (of which, ¥3,803 million 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, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		Thousands of U. S. dollars
Unrealized gains on available-for-sale securities	¥ 17,657	¥ 53,734	$ 132,233
Deferred tax liabilities	(4,928)	(15,736)	(36,910)
	¥ 12,728	¥ 37,998	$ 95,322
Attributable to non-controlling interest	(1,395)	(1,345)	(10,450)
Net unrealized gains on available-for-sale securities	¥ 11,332	¥ 36,652	$ 84,871

Note:

Unrealized gains on investments in partnerships without market prices, in the amount of ¥53 million, are included in unrealized gains on available-for-sale securities as of March 31, 2022.

Available-for-sale securities sold during the years ended March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	Millions of yen		Thousands of U. S. dollars
Proceeds from sale	¥ 305,974	¥ 550,686	$ 2,291,429
Gain on sale	20,989	24,530	157,187
Loss on sale	10,315	3,828	77,252

11. Money Held in Trusts

Money held in trusts for investment purposes

	2023	2022	2023
	Millions of yen		Thousands of U. S. dollars
Amount recorded in the consolidated balance sheets	¥ 13,535	¥ 13,528	$ 101,368
Valuation differences included in profit and loss for the fiscal year	35	28	267

12. 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, 2023 and 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, 2023 and 2022.

(2) Currency related derivatives

		March 31, 2023			
		Millions of yen			
		Contract amount			Valuation gains
		Total	Over one year	Fair value	(losses)
OTC transactions:					
Currency swaps		¥ —	¥ —	¥ —	¥ —
Forward contracts on foreign exchange	Sold	69,067	—	(596)	(596)
	Bought	37,474	—	699	699
Currency options	Sold	6,255	5,732	(419)	473
	Bought	6,255	5,732	422	(461)
Total		¥ —	¥ —	¥ 105	¥ 115

		March 31, 2023			
		Thousands of U. S. dollars			
		Contract amount			Valuation gains
		Total	Over one year	Fair value	(losses)
OTC transactions:					
Currency swaps		$ —	$ —	$ —	$ —
Forward contracts on foreign exchange	Sold	517,246	—	(4,464)	(4,464)
	Bought	280,647	—	5,239	5,239
Currency options	Sold	46,849	42,930	(3,143)	3,545
	Bought	46,849	42,930	3,161	(3,458)
Total		$ —	$ —	$ 792	$ 861

		March 31, 2022			
		Millions of yen			
		Contract amount			Valuation gains
		Total	Over one year	Fair value	(losses)
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	2,148	(266)	(68)
	Bought	3,488	2,148	266	76
Total		¥ —	¥ —	¥ (3,312)	¥ (3,304)

Note:
The above transactions are stated at fair value and valuation gains or losses is recorded in the consolidated statements 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, 2023 and 2022 are as follows:
Note that contract amount does not represent the market risk exposure of the derivative transactions.

(1) Interest rate related derivatives

			March 31, 2023		
			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps: Receive floating Pay fixed	Securities	¥ 16,676	¥ 16,676	¥ (4)
Total			—	—	¥ (4)

			March 31, 2023		
			Thousands of U. S. dollars		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps: Receive floating Pay fixed	Securities	$ 124,889	$ 124,889	$ (33)
Total			—	—	$ (33)

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

Note:
Gains or losses on above contacts is deferred until maturity of the hedged items in accordance with JICPA Industry Audit Committee Report No. 24.

(2) Currency related derivatives
There are no currency related derivatives as of March 31, 2023 and 2022.

13. 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 ¥5,819 million ($43,580 thousand) and ¥6,047 million as of March 31, 2023 and 2022, respectively.

14. Cash Flows
A reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2023 and 2022 and cash and cash equivalents in the consolidated statements of cash flows for the year then ended is as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Cash and due from banks	¥ 1,354,859	¥ 1,607,831	$ 10,146,480
Due from banks other than the Bank of Japan	(6,850)	(3,110)	(51,303)
Cash and cash equivalents	¥ 1,348,008	¥ 1,604,721	$ 10,095,176

15. Accumulated Depreciation and Deferred Gains on Tangible Fixed Assets

Accumulated depreciation totaled ¥34,225 million ($256,311 thousand) and ¥34,133 million as of March 31, 2023 and 2022, respectively.
Deferred gains on tangible fixed assets deducted for tax purposes as of March 31, 2023 and 2022 were ¥2,775 million ($20,785 thousand) and ¥2,847 million, respectively.

16. Assets Pledged

Assets pledged as collateral as of March 31, 2023 and 2022 were as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Pledged assets:			
Securities	¥ 720,455	¥ 662,707	$ 5,395,455
Other assets	743	4,130	5,566
Total	721,198	666,837	5,401,021
Liabilities secured by the above assets:			
Deposits	42,154	42,761	315,696
Borrowed money	26,400	155,700	197,708
Call money and bills sold	22,000	22,000	164,756
Guarantee deposit received under securities lending transactions	360,955	313,497	2,703,181
Total	¥ 451,510	¥ 533,958	$ 3,381,343

Margin deposits with the clearing house of ¥20,000 million ($149,779 thousand) and ¥20,000 million as of March 31, 2023 and 2022 and guarantee deposits of ¥68 million ($510 thousand) and ¥85 million were included in other assets as of March 31, 2023 and 2022, respectively.

17. Borrowed Money

The details of borrowed money as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Borrowed money			
Due from May 2023 through February 2026 Average interest rate: 0.00% p.a.	¥ 26,553	¥ 155,985	$ 198,860

Scheduled repayments of borrowed money by each year:

Year ending March 31,	*Millions of yen*	*Thousands of U. S. dollars*
2024	¥ 26,467	$ 198,213
2025	62	467
2026	24	180
2027	—	—
2028 and thereafter	—	—
Total	¥ 26,553	$ 198,860

18. 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, 2023 and 2022 are as follows:

				2023	2022	2023
	Issued date	Redemption date	Interest rate	*Millions of yen*		*Thousands of U. S. dollars*
The Hokkoku Bank Ltd.:						
1st Unsecured Callable Bonds	July 22, 2020	July 22, 2030	0.94%	¥ 10,000	¥ 10,000	$ 74,889
2nd Unsecured Callable Bonds	March 10, 2021	March 10, 2031	0.86%	10,000	10,000	74,889
Total				¥ 20,000	¥ 20,000	$ 149,779

Scheduled redemptions of bonds payable by each year:

Year ending March 31,	*Millions of yen*	*Thousands of U. S. dollars*
2024	¥ —	$ —
2025	—	—
2026	—	—
2027	—	—
2028 and thereafter	20,000	149,779
Total	¥ 20,000	$ 149,779

19. Borrowed Money from Trust Account

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

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Money trust	¥ 164	¥ 154	$ 1,229

20. 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 cancel 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, 2023 and 2022 are as follows:

a. Number of outstanding shares and treasury stock

For the year ended March 31, 2023

Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year
	Thousand shares			
Issued stock:				
Common stock	27,908	—	1,000	26,908
Treasury stock:				
Common stock	1,118	1,784	1,093	1,809

Notes:
1. The decrease in issued stock of 1,000 thousand shares is due to the cancellation of treasury stock.
2. The increase in treasury stock of 1,784 thousand shares consists of the repurchase of treasury stock of 1,783 thousand shares and requests for the buyback of shares less than one unit of 1 thousand shares.
3. The decrease in treasury stock of 1,093 thousand shares consists of the cancellation of treasury stock of 1,000 thousand shares, grant of restricted shares of 80 thousand shares and shares provided from the Bank's management board benefit trust of 12 thousand shares.
4. The number of treasury stock (common stock) as of March 31, 2023 includes 105 thousand shares held by the Bank's management board benefit trust at Custody Bank of Japan, Ltd. (Trust account).

For the year ended March 31, 2022

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

Notes:
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, 2023 and 2022.

c. Dividends paid to the shareholders during the year

For the year ended March 31, 2023

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 ($10,075 thousand) (Note 1)	¥50.0 ($0.37)	March 31, 2022	June 15, 2022
October 28, 2022	Board of Directors	Common Stock	¥1,325 million ($9,925 thousand) (Note 2)	¥50.0 ($0.37)	September 30, 2022	December 5, 2022

Notes:
1. The total amount of dividends paid includes ¥5 million ($44 thousand) of dividends for shares held by the Bank's management board benefit trust.
2. The total amount of dividends paid includes ¥5 million ($39 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 is shown in the table below.
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 it's 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 (Note 1)	¥50.0	March 31, 2021	June 21, 2021
October 29, 2021	Board of Directors	Common Stock of the Bank	¥1,116 million (Note 2)	¥40.0	September 30, 2021	December 3, 2021

Notes:
1. The total amount of dividends paid includes ¥6 million of dividends for shares held by the Bank's management board benefit trust.
2. The total amount of dividends paid includes ¥4 million of dividends for shares held by the Bank's management board benefit trust.

Dividends applicable to the year ended March 31, 2023, 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 9, 2023	Ordinary general meeting of shareholders	Common stock	¥1,260 million ($9,437 thousand) (Note)	¥50.0 ($0.37)	March 31, 2023	June 12, 2023

(Above cash dividends are distributed from retained earnings.)

Note:
The total amount of dividends paid includes ¥5 million ($39 thousand) of dividends for shares held by the Bank's management board benefit trust.

21. Leases

As lessee:

a. Finance leases
The Group has 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, 2023 and 2022:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Due within one year	¥ 154	¥ 160	$ 1,158
Due after one year	232	246	1,737
Total	¥ 386	¥ 407	$ 2,896

As lessor:

a. Finance leases

Investment in leased assets consists of the following:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Lease receivables	¥ 34,663	¥ 34,452	$ 259,595
Residual value	647	632	4,848
Unearned interest income	(2,288)	(2,496)	(17,141)
Total	¥ 33,022	¥ 32,589	$ 247,302

Maturities of lease receivables and investment in leased assets as of March 31, 2023 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
2024	¥ 916	¥ 10,051	$ 6,862	$ 75,273
2025	744	7,809	5,578	58,488
2026	643	5,889	4,816	44,109
2027	549	4,489	4,114	33,622
2028	216	3,374	1,620	25,273
2029 and thereafter	352	3,048	2,639	22,828
Total	¥ 3,422	¥ 34,663	$ 25,632	$ 259,595

b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases as of March 31, 2023 and 2022:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Due within one year	¥ 184	¥ 190	$ 1,383
Due after one year	242	286	1,812
Total	¥ 426	¥ 477	$ 3,196

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

Major income included in other income for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Recoveries of written off receivables	¥ 263	¥ 360	$ 1,970
Gain on sale of equity securities	¥ 19,847	¥ 20,098	$ 148,637

Major expenses included in other expenses for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Provision of reserve for possible loan losses	¥ 3,269	¥ 11,357	$ 24,488
Loss on sale of equity securities	1,620	911	12,137
Loss on devaluation of equity securities	502	3,862	3,764
Loss on sale of receivables	¥ 162	¥ 291	$ 1,220

Loss on disposable of tangible fixed assets includes loss on unusable software of ¥1,367 million ($10,240 thousand) and ¥2,475 million for the years ended March 31, 2023 and 2022, respectively.

Major expenses included in general and administrative expenses for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Salaries and allowances	¥ 12,512	¥ 11,478	$ 93,705
Retirement benefit expenses	77	1,310	579
Depreciation	¥ 3,948	¥ 4,145	$ 29,567

23. Special gains and losses

Special gains and losses for the years ended March 31, 2023 and 2022 consist of the following:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Special gains (losses):			
Gain on revision of retirement benefit plan	¥ —	¥ 726	$ —
Gain on disposal of tangible fixed assets	70	5	526
Loss on disposal of tangible fixed assets	(1,460)	(2,492)	(10,938)
Loss on impairment	(93)	(601)	(701)
Business restructuring expenses	—	(858)	—
Total	¥ (1,484)	¥ (3,220)	$ (11,113)

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 statements of income, by reducing the carrying value to the respective recoverable amount.

	Year ended March 31, 2023			
Location	Main use	Asset type	Millions of yen	Thousands of U.S. dollars
Ishikawa Pref.	9 operating branches	Land	¥ 14	$ 106
	4 operating branches	Buildings	16	119
	1 common use asset	Land	0	3
	1 common use asset	Buildings	54	410
	3 idle assets	Land	0	6
Outside Ishikawa Pref.	1 operating branch	Building	6	50
	1 idle asset	Land	0	5
Total			¥ 93	$ 701

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.

	Year ended March 31, 2022		
Location	Main use	Asset type	Millions of yen
Ishikawa Pref.	11 operating branches	Land	¥ 226
	8 operating branches	Buildings	146
	8 idle assets	Land	57
	1 idle asset	Buildings	21
Outside Ishikawa Pref.	1 operating branch	Land	36
	2 operating branches	Buildings	16
	2 idle assets	Land	49
	1 idle asset	Buildings	46
Total			¥ 601

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.

24. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Reclassification adjustments			
Valuation differences on available-for-sale securities:			
Gains (losses) incurred during the year	¥ (24,537)	¥ (21,653)	$ (183,763)
Reclassification adjustment	(11,539)	(17,034)	(86,417)
Amount before tax effect	(36,077)	(38,687)	(270,181)
Deferred gains (losses) on hedging instruments:			
Gains (losses) incurred during the year	(3)	166	(27)
Reclassification adjustment	(166)	5	(1,246)
Amount before tax effect	(170)	172	(1,273)
Remeasurements of defined benefit plans			
Gains (losses) incurred during the year	(76)	(31)	(576)
Reclassification adjustment	317	1,573	2,378
Amount before tax effect	240	1,541	1,802
Total amount before tax effect	(36,006)	(36,973)	(269,652)
Tax effect	10,752	11,039	80,523
Total other comprehensive income	¥ (25,254)	¥ (25,934)	$ (189,128)

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Tax effect on other comprehensive income:			
Valuation differences on available-for-sale securities:			
Amount before tax effect	¥ (36,077)	¥ (38,687)	$ (270,181)
Tax effect	10,807	11,656	80,935
Amount after tax effect	(25,269)	(27,030)	(189,245)
Deferred gains (losses) on hedging instruments:			
Amount before tax effect	(170)	172	(1,273)
Tax effect	51	(52)	387
Amount after tax effect	(118)	119	(886)
Remeasurements of defined benefit plans			
Amount before tax effect	240	1,541	1,802
Tax effect	(106)	(565)	(799)
Amount after tax effect	¥ 133	¥ 976	$ 1,003

25. Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Deferred tax assets:			
Reserve for possible loan losses	¥ 18,180	¥ 18,238	$ 136,156
Net defined benefit liability	399	651	2,990
Depreciation of real estate	1,002	992	7,505
Devaluation of equity securities	695	928	5,211
Other	2,649	4,451	19,840
Subtotal	22,927	25,262	171,704
Valuation allowance	(14,287)	(13,388)	(106,996)
Total deferred tax assets	8,640	11,873	64,707
Deferred tax liabilities:			
Valuation differences on available-for-sale securities	(4,928)	(15,736)	(36,910)
Other	(280)	(240)	(2,099)
Total deferred tax liabilities	(5,209)	(15,976)	(39,010)
Net deferred tax assets (liabilities)	¥ 3,431	¥ (4,103)	$ 25,697

A reconciliation of the statutory tax rate applicable to the Company and its consolidated subsidiaries to the effective tax rate for the years ended March 31, 2023 and 2022 are presented as follows:

	2023	2022
Statutory tax rate	30.4%	30.3%
Reconciliation:		
Nondeductible permanent differences, such as entertainment expenses	0.5	0.5
Nontaxable permanent differences, such as dividend income	(19.0)	(4.6)
Per capita residents' taxes	0.2	0.2
Valuation allowance	6.1	8.4
Offsetting dividends from subsidiaries	17.7	3.9
Other	2.0	0.9
Effective tax rate	37.9%	39.6%

26. Retirement Benefit Plans

The Group has the defined contribution pension plans (corporate type) ("defined contribution plan"), and certain 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 and transferred the defined contribution plan to the Company on the same date.

Defined benefit Plans

a. The reconciliation of in defined benefit obligation for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Balance at beginning of year	¥ 19,302	¥ 29,725	$ 144,558
Service cost	—	459	—
Interest cost	35	48	268
Actuarial gains or losses	(16)	126	(123)
Benefits paid	(1,013)	(1,459)	(7,586)
Decrease due to transfer to the defined contribution plan	—	(9,598)	—
Balance at end of year	¥ 18,309	¥ 19,302	$ 137,116

b. The reconciliation of in plan assets for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Balance at beginning of year	¥ 16,904	¥ 16,684	$ 126,596
Expected return on plan assets	253	250	1,898
Actuarial gains or losses	(70)	94	(530)
Contributions from the employer	858	896	6,429
Benefits paid	(1,013)	(1,021)	(7,586)
Balance at end of year	¥ 16,932	¥ 16,904	$ 126,807

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

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Funded defined benefit obligation	¥ 18,309	¥ 19,302	$ 137,116
Plan assets	(16,932)	(16,904)	(126,807)
	1,376	2,398	10,308
Unfunded defined benefit obligation	—	—	—
Net liability recorded in the consolidated balance sheets	¥ 1,376	¥ 2,398	$ 10,308

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Net defined benefit liability	¥ 1,376	¥ 2,398	$ 10,308
Net liability recorded in the consolidated balance sheets	¥ 1,376	¥ 2,398	$ 10,308

d. The components of retirement benefit expenses for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Service cost	¥ —	¥ 459	$ —
Interest cost	35	48	268
Expected return on plan assets	(253)	(250)	(1,898)
Amortization of actuarial gains or losses	430	919	3,226
Amortization of prior service cost	(135)	(135)	(1,016)
Retirement benefit expenses	¥ 77	¥ 1,041	$ 579

Other than above, the Group recognized ¥726 million 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, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Prior service cost	¥ (113)	¥ (271)	$ (847)
Net actuarial gains or losses	353	3,467	2,650
Total	¥ 240	¥ 3,195	$ 1,802

f. The components of remeasurements of defined benefit plans (before deducting tax effect) on accumulated other comprehensive income as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	Millions of yen		*Thousands of U. S. dollars*
Unrecognized prior service cost	¥ —	¥ 113	$ —
Unrecognized net actuarial gains or losses	(1,730)	(2,084)	(12,956)
Total	¥ (1,730)	¥ (1,970)	$ (12,956)

g. Plan assets

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

	2023	2022
General account	86%	85%
Equity securities	9	9
Debt securities	4	5
Other	1	1
Total	100%	100%

Note:
Total plan assets include 0% and 0% of retirement benefit trust established on corporate pension plans as of March 31, 2023 and 2022, respectively.

(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 years ended March 31, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	0.0% to 0.6%	0.0% to 0.6%
Long-term expected rate of return on plan assets	1.5	1.5

Defined Contribution Plan
No amount was required for contribution to the defined contribution plan of the Company for the year ended March 31, 2023. The amount of the required contribution to the defined contribution plan of the Company was ¥269 million 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 were transferred to the defined contribution plan effective February 28, 2022. Of which, the portion not transferred, in the amount of ¥6,090 million, was included in "Other liabilities" as of March 31, 2022. The transfer completed as of March 31, 2023.

27. Per Share Information

Net assets per share as of March 31, 2023 and 2022 and profit per share for the year then ended are as follows:

	2023	2022	2023
	Yen		*U. S. dollars*
Net assets per share	¥ 9,149.42	¥ 9,576.53	$ 68.52
Profit per share	¥ 336.06	¥ 340.64	$ 2.52
Profit per share-diluted	336.05	—	2.52

Notes:
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, 2023, the number of shares of treasury stock deducted in calculating outstanding number of shares at end of year is 105 thousand shares and average outstanding number of shares during the year is 105 thousand shares. 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.

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

	2023	2022	2023
	Millions of Yen		*Thousands of U. S. dollars*
Net assets per share:			
Net assets per balance sheets	¥ 237,688	¥ 264,258	$ 1,780,037
Amounts to be attributed to non-controlling interests	8,044	7,701	60,244
Net assets attributed to common stock shareholders	¥ 229,643	¥ 256,557	$ 1,719,793
Number of shares outstanding at end of year (unit: thousand shares)	25,099	26,790	
Profit per share:			
Profit attributable to owners of parent	¥ 8,741	¥ 9,387	$ 65,462
Profit attributable to common stock shareholders	¥ 8,741	¥ 9,387	$ 65,462
Average number of shares outstanding during the year (unit: thousand shares)	26,010	27,559	
Profit per share-diluted:			
Adjustment to profit attributable to owners of parent	¥ —	¥ —	$ —
Increase in common stock (unit: thousand shares)	0	—	0
[Of which, restricted shares under the share-based payment plan] (unit: thousand shares)	0	—	0
Outline of dilutive shares not included in the calculation of profit per share-diluted due to the absence of dilutive effect	—	—	—

28. 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 11 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, e-commerce website operation business, servicer business, system development/management/administration services, investment advisory business, consulting services, fund administration services and back-office 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, 2023				
	Millions of yen				
	Reportable segments			Adjustments	Consolidated
	Banking	Leasing	Total		
Total revenue:					
External customers	¥ 72,038	¥ 12,704	¥ 84,743	¥ —	¥ 84,743
Intersegments	189	6	196	(196)	—
Total	72,228	12,710	84,939	(196)	84,743
Segment profit	15,220	837	16,058	(11)	16,046
Segment assets	5,593,763	39,319	5,633,082	(29,357)	5,603,724
Other information					
Depreciation	3,927	262	4,190	—	4,190
Interest income	38,444	—	38,444	(125)	38,319
Interest expenses	4,149	118	4,267	(118)	4,149
Increase in tangible and intangible fixed assets	¥ 4,938	¥ —	¥ 4,938	¥ —	¥ 4,938

	Year ended March 31, 2023				
	Thousands of U. S. dollars				
	Reportable segments			Adjustments	Consolidated
	Banking	Leasing	Banking		
Total revenue:					
External customers	$ 539,493	$ 95,144	$ 634,637	$ —	$ 634,637
Intersegments	1,421	47	1,469	(1,469)	—
Total	540,915	95,191	636,107	(1,469)	634,637
Segment profit	113,985	6,273	120,258	(84)	120,174
Segment assets	41,891,433	294,461	42,185,894	(219,857)	41,966,037
Other information					
Depreciation	29,413	1,966	31,380	—	31,380
Interest income	287,910	—	287,910	(938)	286,971
Interest expenses	31,074	888	31,962	(886)	31,076
Increase in tangible and intangible fixed assets	$ 36,985	$ —	$36,985	$ —	$36,985

	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

Notes:

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, 2023				
	Millions of yen				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	¥ 24,061	¥ 35,868	¥ 12,704	¥ 12,108	¥ 84,743

	Year ended March 31, 2023				
	Thousands of U. S. dollars				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	$ 180,196	$ 268,619	$ 95,144	$ 90,677	$ 634,637

	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

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

	Year ended March 31, 2023		
	Millions of yen		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	¥ 93	¥ —	¥ 93

	Year ended March 31, 2023		
	Thousands of U. S. dollars		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	$ 701	$ —	$ 701

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

29. Revenue Recognition

The following table summarizes the information on disaggregation of revenue from contracts with customers for the years ended March 31, 2023 and 2022:

	2023			2023		
	Millions of yen			*Thousands of U. S. dollars*		
	Banking	Leasing	Total	Banking	Leasing	Total
Fees and commissions:						
Deposits and loans business	¥ 1,665	¥ —	¥ 1,665	$ 12,472	$ —	$ 12,472
Foreign exchange business	2,099	—	2,099	15,726	—	15,726
Trust-related business	65	—	65	493	—	493
Securities-related business	699	—	699	5,234	—	5,234
Agency business	237	—	237	1,780	—	1,780
Card business	2,233	—	2,233	16,725	—	16,725
Consulting business	1,086	—	1,086	8,135	—	8,135
Other business	1,190	34	1,225	8,913	261	9,175
Fees and commissions, total	9,277	34	9,312	69,482	261	69,744
Other operating income	481	950	1,432	3,605	7,120	10,726
Income other than operating oncome	96	5	101	719	37	756
Income from contracts with customers	9,855	990	10,846	73,807	7,419	81,226
Income other than above	62,183	11,713	73,896	465,685	87,725	553,410
Total income from external customers	¥ 72,038	¥ 12,704	¥ 84,743	$539,493	$ 95,144	$634,637

	2022		
	Millions of yen		
	Banking	Leasing	Total
Fees and commissions:			
Deposits and loans business	¥ 1,605	¥ —	¥ 1,605
Foreign exchange business	2,397	—	2,397
Trust-related business	63	—	63
Securities-related business	734	—	734
Agency business	269	—	269
Card business	2,053	—	2,053
Consulting business	751	—	751
Other business	1,242	27	1,270
Fees and commissions, total	9,118	27	9,146
Other operating income	198	563	762
Income other than operating oncome	421	2	423
Income from contracts with customers	9,738	593	10,332
Income other than above	63,073	11,324	74,398
Total income from external customers	¥ 72,812	¥ 11,917	¥ 84,730

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, 2023, the year ending March 31, 2024 and thereafter is omitted due to insignificancy.

30. Related Party Transactions

There was no applicable transaction to be reported for the years ended March 31, 2023 and 2022, respectively.

31. Subsequent Events

Business combination
At the Board of Directors' meeting held on March 31, 2023, the Company resolved to (i) make ALCOLAB, Ltd. (hereinafter "ALCOLAB") its subsidiary by acquiring ALCOLAB's shares, and (ii) merge ALCOLAB with the FD Advisory, Ltd. (hereinafter "FD Advisory"), being a consolidated subsidiary of the Company, for the purpose of business integration with ALCOLAB and FD Advisory. Accordingly, the Company made ALCOLAB its subsidiary by acquiring ALCOLAB's shares on May 31, 2023. In addition, the merger of FD Advisory and ALCOLAB was completed on June 1, 2023.

a. Overview of the business combination
(1) Name of the acquired company and description of the business
Name of the acquired company ALCOLAB, Ltd.
Description of the business Investment advisory service

(2) Reason for the business combination
In 2021, the Company established FD Advisory, a subsidiary engaged in investment advisory service, in order to meet customers' diversifying needs. Using its advanced expertise, FD Advisory has committed to realizing customers' financial well-being and companies' growth by providing comprehensive and customer-oriented neutral advisory services that go beyond product or service information.
Since its establishment, ALCOLAB had provided business support and services including (i) support for customers in enhancing their operational structures to establish securities investment as their core business, (ii) investment advisory services on global asset allocation and (iii) support for installing a risk appetite framework. Through all those efforts, ALCOLAB has been highly regarded by regional financial institutions.
The Company has cooperated with ALCOLAB since 2020, in various projects including strategic capital allocation, enhanced effectiveness of market operations and establishment of specialized investment companies and investment advisory companies.
With this merger as a starting point, FDAlco Co., Ltd. (hereinafter "FDAlco," formerly, FD Advisory) will integrate ALCOLAB's knowledge into the Group's business base and will launch full-fledged investment advisory service for individuals, corporations and financial institutions for the first time in Japan. FDAlco will enhance its expertise to further fulfill customers' needs through developing a program to cultivate professional human resources responsible for investment advisory service. By providing consulting service taking advantages of the Group's various functions, FDAlco will not only offer investment advisory services as the core business but also provide a wide range of solutions for management issues and other related matters to regional financial institutions nationwide, expanding beyond "geographical limitations" and "existing business areas." After the merger, FDAlco aims to establish a new business model for investment advisory services that prioritizes customers' best interests with an exceptional sense of speed.

(3) Date of the business combination
May 31, 2023

(4) Legal form of the business combination
Share acquisition

(5) Name of the company after the business combination
FDAlco Co., Ltd.
Effective June 1, 2023, FD Advisory has changed its business name to FDAlco Co., Ltd.

(6) Voting rights acquired
73%
The voting rights after the business combination is 80%.

(7) Grounds for determining acquiring company
The Company acquired 73% of ALCOLAB's voting rights through share acquisition in exchange for cash.

b. Breakdown of acquisition cost of acquired company and type of consideration

		Millions of yen	*Thousands of U. S. dollars*
Consideration for acquisition	Cash	¥ 1,096	$ 8,208
Acquisition cost		1,096	8,208

c. Description of major acquisition related cost and the amounts
Not determined yet.

d. Goodwill arising from the business combination, reason for giving rise to recognizing the goodwill and method and period of amortization
Not determined yet.

e. Breakdown of assets acquired and liabilities assumed on the closing date of the business combination
Not determined yet.

Cancellation of treasury stock
At the Board of Directors' meeting held on April 28, 2023, the Company resolved to cancel its treasury stock on May 9, 2023, 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	1,700,000 shares
(4) Cancellation date	May 9, 2023

Repurchase of own shares
At the Board of Directors' meeting held on April 28, 2023, 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 repurchased	The Company's common stock
(2) Number of shares to be repurchased	2,500,000 shares (upper limit)
(3) Total cost of shares to be repurchased	¥9,000 million ($67,400 thousand) (upper limit)
(4) Repurchase period	From May 10, 2023 to March 29, 2024

Balance Sheets

The Hokkoku Bank, Ltd.

	As of March 31,		
	2023	2022	**2023**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets:			
Cash and due from banks	¥ 1,354,783	¥ 1,607,831	$ 10,145,913
Call loans	141,000	65,000	1,055,942
Monetary claims bought	1,336	1,286	10,011
Money held in trusts	13,535	13,528	101,368
Securities	1,463,068	1,351,149	10,956,855
Loans and bills discounted	2,545,638	2,603,927	19,064,170
Foreign exchanges	11,684	11,138	87,502
Investment in leased assets	6,778	8,546	50,765
Other assets	41,772	33,460	312,829
Tangible fixed assets	30,819	30,275	230,804
Intangible fixed assets	9,051	10,199	67,783
Deferred tax assets	3,924	—	29,392
Customers' liabilities for acceptances and guarantees	17,282	17,986	129,428
Reserve for possible loan losses	(61,353)	(60,390)	(459,469)
Total assets	¥ 5,579,323	¥ 5,693,941	$ 41,783,296
Liabilities:			
Deposits	4,384,122	4,271,285	32,832,492
Negotiable certificates of deposit	—	1,450	—
Call money	532,156	618,824	3,985,294
Guarantee deposit received under securities lending transactions	360,955	313,497	2,703,181
Borrowed money	26,518	155,869	198,598
Foreign exchanges	3	1	25
Bonds payable	20,000	20,000	149,779
Borrowed money from trust account	164	154	1,229
Other liabilities	36,053	46,308	270,004
Reserve for bonuses	553	560	4,146
Reserve for retirement benefits	—	427	—
Reserve for management board benefit trust	410	496	3,073
Reserve for reimbursement of deposits	96	127	724
Deferred tax liabilities	—	3,775	—
Deferred tax liability arising from revaluation of land	1,411	1,412	10,569
Acceptances and guarantees	17,282	17,986	129,428
Total liabilities	¥ 5,379,729	¥ 5,452,179	$ 40,288,546
Net assets:			
Common stock	26,673	26,673	199,760
Capital surplus	11,289	11,289	84,546
Retained earnings	149,388	166,010	1,118,767
Total shareholders' equity	187,352	203,973	1,403,073
Valuation differences on available-for-sale securities	9,948	35,376	74,500
Net deferred gains (losses) on hedging instruments	(2)	115	(19)
Land revaluation surplus	2,296	2,296	17,195
Total valuation and translation adjustments	12,241	37,788	91,676
Total net assets	199,593	241,762	1,494,749
Total liabilities and net assets	¥ 5,579,323	¥ 5,693,941	$ 41,783,296

Statements of Income

The Hokkoku Bank, Ltd.

	Years ended March 31,					
	2023		2022		**2023**	
	Millions of yen				Thousands of U.S. dollars (Note 2)	
Income						
Interest income on:						
Interest on loans and discounts	¥	24,120	¥	24,123	$	180,636
Interest and dividends on securities		13,595		11,290		101,817
Other interest income		511		588		3,832
Total interest income		38,227		36,003		286,286
Trust fees		0		0		3
Fees and commissions		7,873		8,549		58,968
Other operating income		5,382		8,200		40,306
Other income		20,621		21,164		154,432
Total income		72,105		73,918		539,996
Expenses						
Interest expenses on:						
Deposits		104		110		779
Borrowings and rediscounts		1,688		35		12,647
Interest on bonds		179		180		1,342
Cash collateral received for securities lent		2,169		149		16,247
Other		7		17		58
Total interest expenses		4,149		493		31,075
Fees and commissions		3,570		3,631		26,735
Other operating expenses		12,787		5,438		95,764
General and administrative expenses		27,699		29,585		207,442
Other expenses		8,247		16,677		61,765
Total expenses		56,454		55,827		422,783
Special gains and losses		(1,484)		(3,203)		(11,116)
Profit before income taxes		14,167		14,887		106,096
Income taxes:		1,863		5,229		13,952
Current		3,249		614		24,336
Deferred		5,112		5,843		38,289
Profit	¥	9,054	¥	9,043	$	67,806

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, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><td colspan="2">Classification of debtors for the purpose of determining the reserve for possible loan losses for debtors whose repayment status, financial position or business performance is deteriorating, and change in estimate related to the method for calculating the expected loan loss amount, which forms the basis for calculating the reserve for possible loan losses</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>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 2,523,613 million yen on its consolidated balance sheet as at March 31, 2023, representing a significant portion of the Group’s total assets of 5,603,724 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 expected loan loss amount 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 at March 31, 2023 was 62,631 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.</td><td>We mainly performed the following audit procedures to examine the determination of debtor classification and the change in estimate related to the method for calculating the expected loan loss amount:

(1) Determination of 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, we inspected a set of materials related to the self-assessment of asset quality performed</td></tr>
</table>

The reserve for possible loan losses is 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 status, financial position, business performance and future prospects thereof. In particular, when determining the classification of a debtor whose 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, 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, which includes the impact of COVID-19 and increases in resource prices, 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. Accordingly, we have determined that the classification of debtors for the purpose of determining the reserve for possible loan losses for debtors whose repayment status, financial position, or business performance is deteriorating is a key audit matter. In addition, as described in "Change in Accounting Estimates" in Notes to Consolidated Financial Statements, the Group made a change in estimate related to the reserve for possible loan losses. This change is the result of the Group determining that it can more appropriately estimate the reserve for possible loan losses	by the Group, such as explanatory materials on the business conditions of debtors, materials on debts and repayment status, investigation materials that provide details of the actual financial position of debtors, financial statements, and trial balances, and compared them with information publicly disclosed, 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 and major debtors with a significant effect on the Group's financial statements, we compared materials related to the self-assessment of asset quality performed by the Group with available external credit information. ・For debtors whose repayment status, financial position or business performance is deteriorating and who are preparing business improvement plans, in order 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 and increases in resource prices have had a significant impact on the debtor's repayment status, financial position or business performance, we assessed whether 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

by breaking down the debtor classification to accurately identify characteristic fluctuations of the loan portfolio of the Group and taking into account future economic fluctuations by reflecting past long-term economic fluctuations and, after relevant consideration, completing the data analysis and its procedures as well as related internal control procedures in the fiscal year ended March 31, 2023. This determination is based on the background that the Group has adopted the policy to conduct business based on understanding of debtors' business feasibility focusing on future and growth potential, with the strong relationship with the debtors and has worked to solve the debtors' business agendas, while better-managing credit. In particular, the method to calculate expected loan loss has been changed as follows: (i) to break down the debtor classification into groups based on relationship with debtors, understanding of debtors’ business (business feasibility), in addition to debtors’ financial information which the Bank has focused on, (ii) for each group, to obtain the probability of default based on the Bank’s past default experience over one year or three years, and finally (iii) to estimate expected rate of loan loss with reference to the long-term average rate of default in order to take into account economic fluctuations. As a result of this change in estimate, the reserve for possible loan losses as at March 31, 2023 decreased by 2,443 million yen and ordinary income and profit before income taxes for the fiscal year ended March 31, 2023 increased by 2,443 million yen. The groups that management selected to calculate the expected loss rate and the calculation period for the past average default probability forming the basis for calculating the expected loss rate utilized by management in making this change in estimate, as well as the timeliness of the change in estimate, rely greatly on management's judgment.	of such debtors, and compared their business improvement plans with available external information. (2) Change in estimate related to the method for calculating the expected loan loss amount ・We made inquiries of management regarding the completion of data analysis and data preparation as well as implementation of related internal controls, which were the reasons for the change in estimate in the fiscal year ended March 31, 2023, and inspected the minutes of important meetings regarding approval of the change. In addition, we evaluated the related internal controls. ・We made inquiries of management regarding the reasons for selecting the groups that were subdivided from the debtor classification and used to calculate the expected loss rate, analyzed the data that was used, and considered the consistency between the results of our analysis and the explanation provided by management. Further, using the samples from (1), we assessed whether the relationship with the debtors and the understanding of the debtors’ businesses (understanding of feasibility) were applied to the selected groups in accordance with the Group’s internal rules. ・We made inquiries of management regarding the reasons for selecting the calculation period for the past average default probability forming the basis for calculating the expected loss rate, analyzed the data that was used, and considered the consistency between the results of our analysis and the explanation provided by management.

Accordingly, we have determined that the change in estimate related to the method for calculating the expected loan loss amount is a key audit matter.	

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon. We have concluded that other information does not exist. Accordingly, we have not performed any work related to 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, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 15, 2023

根 津 昌 史

/s/Masashi Nezu
Designated Engagement Partner
Certified Public Accountant

刀 禰 哲 朗

/s/Tetsuro Tone
Designated Engagement Partner
Certified Public Accountant

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