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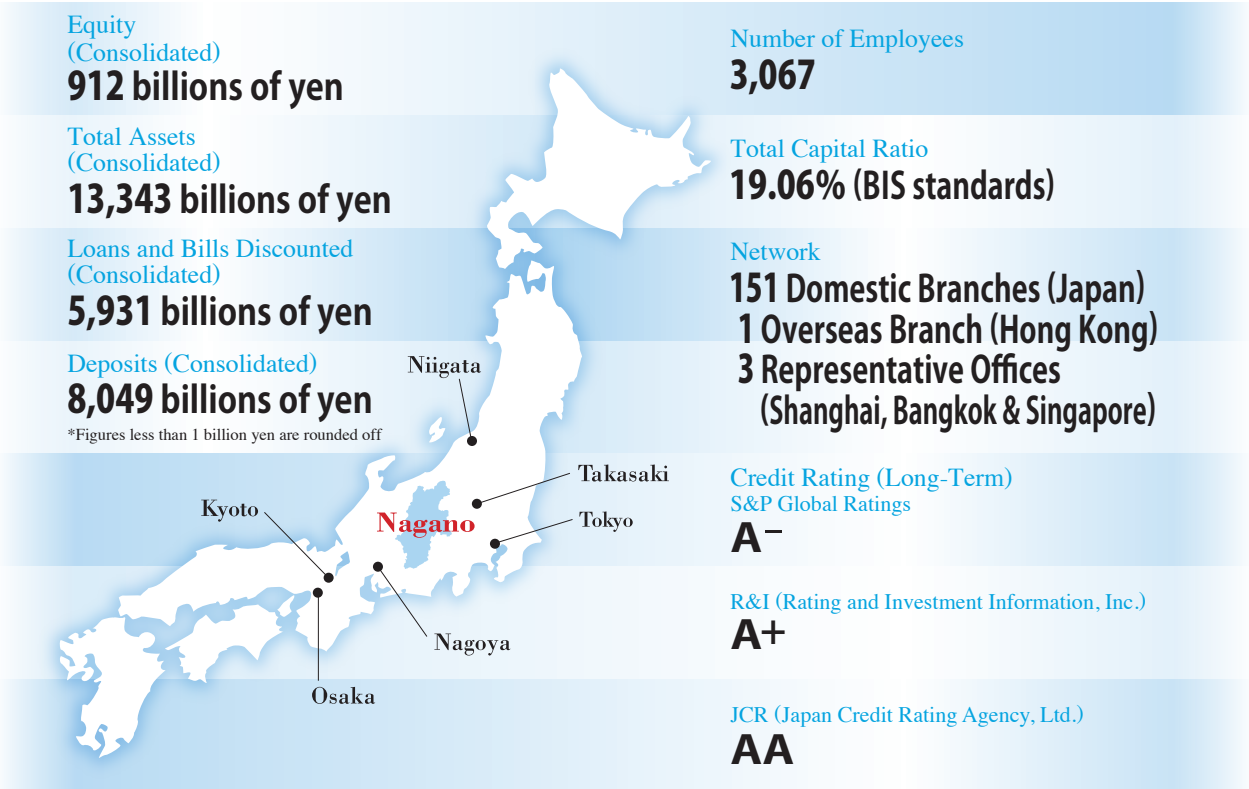
2022

Annual Report

Year ended March 31, 2022

The Hachijuni Bank, LTD.

Corporate Outline



as of March 31, 2022



The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are mainly based in Nagano Prefecture, which is geographically located in the center of Japan and is well-known for its coexistence with beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni Bank has consistently maintained sound management policies, and is now playing a significant role as one of the largest regional banks in Japan.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama, Niigata and Gifu Prefectures, as well as in Tokyo, Osaka and Nagoya metropolitan areas. We also have an overseas branch in Hong Kong, as well as, the Shanghai Representative Office, the Bangkok Representative Office, and the Singapore Representative Office.

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Message from the Management

August 2022

We would like to begin by expressing our sincere gratitude for your patronage.

Since its establishment in 1931, and in tandem with the development of the regional economy, Hachijuni Bank (“the Bank”) has continued to grow and has established itself as a key financial institution within its community. This is in large part due to the long-lasting support and patronage of our shareholders, our customers, and the community, for which we are very grateful.

We have designed our “Annual Report 2022” to present, in an easy-to-understand format, our earnings results and the details of our businesses for the fiscal year ended March 31, 2022. We sincerely hope that this report will help give you a better understanding of the Bank.

The overall Japanese economy lacked strength in FY2021 as personal consumption remained sluggish because it heavily depended on the infection situation of COVID-19, while exports and capital investment picked up due to the recovery of overseas economies.

Under such conditions, the Bank provided financial support to customers with its full efforts, and the outstanding balance of loans and that of deposits as of the end of FY2021 both marked new records.

In the Medium-Term Management Vision 2021: Supporting Customers and the Region by “Finance × Non-finance × Relations,” the Bank set the sustainability as a core element of business management and aimed to solve social challenges through financial services and non-financial services.

The Bank will work to reform its business model, becoming a driving force to lead the regional community to the sustainable future in front of the next generation that will change drastically.

We kindly ask for your continued support and patronage in the years to come; in exchange, we will commit ourselves to doing our utmost to live up to your expectations.

Sincerely yours,



Shoichi Yumoto
Director & Chairman



Masaki Matsushita
Director & President

Management Policies

Management Philosophy

“Stick firmly to the sound banking principles, thereby contributing to the development of the regional community”

Medium-Term Management Vision 2021

Supporting Customers and the Region by “Finance × Non-finance × Relations”

Deepening
life support business

Providing comprehensive
financial services and functions

Sustainability as a core element
of business management

Digital reform of
business operation and organization

Personnel system reform to
support growth and job satisfaction

Medium-Term Management Targets

Net income attributable to owners of the parent	FY2025: ¥25 billion or more
Ratio of consolidated profits to parent company’s profits	FY2025: 1.25 times or more
Consolidated dividend payout ratio	FY2022~FY2025: 40% or higher, annually
Greenhouse gas (CO ₂) emissions	FY2023: net zero FY2030: 60% reduction compared to FY2013

Long-Term Management Guideline

ROE : 5% or higher

Business Performance and Financial Standings

Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
For the year:			
Total income	152,112	154,000	1,242,544
Total expenses	114,056	122,185	931,683
Income before income taxes	38,055	31,815	310,861
Net income attributable to owners of the parent	26,667	22,384	217,839
Net income per share	¥ 54.46	¥ 45.73	\$ 0.44
At year-end:			
Deposits	8,049,875	7,654,318	65,756,208
Loans and bills discounted	5,931,315	5,541,154	48,450,547
Securities	2,801,655	3,326,241	22,885,603
Total assets	13,343,796	12,160,638	109,000,131
Equity	912,698	909,694	7,455,467
Total capital ratio : Basel 3 standards	19.06%	20.69%	

Notes: 1. Yen figures have been rounded down to the nearest million yen.
2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥122.42 to US\$1.00 on March 31, 2022.
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Summary of Business Performance

Consolidated Business Results

Ordinary profit increased ¥5,899 million from the previous year to ¥38,047 million and net income attributable to owners of the parent increased ¥4,283 million to ¥26,667 million.

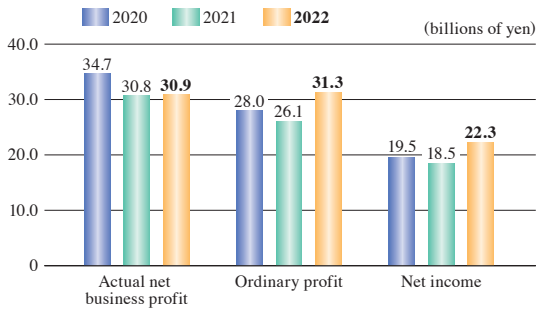
Non-Consolidated Business Results

Ordinary income increased ¥327 million from a year earlier to ¥111,915 million due to increases in gains on money held in trust and in gains on sales of bonds despite a decrease in interest and dividends on securities.

Ordinary expenses decreased ¥4,885 million from a year earlier to ¥80,550 million due to decreases in transfer to general reserve for possible loan losses and in operating expenses despite increases in losses on sales of bonds, losses on money held in trust, and losses on sales of stocks.

As a result, ordinary profit increased ¥5,213 million to ¥31,365 million.

Net income increased ¥3,878 million to ¥22,396 million.



Summary of Financial Standings

Results of Consolidated Main Accounts

Outstanding balance of deposits increased ¥395.5 billion to ¥8,049.8 billion from a year earlier owing to increases in deposits from individuals and public money.

Outstanding balance of loans and bills discounted increased ¥390.1 billion to ¥5,931.3 billion due mainly to an increase in loans to the Japanese government.

Outstanding balance of securities decreased ¥524.5 billion to ¥2,801.6 billion due mainly to a decrease in Japanese government bonds.

Results of Non-Consolidated Main Accounts

Outstanding balance of deposits increased ¥395.8 billion from a year earlier to ¥8,066.6 billion.

Outstanding balance of loans and bills discounted increased ¥386.5 billion to ¥5,974.0 billion.

Outstanding balance of securities decreased ¥524.0 billion to ¥2,809.8 billion.

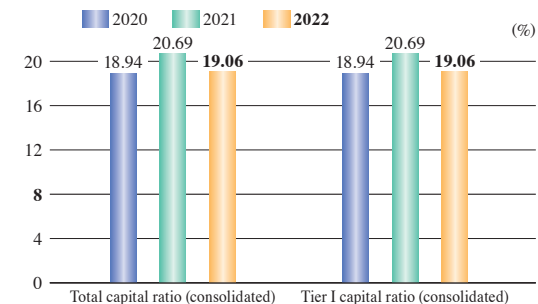
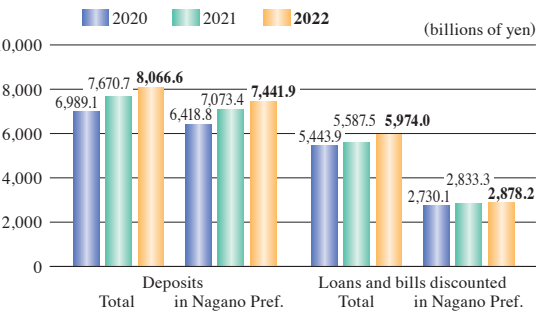
Total Capital Ratio (Basel 3 standards)

Total capital ratio was 19.06% on a consolidated basis and 17.62% on a non-consolidated basis.

Profit Sharing

Setting the lower limit of dividend per share to ¥5.0 a year, the Bank will positively provide returns to shareholders by stable dividend and purchase of own stocks.

With respect to year-end dividends, the Bank decided to pay ¥10.0 per share. As a result, annual dividends, together with the interim dividend, were ¥16.0 in total.



Corporate Governance

Corporate Governance Principle

- The Bank defines the Corporate Governance Principle as the basic policy which regulates all of the Bank’s business activities, keeps the group’s sustainability, enhances corporate value and carries out its social responsibility to realize the Bank’s philosophy.
- The Corporate Governance Principle defines our basic stance toward the “customers,” “shareholders,” “employees,” and the “regional community,” as well as basic policies related to corporate governance, observation of laws, corporate ethics and disclosure of information.

Organizational Structure

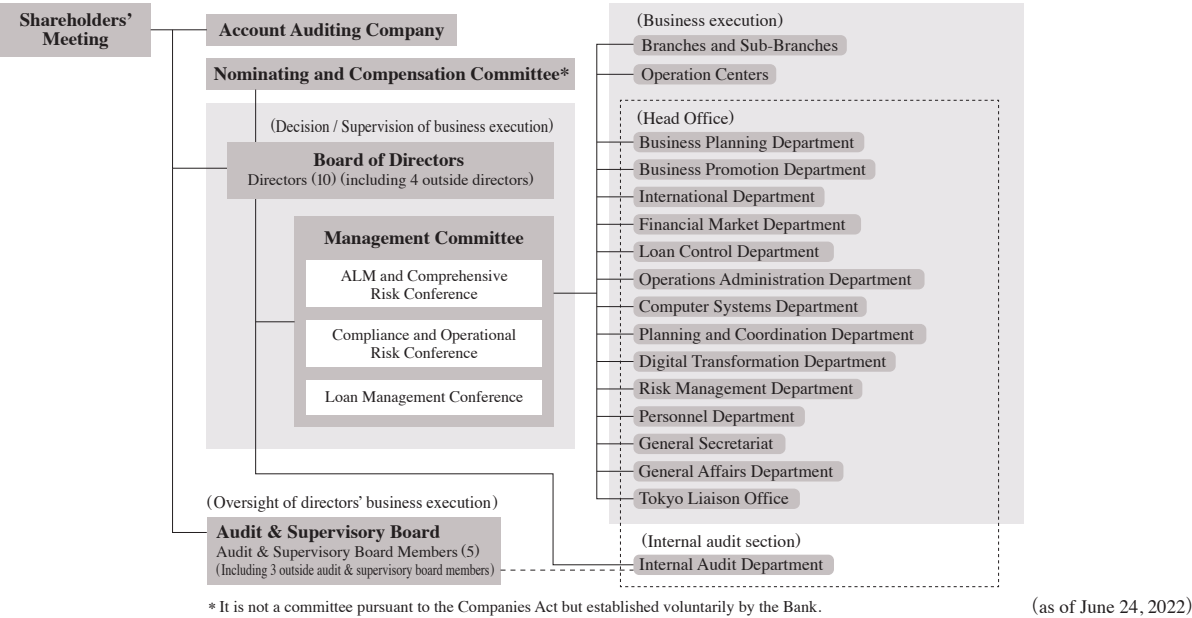
- The Bank appoints audit & supervisory board members (to form an Audit & Supervisory Board) based on the recognition that business oversight function should be separated from business execution function. While the Board of Directors decides and implements business operations, the Audit & Supervisory Board oversees business operations.
- Furthermore, the Bank appoints both outside directors and outside audit & supervisory board members who are not prone to having conflicts of interest with shareholders.

Decision / Supervision of Business Execution

- The Board of Directors is held at least once a month in principle. In this meeting, directors engage in substantial discussions and supervise the status of business operations with one another.
- The Board of Directors consists of six (6) internal directors and four (4) outside directors and the Management Committee consists of senior executives.
- Under the Board of Directors, the Management Committee, composed of Managing Executive Officers and/or officers with higher titles who are in charge of each division of headquarters, is established with three special conferences: ALM and Comprehensive Risk Conference, Compliance and Operational Risk Conference and Loan Management Conference.
- The Bank has established the “Nominating and Compensation Committee” as an advisory body in an aim to strengthen the independence, objectivity, and accountability of the Board of Directors.

Oversight of Directors’ Business Execution

- The Audit & Supervisory Board is held every month in principle. It consists of five (5) members including three (3) outside audit & supervisory board members. By attending the Board of Directors and providing appropriate advice, each member strictly oversees the execution of duties of directors. Two full-time audit & supervisory board members may attend the Management Committee and oversee the execution of business operations through inspecting each kind of matter, such as the status of internal controls and branches’ audit results. They regularly discuss with Representative Directors in order to provide their views about management policy or issues, and also discuss with the Account Auditing Company.



Remuneration

- As for directors’ remuneration, the Bank introduces three types of remuneration: fixed-amount compensation, performance-linked compensation and stock-based compensation.
- The monthly amount of fixed-amount compensation is limited to be within ¥25 million. Performance-linked compensation is based on the Bank’s net income. The form of stock-based compensation is stock options (share options). The amount of stock options is limited to be within ¥100 million in a year, to be decided at the shareholders’ meeting. The payment amount to each director is decided by a consultation of the Board of Directors.
- Audit & supervisory board members’ remuneration is fixed-amount compensation. The monthly amount of such remuneration is limited to be within ¥8 million by the resolutions of the shareholders’ meeting and the payment amount to each member is decided by a consultation of the Audit & Supervisory Board.
- With respect to the proposals for submission to the shareholders’ meeting regarding remuneration of directors and audit & supervisory members and other remuneration-related matters including remuneration of executive officers, the Board of Directors receives advice and proposal from the Nominating and Compensation Committee.

Independent Auditor

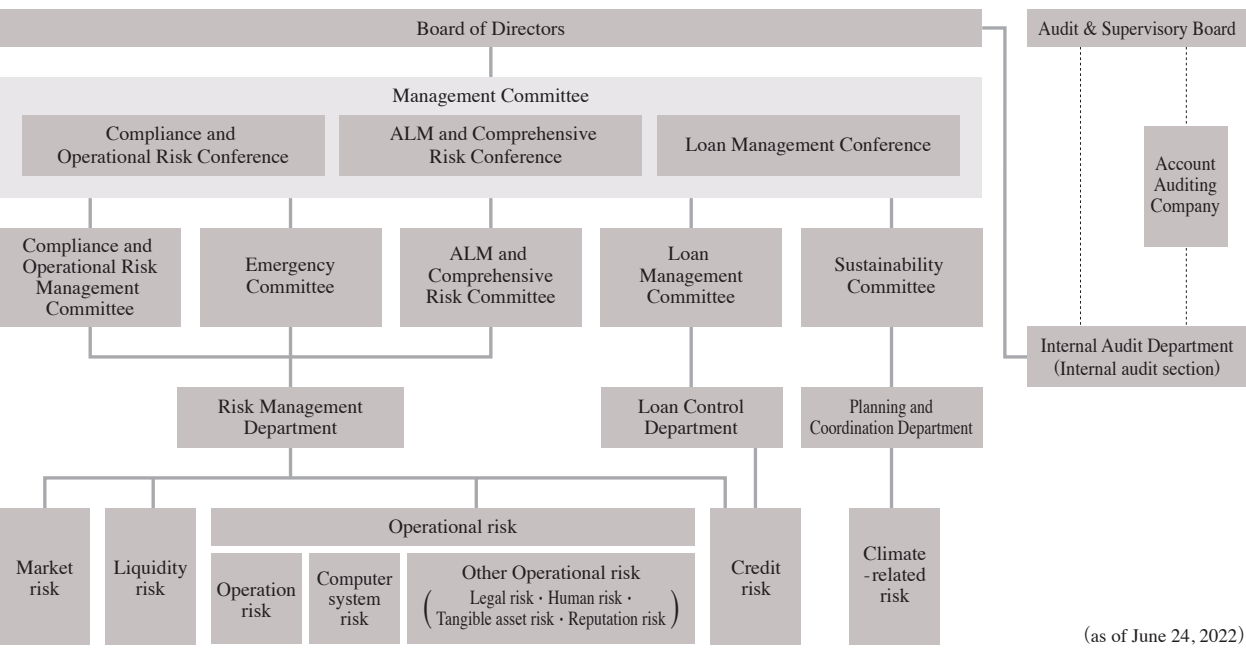
- The bank has concluded an audit contract with Deloitte Touche Tohmatsu LLC and is audited.

Risk Management

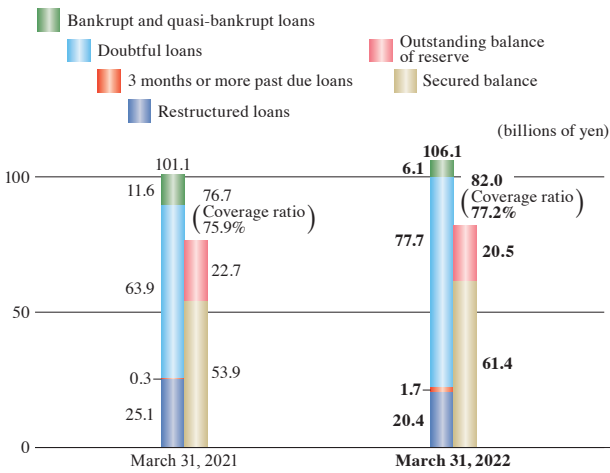
Comprehensive Risk Management

- The Bank’s Management Committee defines the basic policy regarding comprehensive risk management to ensure soundness of management and adequacy of its business operations. Targeted main risks are market risk, liquidity risk, operational risk and credit risk as described in the Risk Management Organization Chart (see below). By managing these risks comprehensively and reflecting them in the decision-making process of executives, the Bank restrains risk amount to the appropriate level relative to the Bank’s capacity. The Bank makes a profit plan and allocates management resources suited to each form of risk.
- ALM and Comprehensive Risk Conference manages market risk, credit risk and liquidity risk. Compliance and Operational Risk Conference manages operation risk, computer system risk, and other operational risk. Loan Management Conference manages more diversified credit risks.

Risk Management Organization Chart



Loans based on the Financial Revitalization Law and risk management



	March 31, 2021	March 31, 2022
Bankrupt and quasi-bankrupt loans	11.6 (0.20%)	6.1 (0.10%)
Doubtful loans	63.9 (1.12%)	77.7 (1.28%)
Substandard loans	25.4 (0.44%)	22.1 (0.36%)
3 months or more past due loans	0.3 (0.00%)	1.7 (0.02%)
Restructured loans	25.1 (0.44%)	20.4 (0.33%)
Sub total	101.1 (1.78%)	106.1 (1.74%)
Normal loans	5,578.0	5,965.8
Total credits	5,679.1	6,071.9

(As a percentage of total credits)

Regarding Terminologies:

1. Bankrupt and quasi-bankrupt loans

Loans to customers in bankrupt such as insolvency, company rehabilitation, and civil rehabilitation, etc., and to customers in quasi-bankrupt conditions.

2. Doubtful loans

Loans for which substantial doubt is judged to exist as to ultimate collectability of either principal or interest because of the deterioration in business results and financial conditions of customers who are not in bankrupt.

3. Substandard loans

Loans (other than 1 or 2) in the following classification

3 months or more past due loans

Loans, either principal or interest payment of which is contractually past due 3 months or more from the next day of the due date.

Restructured loans

Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction

International Operations

Nagano Prefecture, which is the major business base for the Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. Now there are about 2,900 bases of our customers in other countries, primarily in Asia.

Since the launch of its foreign exchange business in January 1962, the Bank has expanded its international operations to meet the growing needs of customers who operate worldwide.

The Bank maintains a network of overseas bases covering four major Asian cities. In addition to the Hong Kong Branch, which functions as the Asian control center and offers full banking services, we have three representative offices – Shanghai, Bangkok and Singapore.

Leveraging this network – one of the most powerful of any Japanese regional bank – our staff of international banking specialists at headquarters and overseas offices stand ready to offer customers a wide range of support services to meet their needs in overseas transactions, overseas business expansion and business development. The Bank continues to be one of Japan’s leading regional banks in terms of the amount of foreign exchange transactions handled. The Bank offers to parent companies in Japan the capital funds they need to expand overseas and the funds they need to finance their overseas subsidiaries (“parent-subsidiary loans”). And we are also promoting initiatives to expand cross-border loans whereby our domestic offices offer direct loans to customers operating around the world, not only in Asia such as China, Thailand, Indonesia, Vietnam and Philippines, but also in America or Europe (as of the end of March 2022). We also handle loans denominated in Thai Baht.

In addition, the Bank can meet the fund-raising needs of customers’ overseas subsidiaries by making the most of our partnership with leading overseas banks.

Hong Kong

Since its opening in May 1991, the Hong Kong Branch has been expanding with offering the financial services to the customers. As a result, the Bank now handles the large foreign exchange volume due to the Hong Kong Branch. Furthermore, the Hong Kong Branch offers a wide range of services such as providing various information, supporting business expansion for customers who seek to extend business in China and other Asian countries. Aiming to satisfy various needs of customers, the Hong Kong Branch has been offering renminbi-denominated transactions such as deposit, transfer and loan since 2010, and cross-border loans to customers’ subsidiaries in Southeast Asia and mainland China since 2012.

◆ **Hong Kong Branch**
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Singapore / Bangkok

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, there are over about 1,100 customer bases in ASEAN countries.

Singapore is the distribution, financial and economic center in Southeast Asia. The Bank established its Singapore Representative Office in 1997. And in 2007, it established the Bangkok Representative Office, which is the first in Thailand among all regional banks in Japan. Both offices collect and analyze information on the rapidly changing social, financial and economic conditions in the region, and offer the latest information to local customers. In cooperation with the Bank’s head office and domestic branches, both offices help customers to expand their businesses in Southeast Asia.



◆ **Representative Office Registered in Singapore**
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◆ **Bangkok Representative Office**
Bhiraj Tower at EmQuartier 18th floor, Unit1804 689 Sukhumvit Road, North Klongton, Vadhana, Bangkok 10110 Thailand Phone: 66-2261-8226 Facsimile: 66-2261-8227

Shanghai

China is an important huge market for Japan and Nagano Prefecture. Our customers have established over 800 manufacturing and sales facilities in mainland China, and their making inroads to coastal regions are especially remarkable. Since its opening in May 2002, the Shanghai Representative Office supports its customers in their making inroads to China from various aspects and tries to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China.

◆ **Shanghai Representative Office**
8F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, China
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International Department

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Financial Market Department

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Corporate Social Responsibility (CSR)

Environmental Conservation Activities



Environmental Policy

Environmental Philosophy

The Hachijuni Bank Group positions environmental conservation activities as elements vital to corporate social responsibility and will contribute to the creation of a sustainable regional community through positive and continual improvements in the environment.

Three Pillars

1 Environmental conservation activities by the Bank’s core business

Contribution to customers’ activities in environmental improvements by providing environment-friendly financial products

2 Reduction of internal environmental burden

Achievement of the reduction in both environmental burden and the Bank’s costs through energy saving and resource conservation

3 Contribution to the regional economy and reinforcement of environmental education

Contribution to the regional community through environmental volunteer activities

Results of Environmental Accounting for Fiscal Year 2021

Environmental conservation cost (millions of yen)			Economic benefit associated with environmental conservation activities (millions of yen)		
Classification	FY2020	FY2021	Item	FY2020	FY2021
Business area cost	140	246	Income	1,367	1,890
Resource circulation cost	36	28	Income from environment-related loans	1,329	1,822
Pollution prevention cost	0	0	Income from EB contracts	18	21
Global environmental conservation cost (*1)	104	218	Income from ISO14001 consultations	20	47
Administrative activity cost	73	50	Cost saved (*3)	77	14
Personnel cost	55	38	Total	1,444	1,904
Disclosure of environment information and advertisement	13	10			
Maintenance of environmental management system	3	0			
Monitoring of environmental burden	2	2			
Social activity cost (*2)	18	2			
Total	231	298			

*1 Installation cost of LED, installation cost of solar power systems

*2 Support funds for “Hachijuni-no-Mori,” and for preserving the terraced rice paddies

*3 The amount reduced in utilities expenses, supplies expenses through energy and resource saving efforts (stated by straight comparison with the previous fiscal year)
A negative figure means an increase from the previous fiscal year.

Environmental conservation benefit (Reduction of carbon dioxide emission) (t-CO ₂)		
Classification	FY2020	FY2021
CO ₂ emission reduced by the Bank’s internal efforts (by straight comparison with the previous fiscal year)	517	1,230
CO ₂ emission reduced by customers through the help of the Bank’s core businesses	627,830	325,868
Total	628,347	327,098

Initiatives to Address the TCFD Recommendations

Since 2021, we have been endeavoring to make disclosures compliant with the TCFD Recommendations,* which we endorsed in March 2020. We will continue to proactively address climate change issues through engagement (dialogue) with customers.

Governance

- To contribute to the realization of a sustainable society, we have defined sustainability as a core element of business management in our Medium-Term Management Vision 2021. Our officers and employees are united in their efforts to address environmental issues, guided by the Hachijuni Bank Group’s Environmental Policy.
- In 2021, we reorganized the existing Environmental Committee into a Sustainability Committee that is chaired by the President and meets semiannually in principle. The aim was to create a structure whereby environmental and other initiatives are evaluated and climate change measures are incorporated in the management strategy. Progress on environment-related targets, among other matters, is reported to the Management Committee and the Board of Directors. In addition, progress on the sustainability initiatives each division has devised is managed by the Planning and Coordination Department’s Sustainability Supervision Office and reported to management.



Strategy

- Based on the identification of climate-related risks and opportunities and the impact on business activities, we endeavor to conduct appropriate risk management and to provide financial products and services that contribute to mitigation of and adaption to climate change.

Risks

- We recognize transition risks and physical risks as climate-related risks.

➤ Transition risk: A possible increase in credit risks of customers subject to stricter climate-related regulations, etc. in the process of transitioning to a decarbonized society.	➤ Physical risk: A possible increase in credit risks due to deterioration of business performance caused by stagnation of customers’ business and impairment of collateral value from natural disasters caused by climate change.
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Opportunities

- We anticipate increased business opportunities such as finance for renewable energy business and the provision of consulting to support customers’ transition to a decarbonized society. At the same time, we expect an increase in social prestige due to appropriate initiatives and disclosure as a company.

Scenario Analysis

- We performed a scenario analysis based on the 2°C scenario and the 4°C scenario (the IPCC’s RCP2.6 scenario and RCP8.5 scenario, respectively).

➤ 2°C scenario: Assumes the global average temperature in 2100 to be 2°C above pre-industrial levels owing to climate change responses and measures.	➤ 4°C scenario: Assumes continued CO2 emissions resulting from ongoing reliance on fossil fuels and other carbon-emitting sources.
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Transition risk	Physical risk
Based on the 2°C scenario, the Bank analyzed the borrowers’ (portfolio’s) conditions, etc. in the event of a carbon tax imposed, and simulated the cumulative impact of such conditions on its financial standing by 2050. The analysis covered the borrowers in two sectors: energy; and automobiles and transportation. The results suggest an increase in cumulative credit costs of approximately ¥6 billion by 2050.	Based on the 4°C scenario, the Bank analyzed the damage to the borrowers (portfolio) caused by major flooding that is predicted to hit the entire Nagano Prefecture by 2050, and simulated the impact of the damage on its financial standing. The analysis was conducted from two perspectives: impairment of collateral; and sales declines. The results suggest a maximum increase in credit costs of approximately ¥6 billion.

Note: Since the above results of analysis are based on certain assumptions, we continue to improve and refine the scenario analysis, etc.

Carbon-related Assets

- See page 10.

* Recommendations issued by the Task Force on Climate-related Financial Disclosures, which advise companies to analyze and disclose the financial impact of climate change. Corporations listed on the Tokyo Stock Exchange’s Prime Market are recommended to disclose the impact of climate change-related risks and revenue opportunities on their business activities, revenue, and other factors.

Risk Management

- Climate-related risk is deemed to be a significant risk and the impact of climate change on customers is dealt with under the framework for managing credit and other risks.
- The Hachijuni Bank Group’s Sustainable Investment and Lending Policy establishes the policies for initiatives to deal with the coal-fired power generation business and the deforestation business, defining these as sectors that are highly likely to have a negative impact on climate change.

**Hachijuni Bank Group’s Sustainable Investment and Lending Policy**

Metrics and Targets

Target and Results of Sustainable Finance

- The Bank aims to achieve a sustainable finance* of cumulative ¥1.5 trillion (including ¥1 trillion in the environmental area) in the 10 year period from FY2021 to FY2030.

Amount extended in FY2021	¥155.4 billion (incl. ¥83.0 billion in the environmental area)
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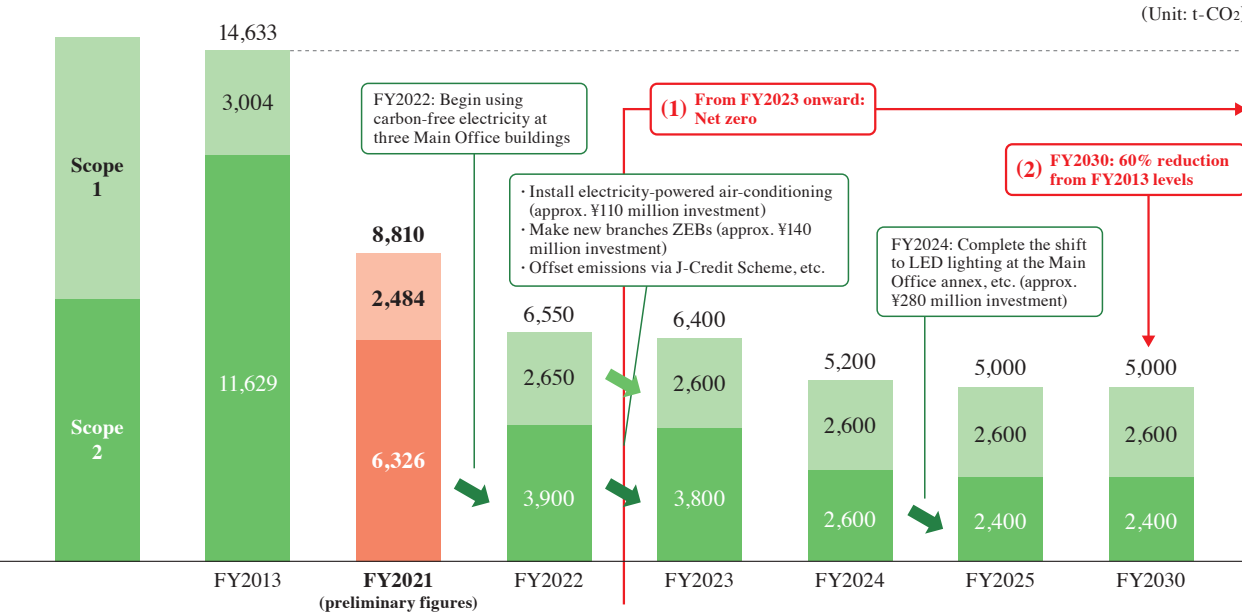
* Defined as investments and loans that contribute to the environment, health care, welfare, education, start-ups, business succession, and so forth.

Targets and Results of GHG Emissions Reductions

- For Scopes 1 and 2 GHG emissions, the Bank has set two reduction targets: (1) generate net zero GHG emissions by FY2023; and (2) reduce its GHG emissions by 60% from the base year of FY2013 by FY2030. We are working on various measures, such as using carbon-free electricity, changing air-conditioning to electricity-powered one, and making new branches zero-emission buildings (ZEBs), to reduce GHG emissions.

➤ Scope 1: GHG emissions generated directly from the Bank’s business and other activities.	➤ Scope 2: GHG emissions generated indirectly from the consumption of purchased energy such as electricity.
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Bank’s GHG Emissions Reduction Plan



GHG Emissions

- See pages 10 and 11.

Carbon–Related Assets

► The Bank categorizes its carbon-related assets into four sectors (excluding water suppliers, independent power providers, and renewable power providers). The ratio of the carbon-related assets of each sector to the Bank’s outstanding balance of loans and bills discounted is as shown in the table below.

(As of March 31, 2022; including overseas branches)

Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forest Products
1.72%	3.52%	18.34%	2.63%

Note: Constituent industries of each sector are as indicated in parentheses: Energy (oil and gas, coal, and electric utilities); Transportation (air freight, passenger air transportation, maritime transportation, rail transportation, trucking services, and automobiles and components); Materials and Buildings (metals and mining, chemicals, construction materials, capital goods, and real estate management and development); and Agriculture, Food, and Forest Products (beverages, agriculture, packaged foods and meats, and paper and forest products).

GHG Emissions

► Since FY2014, the Bank has been quantifying its GHG emissions, including those from the supply chain that are classified as categories up to 14 of Scope 3. In addition, we started to make trial calculations of Scope 3 category 15 (investments) emissions in FY2021. We will continue to work on expanding the calculation scope and refining emissions quantification.

GHG Emissions			(Unit: t-CO ₂)	
Items			FY2020	FY2021
Scope 1	Direct emissions	Heavy oil, kerosene, city gas, gasoline, propane gas	2,689	2,484
Scope 2	Energy-derived indirect emissions	Electricity	7,352	6,326
Scope 3			13,315	19,149
<div>CO₂ emissions from the supply chain</div>	1 Purchased goods & services	Stationery, copying paper, water and sewage, etc.	2,238	5,680
	2 Capital goods	All buildings belonging to the Bank, construction-in-progress accounts and other tangible fixed assets	5,426	7,987
	3 Fuel and energy-related activities not included in Scope 1 or 2	Heavy oil, kerosene, city gas, gasoline, propane gas,electricity	1,724	1,629
	4 Transportation and delivery (upstream)	Postage, transportation	1,849	1,949
	5 Waste generated in operations	All forms of waste	123	71
	6 Emissions from employee travel	Business trips	511	481
	7 Employee commuting	Commuting	1,444	1,352
	15 Investments	Loans to domestic nonfinancial corporations	—	See the trial calculations on page 11.
Total			23,356	27,959

Note: Scope 3 calculation methods, emission factors, and so forth comply with the following two guidelines issued jointly by Japan’s Ministry of the Environment and Ministry of Economy, Trade and Industry in March 2022: Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (version 2.4); and the database of emissions unit values for accounting of greenhouse gas emissions, etc., by organizations throughout the supply chain (version 3.2). Emissions classified as categories 8 to 14 of Scope 3 were all calculated to be zero.
The above figures were authorized by LRQA Limited as the third party guarantee.
The Group-wide GHG emissions (Scopes 1 and 2) were calculated to be 9,256tons-CO2. Moving forward, we will consider the monitoring of the Group-wide Scope 3 emissions.

Trial Calculations of Scope 3 Category 15 Emissions

► Indirect GHG emissions associated with investments and loans account for a large proportion of financial institutions’ Scope 3 emissions (CO2 emissions from the supply chain). Therefore, in FY2021 , the Bank started to make trial calculations of emissions associated with its loans to domestic nonfinancial corporations by reference to the accounting methods in the PCAF* Standard.
Given below is the outline of the trial calculations.

* Partnership for Carbon Accounting Financials, which is an international initiative to develop methodologies for financial institutions to measure and disclose GHG emissions from their loan and investment portfolios.

Trial Calculations of Emissions by Industry Classifying the Bank’s Borrowers into the TCFD’s 14 Industries

Industry	Carbon intensity (Unit: t-CO ₂ /million yen)	Emissions (Unit: t-CO ₂)	Industry	Carbon intensity (Unit: t-CO ₂ /million yen)	Emissions (Unit: t-CO ₂)
Agriculture	4.51	105,006	Automobiles and components	5.93	532,999
Paper and forest products	2.41	124,775	Electric utilities	29.07	1,270,712
Beverages, packaged foods and meats	3.69	549,814	Real estate management and development	1.08	92,127
Metals and mining	5.78	1,133,176	Rail transportation, trucking services	3.68	249,783
Chemicals	4.50	572,563	Maritime transportation	13.30	55,207
Oil and gas	2.55	396,615	Air freight, passenger air transportation	12.14	11,998
Construction materials, capital goods	4.39	2,221,629	Other	2.03	2,866,522
			Total		10,182,924

[Formula to Calculate Carbon Intensity by Industry]

Carbon intensity by industry = Σ [Each borrower’s carbon intensity] ÷ Number of borrowers

[Formula to Calculate Emissions]

Emissions = Σ [Each borrower’s carbon intensity × Borrower’s revenue × Degree of contribution of the Bank’s loans]

[Timing of Data Collection]

Outstanding balance of loans: As of March 31, 2022.
Borrower’s revenue and other financial indicators:
Each borrower’s latest financial results the Bank obtained as of March 31, 2022, when the trial calculations were performed.

[Supplementary Information on Trial Calculations]

Whereas Scope 3 category 15 is designed to quantify GHG emissions associated with a financial institution’s investment and loan portfolio, the trial calculations above were made covering the Bank’s loans to domestic nonfinancial corporations only. Going forward, we intend to progressively expand the scope of loans that can be included in the calculations.
Note that GHG emissions calculation methods are subject to change as discussions are underway on the development of an international standard.

Topics 2 : Awarded a B rating from CDP 2021 (Climate Change)

The Bank responded to the Climate Change 2021 Questionnaire conducted by CDP, a global environmental impact nonprofit, and awarded a B rating. This is the third-highest rating of CDP’s nine rating categories, representing a Management level score in terms of corporate climate change response.

Note: CDP is one of the world’s leading ESG rating organizations. It sends companies questionnaires regarding climate change, water security, and deforestation to primarily survey what initiatives they take to address those issues and how such initiatives are disclosed; and evaluates their responses. In 2022, the scope of the Japanese entities to which CDP’s Climate Change disclosure request is sent was expanded to all the companies listed on the Tokyo Stock Exchange’s Prime Market.

Topics 1 : Utilizing locally generated carbon-free electricity

Since June 2020, six of our branches located in Nagano Prefecture—namely, Daimon-cho, Nakano, Uedahigashi, Naka-karuizawa, Hirooka, and Okaya Branches—have been using carbon-free electricity generated by hydropower plants in the prefecture. Of these, Nakano and Uedahigashi Branches, both being all-electric buildings, have become zero-carbon branches as they virtually emit no CO2. Going forward, we will also work to make branches zero-emission buildings to reduce GHG emissions further.



Board of Directors

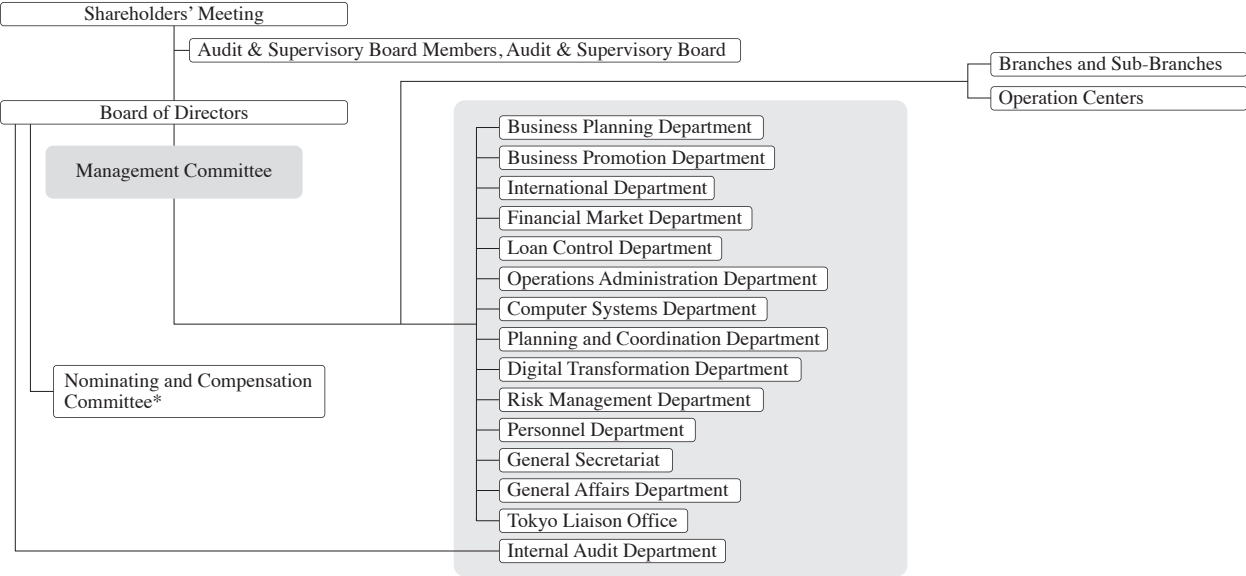
Shoichi Yumoto Director & Chairman	Masaki Matsushita Director & President
Takahiko Asai Director & Deputy President	Shohei Hidaï Senior Managing Director
Shinji Sato Director	Hiroyuki Miyahara Director
Kayo Tashita Director (Outside Director)	Miyako Hamano Director (Outside Director)
Eiji Kanzawa Director (Outside Director)	Takayuki Kanai Director (Outside Director)

Audit & Supervisory Board Members

Chishu Minemura Audit & Supervisory Board Member	Akihiro Kasahara Audit & Supervisory Board Member
Takeshi Kadota Outside Audit & Supervisory Board Member	Yasuyoshi Wada Outside Audit & Supervisory Board Member
Kiyohito Yamasawa Outside Audit & Supervisory Board Member	

The ratio of outside directors : 40%	(as of June 24, 2022)
The ratio of female directors : 20%	

Oganization



* It is not a committee pursuant to the Companies Act but established voluntarily by the Bank. (as of June 24, 2022)

Major Affiliated Companies

		Date of establishment	Line of business
The Hachijuni Bank, Ltd.	Hachijuni Securities Co., Ltd.	● May 1949	● Securities business
	Hachijuni Lease Co., Ltd.	● June 1974	● Leasing
	Hachijuni Card Co., Ltd.	● August 1982	● Credit card business
	Hachijuni Credit Guarantee Co., Ltd.	● December 1983	● Guarantee to consumer loan
	Hachijuni System Development Co., Ltd.	● December 1983	● Development of computer systems
	Hachijuni Capital Co., Ltd.	● September 1984	● Venture capital for high-tech companies
	Hachijuni Staff Service Co., Ltd.	● September 1986	● Placement of temporary working staff
	Yamabiko Services Co., Ltd.	● June 2000	● Credit collection and management
	Hachijuni Auto Lease Co., Ltd.	● October 2005	● Leasing
	Hachijuni Asset Management Co., Ltd.	● October 2021	● Investment management business
	Hachijuni Investment Co., Ltd.	● October 2021	● Investment business

(as of June 24, 2022)

Major Shareholders

Name	Number of shares in thousands	%	Name	Number of shares in thousands	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	66,518	13.58	Shin-Etsu Chemical Co., Ltd.	11,830	2.41
Custody Bank of Japan, Ltd. (Trust Account)	19,350	3.95	Showa Shoji Co., Ltd.	11,820	2.41
Meiji Yasuda Life Insurance Company	17,867	3.64	MUFG Bank, Ltd.	10,182	2.07
Nippon Life Insurance Company	13,600	2.77	Aioi Nissay Dowa Insurance Co., Ltd.	10,041	2.05
State Street Bank and Trust Company 505223	13,529	2.76	NORTHERN TRUST CO. (AVFC) SUB A/C USL NON-TREATY	9,669	1.97

(as of March 31, 2022)

Financial Section

Consolidated Balance Sheet
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS:			
Cash and due from banks (Note 5)	¥ 4,049,642	¥ 2,753,959	\$ 33,079,913
Call loans and bills bought	20,000	30,000	163,371
Monetary claims bought	116,411	98,202	950,922
Trading assets (Notes 6,13 and 28)	13,370	12,157	109,219
Money held in trust (Notes 7 and 13)	79,448	80,015	648,982
Securities (Notes 8, 13 and 27)	2,801,655	3,326,241	22,885,603
Loans and bills discounted (Notes 9,13, 27 and 29)	5,931,315	5,541,154	48,450,547
Foreign exchanges (Note 10)	30,546	34,417	249,519
Lease receivables and investments in leases (Note 26)	68,041	69,989	555,803
Other assets (Note 13)	152,789	141,736	1,248,075
Property, plant, and equipment—net (Note 11)	34,378	33,778	280,822
Intangible assets—net (Note 11)	4,628	4,747	37,804
Asset for employees' retirement benefits (Note 16)	42,803	42,139	349,641
Deferred tax assets (Note 25)	1,780	2,023	14,541
Customers' liabilities for acceptances and guarantees (Note 12)	38,113	35,424	311,335
Allowance for credit losses	(41,129)	(45,351)	(335,972)
TOTAL	¥ 13,343,796	¥ 12,160,638	\$ 109,000,131

LIABILITIES AND EQUITY

LIABILITIES:			
Deposits (Notes 13, 14 and 27)	¥ 8,049,875	¥ 7,654,318	\$ 65,756,208
Negotiable certificates of deposit (Note 27)	132,507	139,665	1,082,397
Call money and bills sold	1,504,861	676,745	12,292,611
Payables under repurchase agreements	53,041	77,627	433,276
Payables under securities lending transactions (Note 13)	322,484	784,779	2,634,250
Trading liabilities (Notes 6 and 28)	4,279	3,066	34,955
Borrowed money (Notes 13,15 and 27)	2,087,634	1,639,118	17,053,051
Foreign exchanges (Note 10)	960	1,330	7,844
Borrowed money from trust account	360	—	2,943
Other liabilities	108,104	104,351	883,060
Liability for employees' retirement benefits (Note 16)	11,653	11,667	95,196
Provision for reimbursement of deposits	499	823	4,082
Provision for contingent losses	1,341	1,316	10,955
Reserve under special laws	12	12	102
Deferred tax liabilities (Note 25)	115,367	120,695	942,392
Acceptances and guarantees (Note 12)	38,113	35,424	311,335
Total liabilities	12,431,097	11,250,943	101,544,664

EQUITY (Notes 17 and 32):			
Common stock—authorized, 2,000,000 thousand shares; issued, 511,103 thousand shares in 2022 and 2021	52,243	52,243	426,753
Capital surplus	59,176	59,181	483,388
Stock acquisition rights (Note 18)	271	272	2,217
Retained earnings	512,403	492,869	4,185,617
Treasury stock—at cost, 21,445 thousand shares in 2022 and 21,544 thousand shares in 2021	(11,576)	(11,629)	(94,559)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	268,743	294,333	2,195,258
Deferred gain on hedges	15,670	4,426	128,005
Defined retirement benefit plans	12,266	14,594	100,201
Total	909,198	906,291	7,426,882
Noncontrolling interests	3,499	3,402	28,584
Total equity	912,698	909,694	7,455,467
TOTAL	¥ 13,343,796	¥ 12,160,638	\$ 109,000,131

See notes to consolidated financial statements.

Consolidated Statement of Income

Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
INCOME (Note 19):			
Interest income:			
Interest on loans and discounts	¥ 41,893	¥ 43,276	\$ 342,208
Interest and dividends on securities	26,989	32,403	220,464
Other interest income	3,920	2,117	32,028
Fees and commissions	22,018	21,188	179,858
Trading income	2,063	3,360	16,852
Other operating income (Note 20)	44,177	40,649	360,869
Other income (Note 21)	11,050	9,639	90,263
Total income	152,112	152,636	1,242,544

EXPENSES:

Interest expenses:			
Interest on deposits	600	938	4,908
Interest on borrowings and rediscounts	521	1,372	4,262
Other interest expenses	3,195	4,551	26,106
Fees and commission payments	5,600	5,964	45,745
Other operating expenses (Note 22)	37,263	34,033	304,393
General and administrative expenses (Note 23)	54,038	59,021	441,422
Provision for credit losses	1,800	8,882	14,711
Other expenses (Note 24)	11,034	6,056	90,133
Total expenses	114,056	120,821	931,683

INCOME BEFORE INCOME TAXES

INCOME TAXES (Note 25):

Current	8,950	11,684	73,115
Deferred	2,254	(2,394)	18,412
Total income taxes	11,204	9,290	91,527

NET INCOME

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

	Yen				U.S. Dollars	
PER SHARE OF COMMON STOCK (Note 31):						
Basic net income	¥	54.46	¥	45.73	\$	0.44
Diluted net income		54.39		45.67		0.44
Cash dividends applicable to the year		14.00		14.00		0.11

PER SHARE OF COMMON STOCK (Note 31):

Basic net income	¥	54.46	¥	45.73	\$	0.44
Diluted net income		54.39		45.67		0.44
Cash dividends applicable to the year		14.00		14.00		0.11

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2022

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
	2022		2021		2022	
NET INCOME	¥	26,850	¥	22,524	\$	219,333
OTHER COMPREHENSIVE INCOME (LOSS) (Note 30):						
Unrealized gain (loss) on available-for-sale securities		(25,662)		109,092		(209,622)
Deferred gain on derivatives under hedge accounting		11,243		21,840		91,847
Defined retirement benefit plans		(2,334)		14,988		(19,072)
Total other comprehensive income (loss)		(16,752)		145,921		(136,848)
COMPREHENSIVE INCOME	¥	10,097	¥	168,446	\$	82,485
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the parent	¥	9,993	¥	167,715	\$	81,635
Noncontrolling interests		103		730		849

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

[illegible]

Thousands of U.S. Dollars (Note 1)

BALANCE, MARCH 31, 2021

Cumulative effects of changes in accounting policies
BALANCE AS OF THE BEGINNING OF THE PERIOD
REFLECTING CHANGES IN ACCOUNTING POLICIES

Net income attributable to owners of the parent
Cash dividends: \$0.11 per share
Purchases of treasury stock
Disposals of treasury stock
Net change during the period

BALANCE, MARCH 31, 2022

See notes to consolidated financial statements.

Accumulated Other Comprehensive Income										
Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Gain on Hedges	Defined Benefit Plans	Total	Noncon- forming Interests	Total Equity
\$ 426,753	\$ 483,433	\$ 2,223	\$ 4,026,054	\$ (94,997)	\$ 2,404,295	\$ 36,157	\$ 119,214	\$ 7,403,135	\$ 27,796	\$ 7,430,922
			(2,285)					(2,285)		(2,285)
426,753	483,433	2,223	4,023,768	(94,997)	2,404,295	36,157	119,214	7,400,850	27,796	7,428,646
			217,839 (55,990)					217,839 (55,990)		217,839 (55,990)
	(45)			(2)				(2)	395	(2)
		(5)		440	(209,037)	91,847	(19,013)	(136,208)	788	(135,420)
\$ 426,753	\$ 483,388	\$ 2,217	\$ 4,185,617	\$ (94,559)	\$ 2,195,258	\$ 128,005	\$ 100,201	\$ 7,426,882	\$ 28,584	\$ 7,455,467

Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2022	2021	2022	
OPERATING ACTIVITIES:				
Income before income taxes	¥ 38,055	¥ 31,815	\$ 310,861	
Adjustments for:				
Income taxes—paid	(13,022)	(7,886)	(106,379)	
Depreciation and amortization	5,560	5,847	45,424	
Impairment losses	302	266	2,474	
Decrease in allowance for credit losses	(4,221)	7,790	(34,482)	
Interest income	(72,803)	(77,797)	(594,701)	
Interest expense	4,318	6,863	35,276	
Interest received	74,871	81,171	611,594	
Interest paid	(4,257)	(7,874)	(34,774)	
Net increase in loans and bills discounted	(390,161)	(145,908)	(3,187,069)	
Net increase in borrowed money	448,515	853,171	3,663,745	
Net increase in deposits	395,556	678,813	3,231,146	
Net increase in call loans and bills bought	(8,208)	(26,511)	(67,055)	
Net increase (decrease) in call money and bills sold	803,530	(171,380)	6,563,716	
Net (increase) decrease in due from banks, excluding due from the Bank of Japan	6,987	(9,303)	57,075	
Net increase (decrease) in payables under securities lending transactions	(462,294)	247,409	(3,776,299)	
Other—net	(12,548)	(100,887)	(102,504)	
Total adjustments	772,125	1,333,783	6,307,185	
Net cash provided by operating activities	810,181	1,365,598	6,618,047	
INVESTING ACTIVITIES:				
Purchases of investment securities	(458,351)	(913,255)	(3,744,089)	
Proceeds from sales of investment securities	678,233	294,629	5,540,216	
Proceeds from maturities of investment securities	284,434	360,905	2,323,430	
Payments for increase in money held in trust	(7,240)	(9,839)	(59,142)	
Proceeds from decrease in money held in trust	8,357	8,408	68,265	
Purchases of fixed assets	(8,224)	(6,887)	(67,181)	
Proceeds from sales of fixed assets	2,135	1,583	17,441	
Net cash provided by (used in) investing activities	499,343	(264,455)	4,078,939	
FINANCING ACTIVITIES:				
Payments to acquire treasury stock			(2)	
Proceeds from sales of treasury stock			1	
Dividends paid	(6,854)	(6,851)	(55,990)	
Dividends paid to noncontrolling interests	(7)	(9)	(61)	
Payments of changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(382)		
Net cash used in financing activities	(6,862)	(7,243)	(56,053)	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7	3	60	
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,302,670	1,093,903	10,640,994	
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	2,722,413	1,628,509	22,238,305	
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 6)	¥ 4,025,083	¥ 2,722,413	\$ 32,879,299	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Year Ended March 31, 2022

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law, and in accordance with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.42 to \$1, the rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2022, include the accounts of the Bank and its 11 (9 in 2021) significant subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over their operations are fully consolidated.

Investments in 6 (6 in 2021) unconsolidated subsidiaries and in 2 (2 in 2021) associated companies are stated at cost, and are included in securities in the consolidated financial statements. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents—For the purpose of reporting of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

c. Trading Assets and Liabilities—Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the consolidated balance

sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the consolidated balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the consolidated balance sheet dates.

For financial derivatives, the fair value of each group of financial assets and financial liabilities is calculated based on the net assets or liabilities of financial assets and financial liabilities offset with respect to specific market risks or specific credit risks.

d. Securities—Securities other than investments in unconsolidated subsidiaries and associated company are classified into three categories, based principally on the Group's intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income; (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using straight-line method; and (c) available-for-sale securities, which are not classified as either of the aforementioned securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Effective April 1, 2021, the Group applied Accounting Standards Board of Japan ("ASBJ") Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost.

In addition, investments in unconsolidated subsidiaries and associated company that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

e. Securities in Money Held in Trust—Securities included in "Money held in trust" are stated at fair value.

f. Property, Plant, and Equipment—Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

g. Software—Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally five years).

h. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized

if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- i. Allowance for Credit Losses**—The allowance for credit losses is recorded as follows in accordance with predetermined amortization and allowance standards.

Bankrupt:
Borrowers in which facts of legal or formal management failure have occurred, such as bankruptcy, corporate rehabilitation, and transaction suspension at a clearing house

Defacto Bankrupt:
Borrowers who are unable to meet their obligations

In danger of bankruptcy:
Borrowers who are not currently in a state of bankruptcy but are likely to fall into bankruptcy in the future

Need Special Attention:
Borrowers who need to manage all or part of the loans requiring attention (loan conditions relaxed loans and loans overdue for three months or more)

Need Attention:
Borrowers who have problems with lending conditions or repayment performance, business conditions are sluggish or unstable, and need to be managed in the future

Normal:
Borrowers with good performance and no financial problems

- (a) Loans to “Bankrupt” and “Defacto Bankrupt,” Loans in excess of collateral are recorded for any amounts that may not be recovered.
- (b) Loans to “In danger of bankruptcy,” the expected amount of collateral disposal and the expected amount of recovery by guarantee are deducted from the amount of the loan. Of the remaining balance (hereinafter referred to as "non-conservation amount"), the amount deemed necessary is recorded.
For large borrowers with a certain amount of credit or more, the Bank estimates the allowance for loan losses by the method below.
- (1) The Bank comprehensively judges a borrower's situation and estimates a recoverable amounts by cash flow (“the collectible amount from cash flow method”).
- (2) The allowance for loan losses is the balance of non-conservation amounts less the recoverable amounts estimated step 1.
For debtors of debtors other than those mentioned above, an allowance for loan losses is provided by multiplying the non-conservation amount by the expected loss rate calculated from the bankruptcy probability from past periods.
- (c) For loans to “Need Special Attention” and “Need Attention,” the difference between the cash flow “the discounted cash flow method” discounted at the original contracted interest rate and the carrying amount of the receivable would be recorded as the allowance for loan losses.
- (d) For loans to “Need Special Attention” and “Need Attention” other than (c) , and “Normal” , the allowance for loan losses is recorded based on the expected loss rate calculated from the probability of bankruptcy in the past certain period.

(Note1) Grouping in calculating the probability of bankruptcy
The probability of bankruptcy is allocated to six categories, including one normal division, three “Need Attention” divisions and two bankruptcy concerns. “Need Attention” divisions are classified according to the comprehensive judgment of the creditworthiness of the borrowers and the existence of loans with relaxed loan terms.

(Note2) A certain period in which the expected loss rate will be estimated in the future
Allowance for doubtful accounts is determined based on the expected loss rate for normal loans over the next one year and for loans requiring attention over the period corresponding to the average remaining life of the loans. The average remaining period is 39 months for top level of “Need Attention”, 43 months for lower level of “Need Attention” and 46 months for “Need Special Attention.”

(Note3) Changes in the probability of bankruptcy probability and future prospects
The probability of bankruptcy used to calculate the allowance is determined by comparing the average value of the last three determination periods with the long-term average value, considering the entity's business cycle. The average value for the three most recent determination periods is calculated by including necessary revisions such as the current circumstances and future projections.

Based on the self-assessment standard of assets, all receivables are assessed by the asset assessment department, which is independent from the sales department, and the internal audit department provides an assessment of these results.

- j. Asset and Liability for Employees' Retirement Benefits**
—The Group has a contributory funded pension plan and noncontributory unfunded retirement benefit plans, together covering substantially all of their employees.

The Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

- k. Provision for Reimbursement of Deposits**—A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

- l. Provision for Contingent Losses**—A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of estimated future contributions based on subrogate performance, etc.

m. Reserve under Special Laws—A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

- n. Stock Options**—The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of

equity until exercised.

- o. Revenue Recognition**—The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers.

- p. Leases**—Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

- q. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

- r. Foreign Currency Transactions**—Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the consolidated balance sheet date.

- s. Derivatives and Hedging Activities**—Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity. The market value of financial derivatives reflects specific market risk or specific credit risk on the basis of net assets or liabilities after offsetting the relevant financial assets and liabilities.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Group adopted portfolio hedging in accordance with Industry Committee Practical Guidelines No. 24 issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under portfolio hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is accessed by each group.

Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Committee Practical Guidelines No. 25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging instruments in accordance with the strict hedging criteria for external mirror transactions stipulated in the Industry Committee Practical Guidelines No. 24 and No. 25. Therefore, the Bank accounts for the

gains and losses on these swap transactions in its earnings or defers until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

- t. Per Share Information**—Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

- u. Significant Income and Expenses**—The Group applies "Accounting Standards for Revenue Recognition" (ASBJ Guidance No. 29, March 31, 2020) and recognizes revenue at the time in exchange for transferring promised goods or services to a customer, and the amount expected to be received in exchange for goods or services.

- v. New Accounting Pronouncements**
"Application guidelines for accounting standards for market value calculation" (Corporate Accounting Standards Application Guideline No. 31, June 17, 2021, Corporate Accounting Standards Committee)

- (1) Overview
The amendment of "Guidelines for Applying Accounting Standards for Calculation of Market Value" (Guidelines for Applying Corporate Accounting Standards, Corporate Accounting Standards Committee No. 31) on June 17, 2021, was made at the time of publication on July 4, 2019. Since it is considered that a certain period of time is required for discussions with related parties, in the examination of " Calculation of market value of investment trust", and " Investing in a union that records the amount equivalent to equity in the balance sheet in net amount", it takes about one year after the publication of the "Accounting Standards for Calculation of Market Value" because it requires a certain amount of consideration for the note on the market value.
- (2) Expected application date
It will be applied from the beginning of the fiscal year ending March 2023.
- (3) Impact of application of the accounting standard
The impact of the application of the "Guidelines for Applying Accounting Standards for Calculation of Market Value" on the consolidated financial statements is currently being evaluated.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Allowance for Credit Losses

- (a) Allowance for credit losses was ¥41,129 million (\$335,972 thousand) and ¥45,351 million as of March 31, 2022 and 2021, respectively.
Allowance for credit losses by “the collectible amount from cash flow method” were ¥12,698million (\$103,730 thousand) and ¥8,207 million as of March 31, 2022 and 2021, respectively.

Allowance for credit losses by “the discounted cash flow method” was ¥3,078million (\$ 25,150 thousand) and ¥4,942 million as of March 31,2022 and 2021, respectively.

(b)Information that contributes to understanding the content of significant accounting estimates for the identified item

(1) Determination method

The allowance for credit losses is recorded in accordance with predetermined amortization and allowance standards.

(2) Key assumptions

(i) The business plan used to determine debtor classification and used to estimate future cash flow by “the collectible amount from cash flow method” and “the discounted cash flow method” Sales forecast, expense forecast and future outlook for debt repayment plan in the business plan are assumed as follows:

- Period affecting business performance in the industry or industry to which the debtor belongs
- Market growth potential and market price trends in the industry or industry to which the debtor belongs

(ii) The impact of COVID-19 infection

The performance of the Bank for the time being may be affected depending on the COVID-19 infection and its impact on the economic environment.

The Bank assumes that the credit risk of loans and claims will be affected to some extent and the financial capacity for repayment of obligators will weaken because of the spread of the COVID-19 infection. However, the Bank calculates the allowance for credit losses based on the assumption that credit losses will not significantly increase. The assumption is uncertain. Therefore, the performance of the Bank for on and after the fiscal year ended March 31, 2022, may be affected depending on the COVID-19 infection and its impact on the economic environment.

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

If the assumptions used in the estimation at the end of the current consolidated fiscal year change due to changes in the debtor's business environment, including the status of the COVID-19 infection, the debtor classification, “the collectible amount from cash flow method”, and “the discounted cash flow method”, changes in the estimated amount of future cash flows may have a significant impact on the allowance for credit losses recorded in the consolidated financial statements for the next consolidated fiscal year.

4. ACCOUNTING CHANGE

Appling accounting standards for revenue recognition

Effective April 1, 2021, the Group adopted ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition,” issued on March 31, 2020 and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

As a result, the Group decided to recognize the revenue when the consideration was received when the service was provided.

According to the proviso of paragraph 84 of Accounting Standards for Revenue Recognition, a first-time adopter may elect not to reflect the application of accounting standards

for revenue recognition in comparative information in its financial statements. An entity that makes that election shall recognize the cumulative effect of applying accounting standards for revenue recognition as an adjustment to the opening balance of retained earnings at the beginning of its first reporting period.

As a result, retained earnings at the beginning of the current consolidated fiscal year decreased by ¥68 million (\$555 thousand). The impact on income before income taxes for the current consolidated fiscal year is immaterial. In accordance with the transitional treatment stipulated in Section 89-3 of Accounting Standards for Revenue Recognition, the comparative information for the current consolidated fiscal year is not included in the " Revenue recognition related" note.

Appling accounting standard for fair value measurement

Effective April 1, 2021, the Group adopted ASBJ Statement No. 30, “Accounting Standard for Fair Value Measurement” and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement,” issued on July 4, 2019.

In accordance with the transitional treatment stipulated in paragraph 20 of the market value calculation accounting standard, which was new before the beginning of the current consolidated fiscal year, the cumulative impact of retroactive application of the new accounting policy is added to or subtracted from retained earnings at the beginning of the current consolidated fiscal year.

As a result, specified transaction assets at the beginning of the current consolidated fiscal year decreased by ¥21 million (\$171 thousand), other assets decreased by ¥139 million (\$1,135 thousand), specified transaction liabilities increased by ¥12 million (\$98 thousand), other liabilities increased by ¥129 million (\$1,053 thousand), and deferred tax debt decreased by ¥91 million (\$743 thousand), and retained earnings decreased by ¥211 million (\$1,723 thousand).

The impact on income before income taxes for the current consolidated fiscal year is immaterial.

In addition to the above, we have decided to make a note about matters related to the breakdown of financial products by market value level in the "Financial products related" note.

However, in accordance with the transitional treatment stipulated in Section 7-4 of the "Application Guidelines for Disclosure of Market Values of Financial Instruments", the Group is allowed not to list the previous consolidated accounting in the notes.

5. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and due from banks	¥ 4,049,642	¥ 2,753,959	\$ 33,079,913
Due from banks, excluding amounts due from the Bank of Japan	(24,559)	(31,546)	(200,613)
Cash and cash equivalents	¥ 4,025,083	¥ 2,722,413	\$ 32,879,299

6. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Trading assets:			
Trading securities	¥ 731	¥ 776	\$ 5,976
Financial derivatives	4,640	3,381	37,905
Other trading assets	7,998	7,998	65,337
Total	¥ 13,370	¥ 12,157	\$ 109,219
Trading liabilities			
—Financial derivatives	¥ 4,279	¥ 3,066	\$ 34,955

7. MONEY HELD IN TRUST

The aggregate fair value of money held in trust that is listed on stock exchanges or over-the-counter markets as of March 31, 2022 and 2021, is as follows:

	Fair Value		
	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Money held in trust —Trading	¥ 79,448	¥ 80,015	\$ 648,982

8. SECURITIES

Securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Securities:			
National government bonds	¥ 820,653	¥ 1,181,265	\$ 6,703,589
Local government bonds	308,214	352,304	2,517,678
Corporate bonds	524,690	496,811	4,285,983
Equity securities	499,572	498,081	4,080,804
Other securities	648,525	797,778	5,297,548
Total	¥ 2,801,655	¥ 3,326,241	\$ 22,885,603

The securities placed under unsecured lending agreements are included in the above national government bonds in the amount of ¥193,771 million (\$1,582,837 thousand) and ¥242,496 million as of March 31,2022 and 2021, respectively.

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in securities were ¥53,313 million (\$435,495 thousand) and ¥49,130 million as of March 31,2022 and 2021, respectively.

In the following description, in addition to "Securities" in the consolidated balance sheet, also presented are beneficial interests in trust investments within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2022 and 2021, are as follows:

March 31, 2022	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 97,425	¥ 395,969	¥ 609	¥ 492,786
Debt securities	1,659,048	15,609	21,199	1,653,457
Other securities	686,426	19,980	23,267	683,140
Held-to-maturity	99	1		101
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 97,078	¥ 394,382	¥ 179	¥ 491,281
Debt securities	2,018,191	24,169	12,079	2,030,281
Other securities	807,067	28,472	11,310	824,229
Held-to-maturity	99	2		102

March 31, 2022	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 795,833	\$ 3,234,516	\$ 4,974	\$ 4,025,375
Debt securities	13,552,102	127,505	173,173	13,506,434
Other securities	5,607,144	163,216	190,060	5,580,299
Held-to-maturity	816	9		825

Proceeds from sales of available-for-sale securities for the years ended March 31, 2022 and 2021, were ¥678,879 million (\$5,545,495 thousand) and ¥299,342 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥7,894 million (\$6,489 thousand) and ¥8,608 million (\$70,315 thousand), respectively, for the year ended March 31, 2022, and ¥11,663 million and ¥2,030 million, respectively, for the year ended March 31, 2021.

9. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Bills discounted	¥ 13,031	¥ 11,041	\$ 106,449
Loans on bills	139,391	140,858	1,138,633
Loans on deeds	5,149,067	4,766,930	42,060,672
Overdrafts	629,825	622,324	5,144,792
Total	¥ 5,931,315	¥ 5,541,154	\$ 48,450,547

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥7,386 million (\$60,337 thousand) and ¥3,720 million as of March 31, 2022 and 2021, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥77,879 million (\$636,163 thousand) and ¥71,661 million as of March 31, 2022 and 2021, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥1,725 million (\$14,097 thousand) and ¥316 million as of March 31, 2022 and 2021, respectively.

Of total loans, restructured loans amounted to ¥20,466 million (\$167,181 thousand) and ¥25,136 million as of March 31, 2022 and 2021, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

10. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets:			
Due from foreign banks	¥ 26,313	¥ 29,652	\$ 214,941
Foreign exchange bills bought	3,800	4,357	31,043
Foreign exchange bills receivable	432	408	3,533
Total	¥ 30,546	¥ 34,417	\$ 249,519
Liabilities:			
Overdrafts from foreign banks	¥ 10	¥ 43	\$ 89
Foreign exchange bills sold	228	199	1,869
Foreign exchange bills payable	720	1,088	5,885
Total	¥ 960	¥ 1,330	\$ 7,844

11. PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment as of March 31, 2022 and 2021, net of accumulated depreciation of ¥72,937 million (\$595,799 thousand) and ¥72,936 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Land	¥ 11,144	¥ 11,337	\$ 91,035	
Buildings	11,546	11,016	94,315	
Construction in progress	923	360	7,543	
Other tangible fixed assets	10,764	11,064	87,928	
Software	4,018	4,136	32,827	
Other intangible fixed assets	609	611	4,976	
Total	¥ 39,006	¥ 38,526	\$ 318,626	

As of March 31, 2022 and 2021, deferred gains for tax purposes of ¥7,788 million (\$63,618 thousand) and ¥7,913 million, respectively, on property, plant, and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant, and equipment.

12. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills, and issuances of guarantees. The contra account included in the assets side of the consolidated balance sheet represents the Bank's potential claim against applicants.

13. ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Assets pledged:				
Trading assets	¥ 5,999	¥ 5,999	\$ 49,006	
Cash (other assets)	408	408	3,338	
Securities	1,298,835	1,685,027	10,609,664	
Loans and bills discounted	1,652,965	1,320,480	13,502,413	
Total	¥ 2,958,208	¥ 3,011,915	\$ 24,164,423	
Related liabilities:				
Deposits	¥ 66,030	¥ 51,199	\$ 539,379	
Payables under securities lending transactions	322,484	784,779	2,634,250	
Borrowed money	2,073,288	1,625,543	16,935,862	
Total	¥ 2,461,804	¥ 2,461,521	\$ 20,109,492	

In addition to the above, assets pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Money held in trust				
Securities	¥ 1,194	¥ 7,161	\$ 9,756	
Cash (other assets)	25	25	204	
Cash collateral received for financial instrument liabilities (other assets)	13,538	8,386	110,593	
Deposits to central counterparty (other assets)	56,733	77,166	463,432	

Additionally, initial margin of futures markets and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Initial margin of futures markets	¥ 60	¥ 1,188	\$ 490	
Guarantee deposits on office space	651	763	5,324	

14. DEPOSITS

Deposits as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Current deposits	¥ 365,362	¥ 365,393	\$ 2,984,503	
Ordinary deposits	4,989,661	4,647,489	40,758,551	
Savings deposits	58,580	57,431	478,518	
Deposits at notice		6,274		
Time deposits	2,434,298	2,396,871	19,884,809	
Other deposits	201,971	180,857	1,649,825	
Total	¥ 8,049,875	¥ 7,654,318	\$ 65,756,208	

15. BORROWED MONEY

As of March 31, 2022 and 2021, the weighted-average annual interest rates applicable to borrowed money were 0.03% and 0.01%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2022, were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
2023	¥ 1,378,737		\$ 11,262,359	
2024	705,971		5,766,797	
2025	161		1,321	
2026	161		1,321	
2027	138		1,133	
2028 and thereafter	2,462		20,119	
Total	¥ 2,087,634		\$ 17,053,051	

16. RETIREMENT AND PENSION PLANS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans.

In the contributory funded pension plan, the Group adopted a cash balance plan that each employee has a "hypothetical account balance," which accumulates pay credits based on each salary level, interest credits based on the trend of market interest rate, and pay retirement lump-sum grants or pension, based on their salary and length of service. Some funded pension plan contributed to employee pension trust.

In the noncontributory unfunded plan, the Group pays retirement lump-sum grants based on salary and length of service.

Employees whose service with the Bank or its domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

In addition, some consolidated subsidiaries adopt the simplified method to calculate their liability for employees' retirement benefit and retirement benefit costs.

(1) The changes in defined benefit obligation, excluding the ones calculated by the simplified method, (3) below, for the

years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Balance at beginning of year	¥ 52,692	¥ 54,210	\$ 430,423	
Current service cost	1,976	2,092	16,146	
Interest cost	125	74	1,022	
Actuarial gains	(658)	(741)	(5,375)	
Benefits paid	(3,030)	(3,066)	(24,756)	
Others	120	122	981	
Balance at end of year	¥ 51,225	¥ 52,692	\$ 418,441	

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Balance at beginning of year	¥ 83,616	¥ 62,913	\$ 683,029	
Expected return on plan assets	1,274	1,027	10,411	
Actuarial gains (losses)	(1,363)	20,735	(11,137)	
Contributions from the employer	750	766	6,131	
Benefits paid	(1,933)	(1,948)	(15,793)	
Others	120	122	981	
Balance at end of year	¥ 82,464	¥ 83,616	\$ 673,621	

(3) The changes in liability for employees' retirement benefits calculated by the simplified method for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Balance at beginning of year	¥ 452	¥ 341	\$ 3,696	
Net periodic benefit cost	(289)	222	(2,361)	
Benefits paid	(73)	(112)	(599)	
Balance at end of year	¥ 90	¥ 452	\$ 735	

(4) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including that calculated by the simplified method (3) above is as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Funded defined benefit obligation	¥ 43,400	¥ 44,627	\$ 354,518	
Plan assets	(86,203)	(86,999)	(704,159)	
Total	(42,802)	(42,372)	(349,640)	
Unfunded defined benefit obligation	11,653	11,900	95,196	
Net asset arising from defined benefit obligation	¥ (31,149)	¥ (30,471)	\$ (254,444)	
Liability for employees' retirement benefits	¥ 11,653	¥ 11,667	\$ 95,196	
Asset for employees' retirement benefits	(42,803)	(42,139)	(349,641)	
Net asset arising from defined benefit obligation	¥ (31,149)	¥ (30,471)	\$ (254,444)	

(5) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Service cost	¥ 1,976	¥ 2,092	\$ 16,146	
Interest cost	125	74	1,022	
Expected return on plan assets	(1,274)	(1,027)	(10,411)	
Recognized actuarial losses (gains)	(2,657)	28	(21,706)	
Net periodic benefit costs calculated by the simplified method	(289)	222	(2,361)	
Others	166	166	1,363	
Net periodic benefit costs (gains)	¥ (1,952)	¥ 1,558	\$ (15,946)	

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Actuarial gainss (losses)	¥ (3,362)	¥ 21,505	\$ (27,468)	

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans, before adjusting for tax effects, as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Unrecognized actuarial gains	¥ (17,569)	¥ (20,931)	\$ (143,516)	

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt investments	16.34%	15.52%
Equity investments	56.72	58.61
General account assets of life insurance companies	17.65	17.60
Cash and cash equivalents	3.05	2.39
Others	6.24	5.88
Total	100.00%	100.00%

Employee pension trusts for the years ended March 31, 2022 and 2021, are 44.73% and 45.72%, respectively, and are included in the total above.

b. Method of determining the expected rate of return on plan assets

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

(9) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rates	0.1%–0.4%	0.0%–0.3%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	10.0%	10.0%

17. EQUITY

The significant provisions in the Banking Law and the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having

independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution by the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Banking Law provides that an amount at least equal to 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 the total of 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 upon resolution by the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock upon resolution by the Board of Directors.

18. STOCK ACQUISITION RIGHTS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective periods. Stock-based compensation expenses were ¥47 million (\$388 thousand) and ¥59 million for the years ended March 31, 2022 and 2021, respectively.

The stock options outstanding as of March 31, 2022, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Option	8 directors	150,000 shares	August 8, 2011	¥ 1 (\$0.01)	From August 9, 2011, to August 8, 2036
2012 Stock Option	8 directors	150,000 shares	August 6, 2012	¥ 1 (\$0.01)	From August 7, 2012, to August 6, 2037
2013 Stock Option	7 directors	129,300 shares	August 5, 2013	¥ 1 (\$0.01)	From August 6, 2013, to August 5, 2038
2014 Stock Option	8 directors	133,800 shares	July 22, 2014	¥ 1 (\$0.01)	From July 23, 2014, to July 22, 2039
2015 Stock Option	8 directors	78,900 shares	July 27, 2015	¥ 1 (\$0.01)	From July 28, 2015, to July 27, 2040
2016 Stock Option	8 directors	150,000 shares	July 25, 2016	¥ 1 (\$0.01)	From July 26, 2016, to July 25, 2041
2017 Stock Option	7 directors	109,600 shares	July 24, 2017	¥ 1 (\$0.01)	From July 25, 2017, to July 24, 2042
2018 Stock Option	8 directors	150,000 shares	July 23, 2018	¥ 1 (\$0.01)	From July 24, 2018, to July 23, 2043
2019 Stock Option	8 directors	150,000 shares	July 22, 2019	¥ 1 (\$0.01)	From July 23, 2019, to July 22, 2044
2020 Stock Option	7 directors	150,000 shares	July 20, 2020	¥ 1 (\$0.01)	From July 21, 2020, to July 20, 2045
2021 Stock Option	7 directors	130,700 shares	July 19, 2021	¥ 1 (\$0.01)	From July 20, 2021, to July 19, 2046

The stock option activity is as follows:

	Stock Option			
	2011	2012	2013	2014
(Shares)				
<u>Year Ended March 31, 2021</u>				
<u>Nonvested</u>				
March 31, 2020—Outstanding	46,600	46,600	52,900	49,400
Granted				
Canceled				
Vested	31,400	31,400	24,100	22,500
March 31, 2021—Outstanding	15,200	15,200	28,800	26,900
<u>Vested</u>				
March 31, 2020—Outstanding				
Vested	31,400	31,400	24,100	22,500
Exercised	31,400	31,400	24,100	22,500
Canceled				
March 31, 2021—Outstanding				
<u>Year Ended March 31, 2022</u>				
<u>Nonvested</u>				
March 31, 2021—Outstanding	15,200	15,200	28,800	26,900
Granted				
Canceled				
Vested				
March 31, 2022—Outstanding	15,200	15,200	28,800	26,900
<u>Vested</u>				
March 31, 2021—Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2022—Outstanding				
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise				
Fair value price at grant date	¥374 (\$3.05)	¥410 (\$3.34)	¥602 (\$4.91)	¥628 (\$5.12)

	Stock Option			
	2015	2016	2017	2018
(Shares)				
<u>Year Ended March 31, 2021</u>				
<u>Nonvested</u>				
March 31, 2020—Outstanding	36,700	69,800	86,000	120,800
Granted				
Canceled				
Vested	13,200	25,200	20,400	25,200
March 31, 2021—Outstanding	23,500	44,600	65,600	95,600
<u>Vested</u>				
March 31, 2020—Outstanding				
Vested	13,200	25,200	20,400	25,200
Exercised	13,200	25,200	20,400	25,200
Canceled				
March 31, 2021—Outstanding				
<u>Year Ended March 31, 2022</u>				
<u>Nonvested</u>				
March 31, 2021—Outstanding	23,500	44,600	65,600	95,600
Granted				
Canceled				
Vested			23,600	29,200
March 31, 2022—Outstanding	23,500	44,600	42,000	66,400
<u>Vested</u>				
March 31, 2021—Outstanding				
Vested			23,600	29,200
Exercised			23,600	29,200
Canceled				
March 31, 2022—Outstanding				
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise			¥369 (\$3.01)	¥369 (\$3.01)
Fair value price at grant date	¥927 (\$7.57)	¥455 (\$3.71)	¥689 (\$5.62)	¥443 (\$3.61)

	Stock Option		
	2019	2020	2021
(Shares)			
<u>Year Ended March 31, 2021</u>			
<u>Nonvested</u>			
March 31, 2020—Outstanding	150,000		150,000
Granted			
Canceled			
Vested		23,100	
March 31, 2021—Outstanding	126,900	150,000	
<u>Vested</u>			
March 31, 2020—Outstanding			
Vested		23,100	
Exercised		23,100	
Canceled			
March 31, 2021—Outstanding			
<u>Year Ended March 31, 2022</u>			
<u>Nonvested</u>			
March 31, 2021—Outstanding	126,900	150,000	130,700
Granted			
Canceled			
Vested	29,600	17,500	
March 31, 2022—Outstanding	97,300	132,500	130,700
<u>Vested</u>			
March 31, 2021—Outstanding			
Vested	29,600	17,500	
Exercised	29,600	17,500	
Canceled			
March 31, 2022—Outstanding			
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥369 (\$3.01)	¥369 (\$3.01)	
Fair value price at grant date	¥413 (\$3.37)	¥391 (\$3.19)	¥336 (\$2.7)

The Assumptions Used to Measure the Fair Value of the 2021 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	25.12%
Estimated remaining outstanding period:	13months
Estimated dividend:	¥14 per share
Risk-free interest rate:	(0.121)%

19. REVENUE RECOGNITION

Information about disaggregation is as described in Note 33 “Segment Information”.

20. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gains on foreign exchange transactions	¥ 1,226	¥ 698	\$ 10,020
Gains on sales of bonds	9,714	6,188	79,356
Income on lease transaction and installment receivables	30,308	30,842	247,576
Other	2,927	2,920	23,916
Total	¥ 44,177	¥ 40,649	\$ 360,869

21. OTHER INCOME

Other income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Gains on sales of equity securitiess	¥ 4,669	¥ 7,202	\$ 38,142	
Gains on money held in trust	4,267	606	34,858	
Other	2,113	1,831	17,262	
Total	¥ 11,050	¥ 9,639	\$ 90,263	

22. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Loss on sales of bonds	¥ 7,717	¥ 3,778	\$ 63,038	
Cost of lease transaction and installment receivables	29,515	30,139	241,100	
Other	31	115	253	
Total	¥ 37,263	¥ 34,033	\$ 304,393	

23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Salaries and related expenses	¥ 23,505	¥ 24,104	\$ 192,008	
Other	30,533	34,916	249,414	
Total	¥ 54,038	¥ 59,021	\$ 441,422	

24. OTHER EXPENSES

Other expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Charge-off of loans	¥ 4	¥ 5	\$ 35	
Losses on sales of equity securities	2,419	459	19,766	
Valuation losses on equity securities	50	110	410	
Losses on money held in trust	3,717	1,323	30,368	
Losses on sales of real estate	451	66	3,691	
Impairment losses	302	266	2,474	
Other	4,087	3,825	33,386	
Total	¥ 11,034	¥ 6,056	\$ 90,133	

25. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of 30.35% and 30.35% for the years ended March 31, 2022 and 2021, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Deferred tax assets:				
Allowance for credit losses	¥ 11,561	¥ 12,525	\$ 94,444	
Liability for employees' retirement benefits	114	180	932	
Valuation difference on available-for-sale securities	13,680	7,151	111,750	
Deferred losses on hedges	2,099	1,283	17,154	
Valuation losses on equity securities	1,190	1,372	9,723	
Depreciation	2,902	2,957	23,708	
Accrued enterprise tax	295	486	2,412	
Impairment losses	1,540	1,501	12,580	
Other	2,487	2,170	20,319	
Less—valuation allowance	(3,012)	(3,061)	(24,606)	
Total deferred tax assets	32,859	26,567	268,419	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	130,312	134,869	1,064,470	
Gain on contribution of securities to employee retirement benefit trust	1,665	1,665	13,605	
Deferred losses on hedges	8,928	3,211	72,932	
Asset for employees' retirement benefits	4,354	4,393	35,569	
Other	1,186	1,098	9,692	
Total deferred tax liabilities	146,447	145,239	1,196,271	
Net deferred tax liabilities	¥ (113,587)	¥ (118,671)	\$ (927,851)	

Reconciliation is not presented for the years ended March 31, 2022 and 2021, because the difference was immaterial (less than 5% of the normal statutory tax rate).

26. LEASES

Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Gross lease receivables	¥ 57,007	¥ 58,995	\$ 465,670	
Estimated residual values	7,397	7,634	60,426	
Estimated maintenance cost	(1,496)	(1,517)	(12,221)	
Unearned interest income	(3,781)	(3,796)	(30,891)	
Investments in leases	¥ 59,127	¥ 61,315	\$ 482,985	

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
March 31				
Due in 1 year or less	¥ 2,583	¥ 2,500	\$ 21,102	
Due from 1 to 2 years	2,184	2,078	17,843	
Due from 2 to 3 years	1,713	1,672	13,994	
Due from 3 to 4 years	1,187	1,221	9,697	
Due from 4 to 5 years	492	716	4,020	
Due after 5 years	851	387	6,958	
Total	¥ 9,012	¥ 8,577	\$ 73,617	

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
March 31				
Due in 1 year or less	¥ 17,704	¥ 18,078	\$ 144,623	
Due from 1 to 2 years	14,138	14,420	115,489	
Due from 2 to 3 years	10,494	10,897	85,725	
Due from 3 to 4 years	7,126	7,288	58,216	
Due from 4 to 5 years	3,752	4,066	30,654	
Due after 5 years	3,790	4,243	30,960	
Total	¥ 57,007	¥ 58,995	\$ 465,670	

The minimum rental commitments under noncancelable operating leases as of March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	2021
Due within 1 year	¥ 3,271	¥ 3,272	\$ 26,726	
Due after 1 year	4,010	4,128	32,761	
Total	¥ 7,282	¥ 7,401	\$ 59,488	

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short term and the long term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management ("ALM") to avoid negative effects of interest movements. In managing interest rate movements, the Bank utilizes derivatives.

The Bank and certain consolidated subsidiaries also hold securities for sale to customers.

(2) Nature and Extent of Risks Arising from Financial Instruments

(a) Loans

The Bank provides loans mainly to domestic customers but does not focus on specific groups of companies. These loans are exposed to credit risk in the case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Bank's main business area, is approximately 50%. As such, the Bank's credit risk is likely to deteriorate if there are negative changes in the economy in Nagano Prefecture.

(b) Securities

Securities are mainly bonds, stocks, investment trusts, and corporate investment funds. These securities are classified into categories, such as (1) securities held to maturity, (2) securities available for sale, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk, and liquidity risk.

(c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk, and liquidity risk.

(d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments to hedge the Bank's portfolio under ALM and to enhance the Bank's profit.

Derivatives include interest rate swaps, interest cap transactions, and currency exchange swaps. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

(3) Risk Management for Financial Instruments

(a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating, and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the head office. These two sections monitor and check each other. Every loan from the business branches is examined in many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

(b) Market risk management (interest rate risk, foreign exchange risk, and market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering the market and the Bank's conditions, the Bank updates its Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the management committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding, and limit of valuation losses, as necessary. It also defines the threshold that should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits, as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk ("VaR") for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivative transactions under ALM.

Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To

avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management Policy.

Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Certain consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion, including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values, and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments, and VaR is multiplied by a certain stress (1 to 1.45 times) to calculate market risk amount. For calculating VaR, the historical simulation method (confidence interval of 99.9%; observation period of 1,250 days; and holding period of 10 days for Bank's trading business, 240 days for Bank's banking business, and 120 days for others) has been adopted.

The VaRs in the Bank's trading business are ¥849 million (\$6,938 thousand) and ¥1,188 million and the VaRs in the Bank's banking business are ¥427,286 million (\$3,490,330 thousand) and ¥464,470 million as of March 31, 2022 and 2021, respectively.

The Bank conducts backtesting to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model that the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risk cannot be captured in situations when market conditions change dramatically beyond what has been experienced historically.

(c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long term and short term under ALM.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of “Cash and due from banks”, “Call loans and bills bought”, “Foreign exchange”, “Call money and bills sole”, “Payables under repurchased agreements”, and “Payables under securities lending transactions” are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 29 for details of the fair values of derivatives.

(a) Fair value of financial instruments

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Securities:			
Held to maturity	¥ 99	¥ 101	¥ 1
Available for sale	2,766,219	2,766,219	
Loans and bills discounted	5,931,315		
Allowance for credit losses	(34,564)		
Loans after deduction of allowance for credit losses	5,896,751	5,922,770	26,018
Total	¥8,663,071	¥8,689,090	¥ 26,019
Deposits	¥8,049,875	¥8,049,968	¥ 93
Negotiable certificates of deposit	132,507	132,507	
Borrowed money	2,087,634	2,086,200	(1,434)
Total	¥10,270,016	¥10,268,675	¥ (1,341)
Derivative transactions:			
Hedge accounting not applied	¥ (686)	¥ (686)	
Hedge accounting applied	22,399	22,399	
Total	¥ 21,713	¥ 21,713	
March 31, 2021			
Securities:			
Held to maturity	¥ 99	¥ 102	¥ 2
Available for sale	3,294,985	3,294,985	
Loans and bills discounted	5,541,154		
Allowance for credit losses	(37,999)		
Loans after deduction of allowance for credit losses	5,503,155	5,538,471	35,316
Total	¥8,798,240	¥8,833,558	¥ 35,318
Deposits	¥7,654,318	¥7,654,382	¥ (64)
Negotiable certificates of deposit	139,665	139,665	
Borrowed money	1,639,118	1,638,907	210
Total	¥9,433,101	¥9,432,954	¥ 146
Derivative transactions:			
Hedge accounting not applied	¥ (1,093)	¥ (1,093)	
Hedge accounting applied	4,237	4,237	
Total	¥ 3,143	¥ 3,143	

March 31, 2022	Thousands of U.S.Dollars		
	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Securities:			
Held to maturity	\$ 816	\$ 825	\$ 9
Available for sale	22,596,142	22,596,142	
Loans and bills discounted	48,450,547		
Allowance for credit losses	(282,341)		
Loans after deduction of allowance for credit losses	48,168,208	48,380,739	212,533
Total	\$ 70,765,164	\$ 70,977,707	\$ 212,542
Deposits	\$65,756,208	\$65,756,969	\$ 761
Negotiable certificates of deposit	1,082,397	1,082,397	
Borrowed money	17,053,051	17,041,335	(11,716)
Total	\$ 83,891,657	\$ 83,880,702	\$ (10,955)

Derivative transactions:			
Hedge accounting not applied	\$ (5,605)	\$ (5,605)	
Hedge accounting applied	182,971	182,971	
Total	\$ 177,365	\$ 177,365	

(b) Financial instruments whose fair value cannot be reliably determined

March 31	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investments in equity instruments that do not have a quoted market price in an active market	¥ 34,149	¥ 30,059	\$ 278,953

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2022	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Securities	¥ 211,176	¥ 307,916	¥ 272,576	¥ 174,140	¥ 226,620	¥ 805,186
Held to maturity		100				
National government bonds		100				
Available for sale	211,176	307,816	272,576	174,140	226,620	805,186
National government bonds	44,500	21,500		10,000	137,000	589,500
Local government bonds	8,670	86,833	90,387	97,304	9,632	11,976
Corporate bonds	127,594	80,959	116,207	28,526	53,778	114,587
Loans and bills discounted	1,429,593	1,184,947	828,870	498,399	410,898	923,647
Total	¥ 1,640,769	¥ 1,492,863	¥ 1,101,447	¥ 672,539	¥ 637,519	¥ 1,728,833

March 31, 2021						
Securities	¥ 150,563	¥ 350,164	¥ 265,884	¥ 250,075	¥ 446,495	¥ 937,559
Held to maturity		100				
National government bonds		100				
Available for sale	150,563	350,064	265,884	250,075	446,495	937,559
National government bonds	40,100	58,000	8,000	16,000	302,500	696,500
Local government bonds	16,272	66,600	53,907	150,157	47,735	12,604
Corporate bonds	42,747	144,854	108,691	41,079	47,183	106,903
Loans and bills discounted	1,073,054	1,166,176	857,356	498,974	439,503	858,058
Total	¥ 1,223,617	¥ 1,516,340	¥ 1,123,241	¥ 749,049	¥ 885,999	¥ 1,795,617

March 31, 2022	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Securities	\$ 1,725,018	\$ 2,515,243	\$ 2,226,570	\$ 1,422,485	\$ 1,851,176	\$ 6,577,244
Held to maturity		816				
National government bonds		816				
Available for sale	1,725,018	2,514,427	2,226,570	1,422,485	1,851,176	6,577,244
National government bonds	363,502	175,624		81,685	1,119,098	4,815,389
Local government bonds	70,829	709,310	738,341	794,841	78,682	97,831
Corporate bonds	1,042,268	661,324	949,255	233,018	439,290	936,015
Loans and bills discounted	11,677,774	9,679,361	6,770,713	4,071,224	3,356,466	7,544,903
Total	\$ 13,402,793	\$ 12,194,605	\$ 8,997,283	\$ 5,493,710	\$ 5,207,642	\$ 14,122,148

(6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2022	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 7,231,102	¥ 773,734	¥ 28,741	¥ 3,961	¥ 6,320	¥ 6,014
Negotiable certificates of deposit	132,507					
Borrowed money	1,378,737	706,133	300	13	2,449	
Total	¥ 8,742,347	¥ 1,479,867	¥ 29,042	¥ 3,975	¥ 8,770	¥ 6,014

March 31, 2021						
Deposits	¥ 6,838,739	¥ 770,193	¥ 32,826	¥ 3,725	¥ 6,103	¥ 2,730
Negotiable certificates of deposit	139,615	50				
Borrowed money	1,223,056	285,187	128,637	17	2,219	
Total	¥ 8,201,410	¥ 1,055,431	¥ 161,463	¥ 3,742	¥ 8,322	¥ 2,730

March 31, 2022	Thousands of U.S.Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	\$ 59,067,981	\$ 6,320,324	\$ 234,779	\$ 32,363	\$ 51,631	\$ 49,128
Negotiable certificates of deposit	1,082,397					
Borrowed money	11,262,359	5,768,118	2,454	107	20,011	
Total	\$ 71,412,737	\$ 12,088,443	\$ 237,233	\$ 32,470	\$ 71,642	\$ 49,128

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

- Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1)The financial assets and liabilities measured at the fair values in the consolidated balance sheet

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
National government bonds	¥ 806,882	¥ 13,671		¥ 820,553
Local government bonds		308,214		308,214
Corporate bonds		471,667	¥ 53,022	524,690
Equity securities	492,725	60		492,786
Other	89,298	282,428		371,727
Total assets	¥1,388,906	¥1,076,041	¥ 53,022	¥2,517,971
Derivative transactions:				
Interest rate swaps		¥ 25,303		¥ 25,303
Currency derivatives		(3,667)		(3,667)
Bond derivatives	¥ 77			77
Total derivative transactions	¥ 77	¥ 21,636		¥ 21,713

March 31, 2022	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
National government bonds	\$6,591,096	\$ 111,676		\$6,702,772
Local government bonds		2,517,678		2,517,678
Corporate bonds		3,852,859	\$ 433,123	4,285,983
Equity securities	4,024,878	496		4,025,375
Other	729,445	2,307,044		3,036,490
Total assets	\$11,345,420	\$8,789,755	\$ 433,123	\$20,568,299
Derivative transactions:				
Interest rate swaps		\$ 206,696		\$ 206,696
Currency derivatives		(29,959)		(29,959)
Bond derivatives	\$ 628			628
Total derivative transactions	\$ 628	\$ 176,736		\$ 177,365

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities:				
National government bonds	¥ 101			¥ 101
Loans and bills discounted			¥ 5,922,770	5,922,770
Total assets	¥ 101		¥ 5,922,770	¥ 5,922,871
Deposits		¥ 8,049,968		¥ 8,049,968
Negotiable certificates of deposit		132,507		132,507
Borrowed money		2,079,521	¥ 6,678	2,086,200
Total liabilities		¥10,261,996	¥ 6,678	¥10,268,675

March 31, 2022	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities:				
National government bonds	\$ 825			\$ 825
Loans and bills discounted			\$48,380,739	48,380,739
Total assets	\$ 825		\$48,380,739	\$48,381,564
Deposits		\$65,756,969		\$65,756,969
Negotiable certificates of deposit		1,082,397		1,082,397
Borrowed money		16,986,779	\$ 54,556	17,041,335
Total liabilities		\$83,826,145	\$ 54,556	\$83,880,702

(Note1) Explanation of valuation techniques and valuation inputs used in fair value measurements

Securities

In principle, the fair values of stocks are based on the market price. They are mainly classified into Level 1 depending on the level of market activity. The fair values of securities with market prices other than stocks are based on the market price. Government bonds are classified into Level 1 and other bonds are classified into Level 2.

Fair values of private placement bonds are measured by discounting the total amount of principal and interest and others at interest rates based on the discount rate reflecting expected loss and various risk factors by categories based on the internal ratings and terms and are mainly categorized as Level 3 since the discount rate is unobservable.

Information relating to securities for holding purpose is included in Note 8.

Loans and Bills Discounted

Because floating-rate loans are immediately affected by the movement of interest rates, the carrying amounts of these loans are equivalent to fair values in cases where the credit risk of debtors has not totally changed from the execution of the loans. For fixed-rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines. For fixed-rate loans other than business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The carrying amounts of fixed-rate loans other than business funds with short maturity (less than one year) are equivalent to the fair values.

For loans to “Bankrupt”, “Defacto Bankrupt” and “In danger of bankruptcy”, a reserve for possible loan losses calculated from the current value of expected future cash flows or from the expected amount to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the book values at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The carrying amounts of such loans are assumed to be equivalent to the fair values because of the loans' period and conditions.

Fair value of those loans is categorized as Level 3.

Deposits and Negotiable Certificates of Deposit

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the consolidated balance sheet date (book values). For time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

Fair value of those is categorized as Level 2.

Borrowed Money

Because floating-rate borrowed money is immediately affected by the movement of interest rates, the carrying value of this borrowed money is equivalent to fair value in cases where the credit risk of consolidated subsidiaries has not totally changed from when the money was borrowed. The fair value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowings. The carrying value of borrowed money whose term is short (within one year) approximates the fair value and is therefore deemed equal to the fair value.

Fair value of those is mainly categorized as Level 2.

Derivative Transactions

Derivative transactions that can be measured at unadjusted quoted prices in active markets are categorized as Level 1, which includes such transactions as bonds futures and interest rate futures.

However, since most derivative transactions are over-the-counter transactions and there are no quoted market prices, market values are measured using valuation techniques such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs which are used in those valuation techniques are interest rate, currency rate, volatility and others. In addition, price adjustments based on credit risk of counterparty and credit risk of ourselves and price adjustments are made.

When unobservable inputs are not used or impact of unobservable inputs are not material, transactions are categorized as Level 2.

(Note2) Information relating to fair values of Level 3 among the financial instruments recorded at fair value in the consolidated balance sheet

(1) Quantitative information of significant unobservable valuation inputs				
March 31, 2022	Principal valuation technique	Significant unobservable valuation input	Range of valuation input	Weighted average
Securities:				
Available-for-sale: Bonds	Discounted cash flow method	Default rate Loss rate at the time of default	0.0% - 8.1% 28.8% - 99.7%	0.4% 74.6%

(2) Adjustment sheet from beginning balance to ending balance as of period and realized gains (losses) recognized as gains (losses) for the period

March 31, 2022	Securities Available-for-Sale Private Placement Bonds	
	Millions of Yen	Thousands of U.S. Dollars
Beginning balance	¥ 48,968	\$ 400,005
Recorded to gains (losses) for the period		1
Recorded to other comprehensive income	(128)	(1,052)
Net amount of purchase	13,480	110,112
Net amount of sale	(9,297)	(75,944)
Net amount of settlement		
Transfer to fair values of Level 3		
Transfer from fair values of Level 3		
Ending balance as of period	¥ 53,022	\$ 433,123
Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the period	¥ (290)	\$ (2,372)

(3) Explanation of the process of fair value measurement

In the Bank, middle-offices have established policies and procedures related to the measurement of fair values, and according to these, back-offices measure the fair values. For the fair values, the validity of the valuation techniques and valuation inputs used in fair value measurement are

verified by back-offices and front-offices. The results of the verification are reported to middle-offices every fiscal year, and the appropriateness of policies and procedures are ensured that related to the measurement of fair values.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used.

In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of valuation techniques and used valuation inputs and comparison with the fair values of similar financial instruments.

(4) Explanation of the impact on fair values in the case where significant unobservable inputs are varied

Significant unobservable inputs used in calculating the fair value of private bonds are the default rate and the loss given default rate. Each significant increase(decrease) in the default rate and the loss given default would be accompanied by a decrease (increase) of the fair values. The changes of the default rate are generally accompanied by changes in the same direction as the assumptions of the loss given default rate.

28. DERIVATIVES

Derivatives that the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate swaps and interest rate options
Currency-related transactions:	Currency swaps, currency options, and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures and bond future options
Other transactions:	Earthquake derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers to maximize the profit of their own trading account and to manage the potential risks in their own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates, or prices of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values, and market risks are reported periodically to the responsible executive officers and the ALM Committee, where evaluations and analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2022

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)
Interest Rate-Related Transactions								
Listed—								
interest-rate futures:								
Selling								
Buying								
Over the counter—								
interest rate swaps:								
Receipt fixed—								
payments floating	¥ 129,643	¥ 84,250	¥ 240	¥ 240	\$ 1,059,009	\$ 688,206	\$ 1,968	\$ 1,968
Receipt floating—								
payments fixed	74,099	69,353	(731)	(731)	605,290	566,520	(5,973)	(5,973)
Receipt floating—								
payments floating	100,000		4	4	81,685		32	32
Over the counter—								
interest rate options:								
Selling								
Buying								
Currency-Related Transactions								
Over the counter—								
currency swaps								
Over the counter—								
currency futures:								
Selling	64,490	3,299	(3,554)	(3,554)	526,799	26,950	(29,038)	(29,038)
Buying	67,805	2,834	3,374	3,374	553,879	23,150	27,562	27,562
Over the counter—								
currency options:								
Selling	45,513	35,947	(1,075)	1,192	371,778	293,641	(8,784)	9,743
Buying	45,513	35,947	1,056	(609)	371,778	293,641	8,627	(4,979)
Foreign exchange swaps								
Stock-Related Transactions								
Listed—								
stock index futures:								
Selling								
Buying								
Listed—								
stock index options:								
Selling								
Buying								
Bond-Related Transactions								
Listed—bond futures:								
Selling								
Buying								
Listed—								
bond futures options:								
Selling								
Buying								
Other Transactions								
Over the counter—								
earthquake derivatives								
Selling	2,935		(24)	(24)	23,974		(201)	(201)
Buying	2,935		24	24	23,974		201	201

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2022

		Millions of Yen			Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions							
Interest rate swaps:	Loans and bills discounted, available-for-sale securities, and other financial assets						
Receipt fixed— payments floating		¥ 946,362	¥ 918,762	¥ 25,864	\$ 7,730,458	\$ 7,505,004	\$ 211,277
Receipt floating— payments fixed		145,880		(74)	1,191,635		(608)
Currency-Related Transactions							
Deferral hedge method:							
Currency swaps	Foreign currency loans and deposits	51,583	44,115	(5,150)	421,362	360,362	(42,074)
Foreign exchange swaps		44,840		2,255	366,281		18,426
Fair value hedge method							
Currency swaps	Foreign currency securities	9,793	9,793	(572)	80,000	80,000	(4,677)
Bond-Related Transactions							
Listed—bond futures— selling	Available-for-sale securities	15,047		77	122,912		628
Over the counter— bond options:	Available-for-sale securities						
Selling							
Buying							

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
<hr/>							
Interest Rate-Related Transactions							
<hr/>							
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	¥ 6,714	¥ 6,714		\$ 54,847	\$ 54,847	
Interest rate swaps—Receipt floating—payments fixed		14,276	14,150		116,617	115,591	
Interest rate swaps—Receipt floating—payments floating		3,000			24,505		

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2021

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions				
Listed—interest-rate futures: Selling Buying				
Over the counter—interest rate swaps: Receipt fixed—payments floating	¥ 133,470	¥ 114,820	¥ 1,037	¥ 1,037
Receipt floating—payments fixed	69,883	61,313	(1,815)	(1,815)
Receipt floating—payments floating				
Over the counter—interest rate options: Selling Buying				
Currency-Related Transactions				
Over the counter—currency swaps				
Over the counter—currency futures: Selling Buying	95,537 90,581	3,038 2,232	(4,169) 3,854	(4,169) 3,854
Over the counter—currency options: Selling Buying	40,808 40,808	31,238 31,238	(1,126) 1,126	900 (282)
Foreign exchange swaps				
Stock-Related Transactions				
Listed—stock index futures: Selling Buying				
Listed—stock index options: Selling Buying				
Bond-Related Transactions				
Listed—bond futures: Selling Buying				
Listed—bond futures options: Selling Buying				
Other Transactions				
Over the counter—earthquake derivatives Selling Buying	2,935 2,935		(39) 39	(39) 39

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2021

	Hedged Item	Millions of Yen		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥1,037,968	¥1,020,474	¥ 5,402
Receipt floating—payments fixed				
Currency-Related Transactions				
Currency swaps	Foreign currency	42,390	30,990	(1,944)
Foreign exchange swaps	loans and deposits	43,740		1,253
Bond-Related Transactions				
Listed—bond futures—selling	Available-for-sale securities	248,939		(474)
Over the counter—bond options: Selling Buying	Available-for-sale securities			

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

	Hedged Item	Millions of Yen		
		Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt fixed —payments floating	Loans and deposits	¥ 3,230	¥ 3,230	
Interest rate swaps—Receipt floating—payments fixed		9,894	9,703	

29. LOAN COMMITMENTS

The Group issues commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,664,934 million (\$13,600,185 thousand) and ¥1,628,141 million as of March 31, 2022 and 2021, respectively.

As a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

30. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities: Gains (losses) arising during the year	¥ (42,961)	¥ 165,386	\$ (350,931)
Reclassification adjustments to profit or loss	6,212	(8,997)	50,747
Amount before income tax effect	(36,748)	156,388	(300,183)
Income tax effect	11,086	(47,296)	90,561
Subtotal	(25,662)	109,092	(209,622)
Deferred gain (loss) on derivatives under hedge accounting: Gains arising during the year	18,416	27,884	150,437
Reclassification adjustments to profit or loss	(2,273)	3,473	(18,567)
Amount before income tax effect	16,143	31,357	131,869
Income tax effect	(4,899)	(9,517)	(40,022)
Subtotal	11,243	21,840	91,847
Defined retirement benefit plans: Adjustments arising during the year	(705)	21,476	(5,761)
Reclassification adjustments to profit or loss	(2,657)	28	(21,706)
Amount before income tax effect	(3,362)	21,505	(27,468)
Income tax effect	1,027	(6,517)	8,395
Subtotal	(2,334)	14,988	(19,072)
Total other comprehensive income (loss)	¥ (16,752)	¥ 145,921	\$ (136,848)

31. PER SHARE DATA

(1) Basic EPS for the years ended March 31, 2022 and 2021, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2022				
Basic EPS—net income available to common shareholders	¥ 26,667	489,634	¥ 54.46	\$ 0.44
Effect of dilutive—stock acquisition rights		616		
Diluted EPS—net income for computation	¥ 26,667	490,251	¥ 54.39	\$ 0.44
Year Ended March 31, 2021				
Basic EPS—net income available to common shareholders	¥ 22,384	489,491	¥ 45.73	
Effect of dilutive— stock acquisition rights		617		
Diluted EPS—net income for computation	¥ 22,384	490,109	¥ 45.67	

(2) Net assets per share for the years ended March 31, 2022 and 2021, were as follows:

	Yen		U.S. Dollars
	2022	2021	2022
Net assets per share	¥ 1,856.25	¥ 1,850.68	\$ 15.16

The net assets per share figure is calculated on the basis of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net assets	¥ 912,698	¥ 909,694	\$ 7,455,467
Less stock acquisition rights	271	272	2,217
Less noncontrolling interests	3,499	3,402	28,584
Net assets attributable to common shareholders	¥ 908,927	¥ 906,019	\$ 7,424,664
	Thousands of Number of Shares		
	2022	2021	
Number of common stock at fiscal year-end used for calculation of net assets per share	489,657	489,558	

32. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2022, were approved at the Bank's shareholders' meeting held on June 24, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 (\$0.08) per share	¥ 4,896	\$ 39,998

Stock Repurchases

At a meeting of the Board of Directors held on April 28, 2022, the Bank authorized repurchases of shares of its common stock pursuant to Article 156 of the Companies Act, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, as described below.

a. Reasons for Stock Repurchases:

Execution of capital policy in response to changes in the business environment and to enhance shareholder returns.

b. Details of Repurchases:

- (1) Type of stock to acquire: Common stock
- (2) Total number of shares to be repurchased: Up to 20 million shares of stock
- (3) Total number of shares to be acquired: Up to ¥10 billion yen
- (4) Period of repurchases: May 2, 2022 ~ March 31, 2023

Cancellation of treasury stock

At a meeting of the Board of Directors held on April 28, 2022, the Bank resolved to cancel a portion of its treasury stock pursuant to the provisions of Article 178 of the Companies Act of Japan, and it canceled 20 million shares of its own shares on May 20, 2022.

a. Reasons for cancellation of treasury stock:

Execution of capital policy in response to changes in the business environment and to enhance shareholder returns

b. Details of cancellation of treasury stock:

- (1) Type of stock to be cancelled: Common stock
- (2) Total number of shares to be cancelled: Up to 20 million shares of stock
- (3) Date of cancellation: May 20, 2022
- (4) Number of shares to be cancelled: 491,103,411 shares

33. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the banking and leasing segments. Banking consists of the banking and credit card businesses. Leasing consists of the leasing business.

(2) Methods of Measurement for Sales, Profit (Loss), Assets, Liabilities, and Other Items

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Ordinary Income, Profit, Assets, Liabilities, and Other Items, and Information about Disaggregation of Revenue

	Millions of Yen								
	2022								
	Reportable Segment			Other	Total	Reconciliations	Consolidated		
Banking	Leasing		Total						
Ordinary income:									
Revenue from contracts with customers	¥	20,459		¥	20,459	¥	2,009	¥	22,469
Other revenue		94,327	¥		32,527		126,855		2,024
							128,880		128,880
Outside customers		114,786			32,527		147,314		4,034
Intersegment		745			406		1,151		33
							151,349		151,349
						¥	(1,185)		1,185
Total	¥	115,532	¥		32,934	¥	148,466	¥	4,068
							152,534	¥	152,534
						¥	(1,185)	¥	(1,185)
								¥	151,349
Segment profit	¥	34,928	¥		2,098	¥	37,026	¥	1,060
Segment assets		13,276,694			94,943		13,371,638	¥	38,087
Segment liabilities		12,413,457			56,645		12,470,103		38,087
									38,087
Other:									38,087
Depreciation		3,468			2,040		5,508		38,087
Interest income		72,794			48		72,842		38,087
Interest expense		4,291			190		4,482		38,087
Loss on disposal of assets		451					451		38,087
Impairment losses of assets		302					302		38,087
Income taxes		10,308			595		10,904		38,087
Increase in property, plant, and equipment and intangible assets		4,368			3,610		7,978		38,087
							245		38,087
							8,224		38,087
									38,087

Millions of Yen																							
2021																							
Reportable Segment																							
Banking			Leasing		Total		Other		Total		Reconciliations		Consolidated										
Ordinary income:																							
Outside customers										¥	113,842	¥	33,106	¥	146,948	¥	5,655	¥	152,604	¥	152,604		
Intersegment											1,030		489		1,519		34		1,554	¥	(1,554)		
Total										¥	114,872	¥	33,595	¥	148,468	¥	5,690	¥	154,158	¥	(1,554)		
Segment profit										¥	28,376	¥	1,447	¥	29,823	¥	2,366	¥	32,190	¥	(42)	¥	32,147
Segment assets											12,089,818		96,998		12,186,817		33,253		12,220,070		(59,431)		12,160,638
Segment liabilities											11,227,579		60,108		11,287,687		19,528		11,307,216		(56,273)		11,250,943
Other:																							
Depreciation											3,779		2,017		5,797		49		5,847				5,847
Interest income											77,828		52		77,880		122		78,002		(205)		77,797
Interest expense											6,830		205		7,036		21		7,057		(194)		6,863
Loss on disposal of assets											66				66				66				66
Impairment losses of assets											266				266				266				266
Income taxes											8,222		367		8,589		703		9,292		(2)		9,290
Increase in property, plant, and equipment and intangible assets											3,298		3,581		6,879		7		6,887				6,887

	Thousands of U.S. Dollars						
	2022						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Revenue from contracts with customers	\$ 167,124		\$ 167,124	\$ 16,416	\$ 183,541		\$ 183,541
Other revenue	770,524	\$ 265,707	1,036,232	16,540	1,052,772		1,052,772
Outside customers Intersegment	937,648 6,088	265,707 3,321	1,203,356 9,409	32,957 273	1,236,313 9,683	\$ (9,683)	1,236,313
Total	\$ 943,737	\$ 269,028	\$ 1,212,766	\$ 33,230	\$ 1,245,997	\$ (9,683)	\$ 1,236,313
Segment profit	\$ 285,315	\$ 17,141	\$ 302,456	\$ 8,661	\$ 311,118	\$ (321)	\$ 310,797
Segment assets	108,452,006	775,558	109,227,565	224,440	109,452,006	(451,875)	109,000,131
Segment liabilities	101,400,567	462,717	101,863,284	107,193	101,970,478	(425,813)	101,544,664
Other:							
Depreciation	28,335	16,665	45,000	423	45,424		45,424
Interest income	594,627	397	595,024	1,131	596,155	(1,454)	594,701
Interest expense	35,057	1,558	36,616	82	36,698	(1,421)	35,276
Loss on disposal of assets	3,690		3,690		3,690		3,690
Impairment losses of assets	2,471		2,471	2	2,474		2,474
Income taxes	84,207	4,868	89,075	2,479	91,554	(27)	91,527
Increase in property, plant, and equipment and intangible assets	35,682	29,494	65,176	2,005	67,181		67,181

(4) Information about Services

Millions of Yen					
2022					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 41,893	¥ 51,550	¥ 32,527	¥ 25,377	¥151,349

Millions of Yen					
2021					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 43,276	¥ 53,409	¥ 33,106	¥ 22,812	¥152,604

Thousands of U.S. Dollars					
2022					
	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	\$ 342,208	\$ 421,098	\$ 265,707	\$ 207,299	\$ 1,236,313

(5) Information about Geographical Areas

a. Ordinary income

This information is not disclosed as the domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income.

b. Tangible fixed assets

This information is not disclosed as the domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet.

(6) Information about Major Customers

This information is not disclosed as ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statement of income.

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