



Financial Data 2022

Year ended March 31, 2022

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets			
Cash and due from banks (Notes 5 and 31)	¥ 5,471,090	¥ 5,096,491	\$ 44,702,107
Call loans and bills bought (Note 31)	26,731	—	218,412
Monetary claims bought (Notes 8 and 31)	21,217	27,985	173,355
Trading assets (Notes 6, 8, 31 and 32)	3,454	3,407	28,228
Money held in trust (Note 7)	18,474	18,545	150,946
Securities (Notes 8, 14, and 31)	2,206,987	2,107,290	18,032,421
Loans and bills discounted (Notes 9, 14, 15, and 31)	9,193,283	9,050,446	75,114,665
Foreign exchanges (Note 10)	25,628	22,385	209,399
Other assets (Notes 14 and 32)	201,789	202,694	1,648,742
Tangible fixed assets (Note 11)	99,135	95,784	809,994
Intangible assets (Note 12)	10,323	13,568	84,351
Assets for retirement benefits (Note 18)	10,839	3,084	88,565
Deferred tax assets (Note 28)	3,275	3,596	26,761
Customers' liabilities for acceptances and guarantees (Note 13)	60,310	52,921	492,775
Allowance for loan losses (Note 3)	(72,470)	(62,731)	(592,128)
Total assets	¥17,280,071	¥16,635,471	\$141,188,593
Liabilities and equity			
Liabilities			
Deposits (Notes 14, 16, and 31)	¥ 13,202,604	¥ 12,788,914	\$ 107,873,228
Call money and bills sold (Notes 14 and 31)	318,920	280,517	2,605,769
Payables under repurchase agreements	21,123	24,670	172,594
Payables under securities lending transactions (Note 14)	288,815	307,787	2,359,796
Trading liabilities (Notes 6 and 32)	651	349	5,326
Borrowed money (Notes 14, 17, and 31)	2,608,500	2,385,969	21,313,020
Foreign exchanges (Note 10)	647	447	5,292
Borrowed money from trust account	4,514	2,942	36,884
Other liabilities (Note 32)	125,967	120,203	1,029,230
Liability for retirement benefits (Note 18)	3,703	3,566	30,262
Reserve for directors' and audit & supervisory board members' retirement benefits	123	192	1,009
Reserve for contingent losses	943	755	7,712
Reserve for reimbursement of deposits	1,495	1,629	12,217
Reserve under the special laws	10	7	83
Deferred tax liabilities (Note 28)	13,909	20,966	113,648
Deferred tax liabilities for revaluation (Note 28)	4,984	5,123	40,725
Acceptances and guarantees (Note 13)	60,310	52,921	492,775
Total liabilities	16,657,226	15,996,966	136,099,570
Equity (Notes 19, 20, and 22)			
Capital stock	70,895	70,895	579,255
Capital surplus	125,128	133,905	1,022,371
Stock acquisition rights (Notes 21 and 22)	500	538	4,088
Retained earnings	359,045	344,103	2,933,617
Treasury stock	(852)	(1,180)	(6,969)
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 8)	56,225	80,937	459,394
Deferred gains (losses) on hedges	325	(61)	2,659
Revaluation reserve for land (Note 11)	7,791	8,088	63,661
Defined retirement benefit plans (Note 18)	338	(1,986)	2,766
Total	619,396	635,241	5,060,842
Non-controlling interests	3,449	3,263	28,181
Total equity	622,845	638,504	5,089,023
Total liabilities and equity	¥17,280,071	¥16,635,471	\$141,188,593

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income			
Interest income:			
Interest on loans and discounts	¥82,578	¥84,053	\$674,715
Interest and dividends on securities	16,353	18,554	133,614
Interest on receivables under resale agreements	—	(1)	—
Interest on deposits with other banks	5,504	1,432	44,975
Other interest income	362	463	2,964
Trust fees	36	42	296
Fees and commissions (Note 33)	39,571	37,817	323,324
Trading income	1,627	1,625	13,300
Other ordinary income (Note 24)	20,067	20,049	163,961
Other income (Note 26)	15,683	11,994	128,145
Total income	181,785	176,032	1,485,294
Expenses			
Interest expense:			
Interest on deposits	435	623	3,554
Interest on payables under repurchase agreements	9	27	82
Interest on payables under securities lending transactions	390	216	3,190
Interest on borrowings and rediscounts	7	37	61
Other interest expense	642	858	5,254
Fees and commissions	15,455	15,356	126,284
Other ordinary expenses (Note 25)	19,660	14,970	160,640
General and administrative expenses	87,273	91,511	713,080
Provision of allowance for loan losses	12,874	12,815	105,188
Other expenses (Note 27)	11,801	8,436	96,427
Total expenses	148,552	144,854	1,213,760
Income before income taxes	33,233	31,177	271,534
Income taxes (Note 28):			
Current	11,656	10,646	95,242
Deferred	890	(1,066)	7,278
Net income	20,685	21,598	169,014
Net income attributable to non-controlling interests	158	263	1,298
Net income attributable to owners of the parent	¥20,526	¥21,334	\$167,716

	Yen	U.S. dollars
Per share of common stock (Notes 2-u and 23)		
Basic net income	¥147.47	¥152.17
Diluted net income	146.95	151.68
Cash dividends applicable to the year	35.00	35.00
		\$1.20
		1.20
		0.28

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥20,685	¥21,598	\$169,014
Other comprehensive income (loss) (Note 29)	(21,974)	33,549	(179,544)
Valuation difference on available-for-sale securities	(24,707)	25,343	(201,876)
Deferred gains (losses) on hedges	386	1,014	3,159
Defined retirement benefit plans	2,324	7,063	18,994
Share of other comprehensive income (loss) of associates accounted for using equity method	21	127	179
Total comprehensive income (loss)	¥(1,288)	¥55,148	\$(10,530)
Comprehensive income (loss) attributable to owners of the parent	(1,474)	54,825	(12,046)
Comprehensive income (loss) attributable to non-controlling interests	185	322	1,516

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

	Thousands		Millions of yen				
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
BALANCE, APRIL 1, 2020	132,163	96,698	¥70,895	¥139,269	¥497	¥329,343	¥(1,237)
Cash dividends						(6,697)	
Net income attributable to owners of the parent						21,334	
Purchases of treasury stock							(5,375)
Disposals of treasury stock				7			61
Retirement of treasury stock		(10,743)		(5,371)			5,371
Reversal of revaluation reserve for land						122	
Net changes in the year					41		
BALANCE, MARCH 31, 2021	132,163	85,955	¥70,895	¥133,905	¥538	¥344,103	¥(1,180)
Cash dividends						(5,882)	
Net income attributable to owners of the parent						20,526	
Purchases of treasury stock							(8,606)
Disposals of treasury stock				0			155
Retirement of treasury stock	(3,392)	(10,743)		(8,778)			8,778
Reversal of revaluation reserve for land						297	
Net changes in the year					(38)		
BALANCE, MARCH 31, 2022	128,770	75,212	¥70,895	¥125,128	¥500	¥359,045	¥(852)

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Defined retirement benefit plans	Total	Non- controlling interests	Total equity
BALANCE, APRIL 1, 2020	¥55,525	¥(1,076)	¥8,211	¥(9,049)	¥592,378	¥2,941	¥595,319
Cash dividends					(6,697)		(6,697)
Net income attributable to owners of the parent					21,334		21,334
Purchases of treasury stock					(5,375)		(5,375)
Disposals of treasury stock					68		68
Retirement of treasury stock					—		—
Reversal of revaluation reserve for land					122		122
Net changes in the year	25,412	1,014	(122)	7,063	33,409	322	33,731
BALANCE, MARCH 31, 2021	¥80,937	¥(61)	¥8,088	¥(1,986)	¥635,241	¥3,263	¥638,504
Cash dividends					(5,882)		(5,882)
Net income attributable to owners of the parent					20,526		20,526
Purchases of treasury stock					(8,606)		(8,606)
Disposals of treasury stock					156		156
Retirement of treasury stock					—		—
Reversal of revaluation reserve for land					297		297
Net changes in the year	(24,712)	386	(297)	2,324	(22,336)	185	(22,151)
BALANCE, MARCH 31, 2022	¥56,225	¥325	¥7,791	¥338	¥619,396	¥3,449	¥622,845

Thousands of U.S. dollars (Note 1)					
	Capital stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
BALANCE, MARCH 31, 2021	\$579,255	\$1,094,087	\$4,402	\$2,811,531	\$(9,645)
Cash dividends				(48,059)	
Net income attributable to owners of the parent				167,716	
Purchases of treasury stock					(70,317)
Disposals of treasury stock		6			1,271
Retirement of treasury stock		(71,722)			71,722
Reversal of revaluation reserve for land				2,429	
Net changes in the year			(314)		
BALANCE, MARCH 31, 2022	\$579,255	\$1,022,371	\$4,088	\$2,933,617	\$(6,969)

Thousands of U.S. dollars (Note 1)							
Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, MARCH 31, 2021	\$661,310	\$(500)	\$66,089	\$(16,228)	\$5,190,301	\$26,668	\$5,216,969
Cash dividends					(48,059)		(48,059)
Net income attributable to owners of the parent					167,716		167,716
Purchases of treasury stock					(70,317)		(70,317)
Disposals of treasury stock					1,277		1,277
Retirement of treasury stock					—		—
Reversal of revaluation reserve for land					2,429		2,429
Net changes in the year	(201,916)	3,159	(2,428)	18,994	(182,505)	1,513	(180,992)
BALANCE, MARCH 31, 2022	\$459,394	\$2,659	\$63,661	\$2,766	\$5,060,842	\$28,181	\$5,089,023

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
1. Cash flows from operating activities:			
Income before income taxes	¥ 33,233	¥ 31,177	\$ 271,534
Depreciation	6,682	6,743	54,598
Impairment losses	414	685	3,390
Amortization of goodwill	2,102	2,102	17,177
Equity in losses (gains) of affiliates	(24)	(12)	(199)
Increase (decrease) in allowance for loan losses	9,738	8,028	79,573
Increase (decrease) in reserve for contingent losses	188	(269)	1,539
Decrease (increase) in asset for retirement benefits	(7,755)	(3,084)	(63,365)
Increase (decrease) in liability for retirement benefits	137	(8,633)	1,121
Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits	(68)	1	(560)
Increase (decrease) in reserve for reimbursement of deposits	(134)	(348)	(1,101)
Interest income	(104,798)	(104,502)	(856,269)
Interest expense	1,485	1,763	12,141
Losses (gains) on securities	743	(7,089)	6,073
Losses (gains) on money held in trust	(18)	7	(154)
Losses (gains) on foreign exchange	(13,380)	(6,357)	(109,325)
Losses (gains) on sales of fixed assets	522	402	4,271
Net decrease (increase) in trading assets	(46)	382	(383)
Net increase (decrease) in trading liabilities	302	(147)	2,472
Net decrease (increase) in loans and bills discounted	(142,837)	(393,996)	(1,167,066)
Net increase (decrease) in deposits	413,849	1,166,557	3,381,397
Net increase (decrease) in negotiable certificates of deposit	(158)	(16,261)	(1,298)
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	222,530	1,558,395	1,818,208
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	(9,291)	(6,676)	(75,914)
Net decrease (increase) in call loans, bills bought, commercial paper, and other debt purchased	(19,962)	64,493	(163,108)
Net increase (decrease) in call money and bills sold	34,855	225,045	284,790
Net increase (decrease) in payables under securities lending transactions	(18,972)	13,146	(155,014)
Net decrease (increase) in foreign exchanges (assets)	(3,242)	(3,370)	(26,497)
Net increase (decrease) in foreign exchanges (liabilities)	200	333	1,636
Net increase (decrease) in borrowed money from trust account	1,571	2,408	12,841
Interest income—cash basis	87,995	84,791	718,976
Interest expense—cash basis	(1,615)	(2,016)	(13,198)
Other, net	(22,891)	2,498	(187,034)
Subtotal	471,354	2,616,197	3,851,252
Income taxes paid	(8,941)	(7,977)	(73,056)
Net cash provided by (used in) operating activities	462,413	2,608,220	3,778,196
2. Cash flows from investing activities:			
Purchases of securities	(963,265)	(945,725)	(7,870,458)
Proceeds from sales of securities	680,813	449,479	5,562,656
Proceeds from redemption of securities	192,934	250,893	1,576,394
Purchases of money held in trust	(20,543)	(20,013)	(167,849)
Proceeds from sales of money held in trust	20,462	20,156	167,187
Proceeds from fund management	16,371	18,554	133,768
Purchases of tangible fixed assets	(8,170)	(3,549)	(66,757)
Proceeds from sales of tangible fixed assets	372	138	3,043
Purchases of intangible assets	(1,629)	(1,309)	(13,314)
Net cash provided by (used in) investing activities	(82,653)	(231,376)	(675,330)
3. Cash flows from financing activities:			
Dividends paid	(5,882)	(6,697)	(48,059)
Dividends paid to non-controlling shareholders	(0)	(0)	(4)
Purchases of treasury stock	(8,606)	(5,375)	(70,317)
Proceeds from disposals of treasury stock	0	0	2
Net cash provided by (used in) financing activities	(14,488)	(12,073)	(118,378)
4. Effect of exchange rate changes on cash and cash equivalents	36	19	299
5. Net increase (decrease) in cash and cash equivalents	365,308	2,364,789	2,984,787
6. Cash and cash equivalents at beginning of the period	5,086,143	2,721,353	41,556,857
7. Cash and cash equivalents at end of the period (Note 5)	¥5,451,451	¥5,086,143	\$44,541,644

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hokuhoku Financial Group, Inc. and Consolidated Subsidiaries

1. Basis of Presentation

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, the Enforcement Regulation for the Banking Act, and in conformity 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.

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 which is more familiar to readers outside of 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 U.S. dollar amounts are then rounded to thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hokuhoku Financial Group, Inc. (the "Company") 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 ¥122.39 to U.S. \$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 Company and its 12 subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

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 also eliminated.

An investment in one associated company is accounted for by the equity method.

Two companies were not treated as subsidiaries even though the Group owns over 50% of its voting rights because the objective for the Group to own the voting rights is merely to invest business succession and the investment meets the requirement according to Paragraph 16 of the Accounting Standards Board of Japan (the "ASBJ") Guidance No. 22 "Implementation Guidance on Determining a Subsidiary and an Affiliate."

Two companies were not treated as affiliates even though the Group owns 20% to 50% of its voting rights because the objective for the Group to own the voting rights is merely to invest business succession and the investment meets the requirement according to Paragraph 24 of the ASBJ Guidance No. 22 "Implementation Guidance on Determining a Subsidiary and an Affiliate."

Assets and liabilities of newly consolidated subsidiaries are

valued at fair value at the respective dates of acquisition, and goodwill is amortized using the straight-line method over 20 years.

b. Cash and Cash Equivalents

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

c. Trading Purpose Transactions

"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 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 balance sheet date. Income and losses on trading purpose transactions are recognized on a trade-date basis and recorded as "Trading income" or "Trading losses."

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

d. Securities

Securities are classified and accounted for, based principally on the Group's intent, as follows: (a) 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 by the straight-line method and (b) available-for-sale securities, which are not classified as trading purpose securities or held-to-maturity securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are recorded in the same manner as securities mentioned above.

e. Tangible Fixed Assets (excluding Lease Assets)

Tangible fixed assets are stated at cost less accumulated depreciation. The Company and its consolidated banking subsidiaries (the subsidiaries hereafter referred to as the "Banks") depreciate their equipment based on the declining-balance method and their premises principally based on the straight-line method. The estimated useful lives of major assets are as follows: (1) buildings: 6 to 50 years and (2) equipment: 3 to 20 years.

Consolidated non-banking subsidiaries depreciate their equipment and premises principally based on the declining-balance method over their expected useful lives.

f. Intangible Assets (excluding Lease Assets)

Intangible assets are amortized based on the straight-line method. Capitalized software for internal use owned by consolidated subsidiaries is amortized using the straight-line

method over its estimated useful life (mainly five years).

g. Lease Assets

Lease assets under non-transfer ownership finance lease contracts (in which the ownership of leased assets is not transferred to the lessee; included in tangible fixed assets and intangible assets) are depreciated on a straight-line basis over the lease period with a residual value of zero, excepting when contracted amounts for residual value are specified.

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 Loan Losses

The Banks provide an allowance for loan losses which is determined based on management's judgment and an assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality, and performance of the portfolio, the value of collateral or guarantees, and other pertinent indicators.

The Banks have implemented a self-assessment system to determine the quality of their assets. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division in accordance with the Banks' policy and guidelines for the self-assessment of asset quality.

The Banks have established a credit rating system under which borrowers are classified into five categories based on their financial condition, cash flows, earnings ability and other considerations. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "Normal," "In need of caution" ("Substandard" borrowers with substandard loans or other borrowers in need of caution)," "Possible bankruptcy," "Virtual bankruptcy," and "Legal bankruptcy."

The definitions of these categories are as follows:

Normal:

A "Normal" borrower has strong results and no particular problems with its financial position.

In need of caution:

An "In need of caution" borrower has problems with lending conditions, has problems with fulfillment, has poor results or is unstable, has problems with its financial position, or otherwise requires special attention in future management.

Substandard:

A "Substandard" borrower has substandard loans.

"Substandard" loans are loans to "In need of caution" borrowers that are "three months or more in arrears" or have restructured loans.

Possible bankruptcy:

A "Possible bankruptcy" borrower is not bankrupt now but is facing business difficulties and has failed to make adequate progress on its business improvement plan, etc., such that there is a strong possibility of it going into bankruptcy in the future.

Virtual bankruptcy:

A "Virtual bankruptcy" borrower is not yet legally and formally bankrupt, but is in serious business difficulties from which it is considered impossible to rebuild. In other words, the borrower is practically bankrupt.

Legal bankruptcy:

A "Legal bankruptcy" borrower is legally and formally bankrupt. This would include bankruptcy, liquidation, corporate reorganization, civil-rehabilitation, composition, and deposition by suspension of business in the clearing house.

For loans to borrowers classified as "Legal bankruptcy" or "Virtual bankruptcy," the Banks fully provide the net amount of loans and estimated collectible amounts by collateral or guarantees.

For borrowers classified as "Possible bankruptcy" with which the unsecured portion of claims exceeds a certain amount, or a large lot borrowers holding substandard loans, if cash flows from collection of principal and interest can be reasonably estimated, the Banks provide the difference between the present values of these cash flows discounted at the initial contractual interest rate and the book values of the loans (the "DCF" method).

For borrowers classified as "Possible bankruptcy" or holding substandard loans without using the "DCF" method, a specific reserve or a general allowance is provided based on three-year expected loan losses. Expected loan losses are measured based on three-year historical loan loss ratio and forward-looking information.

For borrowers classified as "Normal" or "In need of caution" loans, the Banks segregate the loans into two categories "Business loan" or "Consumer loan." General allowance for these categories is provided based on one-year expected loan losses, respectively. Expected loan losses are measured by each categories based on one-year historical loan loss ratios and forward-looking information.

The Company and its consolidated non-banking subsidiaries determine the allowance for loan losses by a similar self-assessment system as that of the Banks.

For collateralized or guaranteed claims to borrowers who are in "Virtual bankruptcy" or "Legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. The deducted amounts were ¥33,911 million (\$277,078 thousand) and ¥37,109 million at March 31, 2022 and 2021, respectively.

j. Accounting Method for Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year.

The past service cost is amortized using the straight-line method over nine years within the employees' average remaining service period. It's commenced from the fiscal year of incurrence.

The unrecognized actuarial (gains) losses are amortized using the straight-line method over eight or nine years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

k. Reserve for Directors' and Audit & Supervisory Board Members' Retirement Benefits

A reserve for directors' and audit & supervisory board members' retirement benefits is provided for payment of retirement benefits to directors and audit & supervisory board members in the amount deemed accrued at the fiscal year end, based on the estimated amount of benefits.

The Company and the Banks abolished their directors' and audit & supervisory board members' retirement benefits system at the Board of Directors' meeting on May 11, 2012, and resolved to provide a lump-sum payment of retirement benefits of directors and audit & supervisory board members at the general meeting of shareholders on June 26, 2012. According to these resolutions, the lump-sum payment of retirement benefits of directors and audit & supervisory board members shall be effectuated upon the retirement of each individual director and audit & supervisory board member. Reserve for directors' and audit & supervisory board members' retirement benefits was ended in June 2012, and the entire remaining amount is included in "reserve for directors' and audit & supervisory board members' retirement benefits."

l. Reserve for Contingent Losses

A reserve for contingent losses is provided for possible losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations and possible losses from contingencies not covered by other specific reserves.

m. Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits which were not previously recognized as liabilities under certain conditions is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience.

n. Reserve under the Special Laws

A reserve under the special laws is a reserve for contingent liabilities and provided for compensation for losses from securities related transactions or derivative transactions in accordance with Article 46-5 of the Japanese Financial Instruments and Exchange Act.

o. Stock Options

The companies are required to recognize compensation expense for employee stock options based on the fair value of the stock options at the date of grant and over the vesting period as consideration for receiving goods or services. The companies are also required to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

p. 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.

q. Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen mainly at the exchange rate prevailing as of the balance sheet date.

r. 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 gains (losses) on hedge accounting in a separate component of equity.

The Banks hedge interest rate risks arising from their financial assets and liabilities by employing the technique known as "individual hedging" that establishes a specific position to directly hedge a particular item. Such hedges, limited to certain assets and liabilities, are accounted for by the deferred method or, where appropriate interest rate swaps are involved, by the special rule method.

The effectiveness of hedges is assessed as follows: the Banks specify the hedged items according to their risk management regulations, with the aim of centralizing hedging instruments, and verify the extent to which the exposure of interest rate risks on hedged items is mitigated.

The Banks hedge currency exchange fluctuation risks arising from their foreign currency denominated financial assets and liabilities. Such hedges are accounted for by the deferred method specified in the "Accounting and Auditing Treatments in Banking Business in Accounting for Foreign Currency Denominated Transactions and Others" (The Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guidelines No. 25).

The effectiveness of these hedges is assessed as follows: where currency swap transactions and exchange swap transactions are used as hedging instruments to offset exchange fluctuation risks arising from foreign currency denominated financial assets and liabilities, hedge effectiveness is assessed by verifying the agreement of the amounts of the designated hedging instruments corresponding to the hedged foreign currency financial assets and liabilities.

The Company and consolidated non-banking subsidiaries are not engaged in hedging operations using derivative transactions.

s. Finance Lease

Sales and cost of sales are accounted for when lease payments are paid.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

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

u. New Accounting Pronouncements

Accounting standards for Fair Value Measurement

On June 17, 2021, the ASBJ has issued the revised ASBJ Guidance No. 31 (revised 2021), "Implementation Guidance on Accounting Standard for Fair Value Measurement"(the "New Accounting Standards").

At the time of publication of the Accounting Standard for Fair Value Measurement, ASBJ announced that it would spend approximately one year to review the proposed amendments to the accounting standard, and to release the revised accounting standard.

This is because, in revising its accounting standards, ASBJ considered it necessary to discuss with relevant parties in order to examine the "calculation of the fair value of investment trusts". In addition, ASBJ considered that the notes to the fair value of "Investments in a Partnership, etc., in which the equity equivalent is recorded on the balance sheet on a net basis" also requires discussions and such discussions require some time.

The examination was to be conducted approximately one year after the publication of the "Accounting Standard for Fair Value Measurement", it has been revised and published the "New Accounting Standards."

The New Accounting Standards are effective for annual periods beginning on or after April 1, 2022.

The Company is in the process of measuring the effects of applying the New Accounting Standards in future applicable periods.

3. Significant Accounting Estimate

The significant accounting estimate that can significantly affect the consolidated financial statements for the next fiscal year is as follows:

Allowance for loan losses

- (1) Carrying amount on the consolidated financial statements of fiscal year ended March 31, 2022 and 2021 were as follows.

	Millions of yen	Thousands of U.S. dollars
	2022	2021
Allowance for loan losses	¥72,470	¥62,731
		\$592,128

Recording allowance for loan losses has a significant impact on operating results and financial status because of relatively high percentage of loans and bills discounted on the consolidated balance sheet as March 31, 2022. Therefore, we determined that it was significant accounting estimate.

- (2) Information on the significant accounting estimate

(a) Methodology for estimate

The Banks estimate the allowance for loan losses according to the methodology described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses" to the consolidated financial statements.

(b) Principal assumption

Principal assumption is the prospects for recovery of borrowers' business performance in the future periods and the achievability of the borrowers' medium-term to long-term business improvement plans ("Business Improvement Plans"). In addition, the Group's current expectation is that the majority of the impact of the novel coronavirus disease ("COVID-19") on our society will continue for the time being, and that during this period, there will be a distinct impact on the financial health of borrowers.

In case of borrowers whose business results or financial position is currently unfavorable or unstable, the Banks frequently determine the borrowers classifications based on the latest changes in the borrowers' business

conditions or the borrowers' "Business Improvement Plans" in addition to the borrowers' historical business performance. The latest changes in the borrowers' business conditions include the impact of COVID-19 or containment thereof on the borrowers' business conditions."

About the above, there are no significant changes from previous consolidated fiscal year

- (c) The risk that might affect carrying amount to the consolidated financial statements in next financial year Including the impact of COVID-19, if the assumption for the evaluation of the achievability of the borrowers' "Business Improvement Plans" changes, it is possible that the situation will have a significant impact on allowance for loan losses.

4. Accounting Change

(Application of "Accounting Standard for Revenue Recognition")

Effective April 1, 2021, the Company 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 ("ASBJ Statement No. 29") 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. This will not affect retained earnings and profit or loss. The Company discloses Note 33 "Revenue recognition" without comparative information in prior fiscal year in accordance with transitional treatment provided in paragraph 89-3 of "Accounting Standard for Revenue Recognition"

(Application of "Accounting Standard for Fair Value Measurement")

Effective April 1, 2021, the Company 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 June 17, 2019 ("ASBJ Statement No. 30") and ASBJ Guidance No. 19 (revised 2019), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). The Company applies the New Accounting Standards prospectively, in accordance with transitional treatment provided in paragraph 19 of "Accounting Standard for Fair Value Measurement" and in paragraph 44-2 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

Under the "New Accounting Standards," the fair value of stocks quoted market price are valued at the market price as of the consolidated fiscal year end, for the current fiscal year, while under the previous accounting standards, were determined based on the average quoted market prices in the last month of the fiscal year. Furthermore, the Company discloses the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety in Note 31 "fair value of financial instrument" without comparative information in prior fiscal year in accordance with transitional treatment provided in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments"

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 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥5,471,090	¥5,096,491	\$44,702,107
Due from banks except for deposits with the Bank of Japan	(19,639)	(10,347)	(160,463)
Cash and cash equivalents	¥5,451,451	¥5,086,143	\$44,541,644

6. Trading Assets and Liabilities

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

Trading Assets			Thousands of U.S. dollars
	Millions of yen		2022
	2022	2021	2022
Trading securities	¥2,710	¥2,926	\$22,148
Trading-related financial derivatives	744	481	6,080
Total	¥3,454	¥3,407	\$28,228

Trading Liabilities			Thousands of U.S. dollars
	Millions of yen		2022
	2022	2021	2022
Trading-related financial derivatives	¥651	¥349	\$5,326
Total	¥651	¥349	\$5,326

7. Money Held in Trust

Money held in trust for trading purposes as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amounts recorded in the consolidated balance sheet	¥14,124	¥14,045	\$115,404
Valuation gain (loss) included in consolidated statement of income	(0)	12	(4)

Money held in trust for other purposes as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amounts recorded in the consolidated balance sheet	¥4,350	¥4,500	\$35,542
Valuation gain (loss) included in consolidated statement of income	—	—	—

8. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japanese national government bonds	¥ 428,800	¥ 448,020	\$ 3,503,557
Japanese local government bonds	614,707	551,450	5,022,530
Japanese corporate bonds	276,518	288,519	2,259,325
Japanese corporate stocks	224,545	238,941	1,834,668
Other securities	662,416	580,358	5,412,341
Total	¥2,206,987	¥2,107,290	\$18,032,421

As of March 31, 2022 and 2021, securities included equity investments in non-consolidated subsidiaries that amounted to ¥1,944 million (\$15,886 thousand) and ¥1,334 million, respectively.

In the following description, in addition to "Securities," also presented are trading account securities which are classified as "Trading assets" in the consolidated balance sheet and beneficiary claims on loan trusts which are classified as "Monetary claims bought" in the consolidated balance sheet.

(2) Valuation gain or loss on trading account securities included in income before income taxes was ¥(26) million (\$ (220) thousand) and ¥(29) million as of March 31, 2022 and 2021, respectively.

(3) The amounts on the consolidated balance sheet, aggregate fair value, and unrealized gains (losses) on held-to-maturity debt securities as of March 31, 2022 and 2021 were as follows:

Millions of yen			
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2022			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥1,500	¥1,507	¥ 7
Japanese local government bonds	1,500	1,511	11
Japanese corporate bonds	—	—	—
Total	¥3,000	¥3,018	¥18
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥ —	¥ —	¥ —
Japanese local government bonds	1,000	999	(0)
Japanese corporate bonds	—	—	—
Total	1,000	999	(0)
Grand total	¥4,000	¥4,018	¥17

Millions of yen			
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2021			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥61,496	¥70,316	¥8,819
Japanese local government bonds	2,500	2,518	18
Japanese corporate bonds	107,714	108,364	650
Total	¥171,710	¥181,199	¥9,488
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	¥ —	¥ —	¥ —
Japanese local government bonds	—	—	—
Japanese corporate bonds	27,171	27,066	(104)
Total	27,171	27,066	(104)
Grand total	¥198,881	¥208,265	¥9,383

Thousands of U.S. dollars			
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
March 31, 2022			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	\$12,259	\$12,317	\$58
Japanese local government bonds	12,256	12,348	92
Japanese corporate bonds	—	—	—
Total	\$24,515	\$24,665	\$150
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds	\$ —	\$ —	\$ —
Japanese local government bonds	8,171	8,168	(3)
Japanese corporate bonds	—	—	—
Total	8,171	8,168	(3)
Grand total	\$32,686	\$32,833	\$147

(4) The amounts on the consolidated balance sheet, acquisition or amortized cost, and unrealized gains (losses) on available-for-sale securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
March 31, 2022			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks	¥161,697	¥57,223	¥104,474
Bonds:			
Japanese government bonds	168,768	160,072	8,695
Japanese local government bonds	119,163	118,714	449
Japanese corporate bonds	180,700	179,081	1,619
Total bonds	468,632	457,868	10,763
Other securities:			
Foreign securities	57,472	51,964	5,507
Other	112,125	104,610	7,515
Total other securities	169,597	156,575	13,022
Total	¥799,928	¥671,666	¥128,261
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks	¥36,761	¥46,386	¥(9,625)
Bonds:			
Japanese government bonds	258,531	262,106	(3,574)
Japanese local government bonds	493,043	496,252	(3,209)
Japanese corporate bonds	95,817	96,694	(876)
Total bonds	847,393	855,054	(7,660)
Other securities:			
Foreign securities	354,584	379,336	(24,752)
Other	140,123	149,376	(9,252)
Total other securities	494,707	528,713	(34,005)
Total	1,378,862	1,430,154	(51,291)
Grand total	¥2,178,790	¥2,101,821	¥76,969

	Millions of yen		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
March 31, 2021			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks	¥ 186,287	¥ 68,158	¥ 118,129
Bonds:			
Japanese government bonds	177,332	176,297	1,035
Japanese local government bonds	323,798	322,674	1,124
Japanese corporate bonds	122,143	120,440	1,703
Total bonds	623,275	619,411	3,863
Other securities:			
Foreign securities	132,027	122,450	9,576
Other	114,931	104,440	10,491
Total other securities	246,958	226,890	20,067
Total	¥1,056,521	¥914,460	¥142,060
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks	¥ 23,191	¥ 29,177	¥ (5,986)
Bonds:			
Japanese government bonds	209,191	210,399	(1,207)
Japanese local government bonds	225,151	225,761	(609)
Japanese corporate bonds	31,490	31,629	(139)
Total bonds	465,833	467,790	(1,956)
Other securities:			
Foreign securities	217,934	230,169	(12,234)
Other	143,446	153,694	(10,248)
Total other securities	361,380	383,863	(22,482)
Total	850,405	880,831	(30,425)
Grand total	¥1,906,926	¥1,795,292	¥111,634

	Thousands of U.S. dollars		
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
March 31, 2022			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese corporate stocks	\$1,321,169	\$467,548	\$853,621
Bonds:			
Japanese government bonds	1,378,936	1,307,890	71,046
Japanese local government bonds	973,640	969,970	3,670
Japanese corporate bonds	1,476,435	1,463,203	13,232
Total bonds	3,829,011	3,741,063	87,948
Other securities:			
Foreign securities	469,583	424,581	45,002
Other	916,134	854,731	61,403
Total other securities	1,385,717	1,279,312	106,405
Total	\$6,535,897	\$5,487,923	\$1,047,974
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese corporate stocks	\$300,361	\$379,007	\$(78,646)
Bonds:			
Japanese government bonds	2,112,361	2,141,569	(29,208)
Japanese local government bonds	4,028,463	4,054,684	(26,221)
Japanese corporate bonds	782,891	790,054	(7,163)
Total bonds	6,923,715	6,986,307	(62,592)
Other securities:			
Foreign securities	2,897,166	3,099,409	(202,243)
Other	1,144,896	1,220,498	(75,602)
Total other securities	4,042,062	4,319,907	(277,845)
Total	11,266,138	11,685,221	(419,083)
Grand total	\$17,802,035	\$17,173,144	\$628,891

(5) Information on held-to-maturity debt securities, which were sold during the years ended March 31, 2022 and 2021 is as follows:

Year ended March 31	Millions of yen						Thousands of U.S. dollars		
	2022			2021			2022		
	Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
Japanese government bonds	¥4,051	¥4,602	¥551	¥—	¥—	¥—	\$33,104	\$37,609	\$4,505

A consolidated subsidiary sold a portion of held-to-maturity debt securities curbing the expansion of future interest rate risk.

(6) Information on available-for-sale securities, which were sold during the years ended March 31, 2022 and 2021 is as follows:

March 31, 2022	Millions of yen		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks	¥49,826	¥8,178	¥1,340
Bonds:			
Japanese government bonds	184,375	1,469	477
Japanese local government bonds	10,496	96	—
Japanese corporate bonds	7,323	82	—
Total bonds	202,195	1,648	477
Other securities:			
Foreign securities	234,771	1,682	8,089
Other	108,054	3,938	1,955
Total other securities	342,826	5,620	10,045
Total	¥594,848	¥15,447	¥11,863

March 31, 2021	Millions of yen		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks	¥47,367	¥8,053	¥1,059
Bonds:			
Japanese government bonds	49,097	81	96
Japanese local government bonds	42,103	241	207
Japanese corporate bonds	70	0	—
Total bonds	91,271	323	303
Other securities:			
Foreign securities	149,578	4,111	1,012
Other	90,638	2,745	5,921
Total other securities	240,217	6,856	6,934
Total	¥378,856	¥15,233	¥8,297

March 31, 2022	Thousands of U.S. dollars		
	Proceeds	Realized gains	Realized losses
Japanese corporate stocks	\$407,113	\$66,823	\$10,955
Bonds:			
Japanese government bonds	1,506,461	12,004	3,902
Japanese local government bonds	85,763	792	—
Japanese corporate bonds	59,834	677	—
Total bonds	1,652,058	13,473	3,902
Other securities:			
Foreign securities	1,918,224	13,743	66,097
Other	882,874	32,178	15,978
Total other securities	2,801,098	45,921	82,075
Total	\$4,860,269	\$126,217	\$96,932

(7) A consolidated subsidiary of the Group sold a portion of held-to-maturity debt securities and changed classification from held to maturity debt securities to available-for-sale securities. As a result, available-for-sale securities and valuation difference on available-for-sale securities increased by ¥189,803 million (\$1,550,812 thousand), ¥5,157 million (\$42,140 thousand), respectively, and deferred tax assets decreased by ¥2,253 million (\$18,415 thousand).

(8) Impairment losses on available-for-sale securities amounted to ¥1,677 million (\$13,710 thousand) and ¥116 million as of March 31, 2022 and 2021, respectively.

An impairment of securities is recognized if the decline in fair value is substantial and the decline is determined to be other-than-temporary. The assessment of whether or not a decline in fair value is other-than-temporary by classification of the security issuer which is used in the self-assessment of asset quality is as follows:

(i) For issuers who are classified as borrowers under "In need of caution," "Possible bankruptcy," "Virtual bankruptcy," "Legal bankruptcy."

Stocks: where the fair value is lower than the acquisition cost.

Bonds: where the fair value declines by over 30% compared to the amortized cost or acquisition cost.

(ii) For issuers who are classified as borrowers under "Normal."

Stocks and bonds: where the fair value declines by 50% or more compared to the amortized cost or acquisition cost, or the fair value declines by over 30% but less than 50% compared to the amortized cost or acquisition cost and market prices remaining below a certain level.

* In determination of impairment losses, stocks' fair value are determined based on the average quoted market prices in the last month of the consolidated fiscal year.

(9) Reconciliation of valuation difference on available-for-sale securities to the amounts included in "valuation difference on available-for-sale securities," presented as a separate component of net assets as of March 31, 2022 and 2021, in the consolidated balance sheet, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference before taxes on available-for-sale securities	¥77,978	¥111,634	\$637,134
Deferred tax liabilities	(21,725)	(30,674)	(177,513)
Valuation difference on available-for-sale securities (before adjustment)	56,253	80,960	459,621
Amounts attributable to non-controlling interests	(245)	(218)	(2,007)
The Company's portion of valuation difference on available-for-sale securities of equity method investees	217	195	1,780
Amounts recorded in the consolidated balance sheet	¥56,225	¥ 80,937	\$459,394

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	¥27,344	¥19,701	\$223,421
Loans on bills	161,850	172,132	1,322,417
Loans on deeds	7,976,173	7,797,266	65,170,144
Overdrafts	1,027,914	1,061,345	8,398,683
Total	¥9,193,283	¥9,050,446	\$75,114,665

Claims under The Banking Act and the Financial Reconstruction Law include Japanese corporate bonds in securities, which are guaranteed for all or part of the redemption of the principal and the payment of interest, and the issuance of these are limited to a private placement of securities (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, accrued interest and suspense payments in other assets and customers' liabilities for acceptances and guarantees. The amounts of these claims were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bankrupt and substantially bankrupt	¥15,743	¥14,464	\$128,632
Doubtful	165,173	143,420	1,349,567
Substandard	34,087	25,552	278,515
Loans past due for 3 months or more	51	428	421
Restructured loans	34,035	25,123	278,094
Non Performing Loans	¥215,004	¥183,436	\$1,756,714
Normal	9,231,734	9,112,116	75,428,834
Total	¥9,446,739	¥9,295,552	\$77,185,548

Bankrupt and substantially bankrupt represent claims to obligors under bankruptcy and similar claims, as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law and similar laws.

Doubtful represent claims to obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.

Loans past due for three months or more represent loans which the principal and/or interest is three months or more past due, but exclude bankrupt and substantially bankrupt and doubtful.

Restructured loans are loans where the Group relaxes lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude bankrupt and substantially bankrupt, doubtful, loans past due for three months or more.

Normal represent claims to obligors that are experiencing no particular problems with their financial condition or operating performance, other than claims in any of the three categories above.

These amounts represent the gross amounts before deduction of the allowance for loan losses.

(Change in Presentation)

Due to enforced Cabinet Office Ordinance Partially Amending

the Enforcement Regulations of the Banking Act, etc. (Cabinet Office Ordinance No. 3 of January 24, 2020) at March 31, 2022, the Group presents the claims under the Financial Reconstruction Law as the classification of risk monitored loans under the Banking Act.

Bills discounted are accounted for as financial transactions in accordance with "Accounting and Auditing treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Committee Practical Guidelines No. 24). The Banks have the right to sell or repledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, were ¥29,762 million (\$243,174 thousand) and ¥21,346 million as of March 31, 2022 and 2021, respectively.

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	¥20,921	¥19,040	\$170,937
Foreign exchange bills bought	2,417	1,644	19,754
Foreign exchange bills receivable	2,289	1,700	18,708
Total	¥25,628	¥22,385	\$209,399
Liabilities			
Due to foreign banks	¥178	¥227	\$1,463
Foreign exchange bills sold	88	0	724
Foreign exchange bills payable	380	220	3,105
Total	¥647	¥447	\$5,292

11. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings	¥31,912	¥32,612	\$260,743
Land	57,771	56,597	472,029
Lease assets	669	847	5,470
Construction in progress	3,580	221	29,256
Other tangible fixed assets	5,201	5,505	42,496
Total	¥99,135	¥95,784	\$809,994

Accumulated depreciation amounted to ¥106,906 million (\$873,490 thousand) and ¥105,989 million as of March 31, 2022 and 2021, respectively.

The book value of tangible fixed assets adjusted for gains on sales of replaced assets amounted to ¥5,821 million (\$47,565 thousand) and ¥5,824 million as of March 31, 2022 and 2021, respectively.

Under the "Act Concerning Land Revaluation," Hokuriku Bank, Ltd. revalued its own land for business operations as of March 31, 1998. The revaluation gain is included in net assets as "Revaluation reserve for land." The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥16,024 million (\$130,926 thousand) and ¥16,422 million as of March 31, 2022 and 2021, respectively.

12. Intangible Assets

Intangible assets as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Software	¥4,180	¥5,404	\$34,159
Goodwill	5,080	7,182	41,511
Lease assets	197	259	1,612
Other intangible assets	865	720	7,069
Total	¥10,323	¥13,568	\$84,351

13. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in liabilities on the consolidated balance sheet. As a contra account, customers' liabilities for acceptances and guarantees are also shown in assets, which represent the Banks' right of indemnity from the applicants.

Guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Japanese Financial Instruments and Exchange Act) amounted to ¥163,443 million (\$1,335,430 thousand) and ¥168,245 million as of March 31, 2022 and 2021, respectively.

14. Assets Pledged

Assets pledged as collateral and their relevant liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets pledged as collateral:			
Securities	¥1,208,022	¥1,141,336	\$9,870,268
Loans and bills discounted	2,452,157	2,331,618	20,035,607
Relevant liabilities to the above assets:			
Deposits	27,857	29,281	227,614
Call money and bills sold	20,000	78,000	163,412
Payables under securities lending transactions	288,815	307,787	2,359,796
Borrowed money	2,602,410	2,380,313	21,263,263

In addition to the assets presented above, the following assets were pledged as collateral relating to transactions on exchange settlements or as substitutes for futures transaction margins as of March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Securities	¥ 2,097	¥ 2,056	\$ 17,141
Other assets	105,219	105,219	859,709

In addition to the above, initial margins for futures transactions, cash collateral paid for financial instruments, and guarantee deposits that are included in "Other assets" in the consolidated balance sheet as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash collateral paid for financial instruments	¥11,005	¥7,203	\$89,920
Guarantee deposits	4,355	4,057	35,585

15. Loan Commitments

Overdraft facility and loan commitment contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. The unused amount of such contracts totaled 2,491,442 million (\$20,356,582 thousand) and ¥2,492,147 million as of March 31, 2022 and 2021, respectively, of which amounts with original agreement terms of less than one year are ¥2,336,350 million (\$19,089,394 thousand) and ¥2,337,027 million as of March 31, 2022 and 2021, respectively.

Since the majority of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Group to refuse customers' applications for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Group obtains collateral including real estate, securities, etc., if considered necessary. Subsequently, the Group performs a periodic review of the customers' business results based on internal rules and takes necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

16. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits, ordinary deposits, saving deposits and deposits at notice	¥9,636,970	¥9,144,928	\$78,739,851
Time deposits and installment savings	3,382,658	3,443,341	27,638,354
Negotiable certificates of deposit	64,079	64,238	523,572
Other deposits	118,895	136,404	971,451
Total	¥13,202,604	¥12,788,914	\$107,873,228

17. Borrowed Money

As of March 31, 2022 and 2021, the weighted-average annual interest rates applicable to borrowed money were 0.02%.

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
2022	¥1,647,615	\$13,462,008
2023	362,309	2,960,291
2024	303,171	2,477,095
2025	294,688	2,407,784
2026	404	3,306
2027 and thereafter	310	2,536
Total	¥2,608,500	\$21,313,020

18. Retirement Benefits

Overview of the Group's retirement benefit plans

The Hokuriku Bank, Ltd. and The Hokkaido Bank, Ltd. provided two defined benefit retirement programs, corporate pensions and retirement bonuses, in addition to the defined contribution pension plan. At the time of retirement, employees may be issued a premium retirement grant that is not subject to inclusion in the actuarial computation of projected benefit obligations in conformity with the standards for accounting for retirement benefits. The Banks have established retirement benefit trusts.

The consolidated domestic subsidiaries, other than the two noted above, provide retirement lump-sum grants.

(Additional information)

On March 1, 2022, the Hokkaido Bank transferred a portion of its defined benefit corporate pension plans to the defined contribution pension plans. Following this change, the Bank adopted "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, issued on December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issues Task Force No. 2 issued on February 7, 2007).

Due to this, assets for retirement benefits increased ¥3,662 millions (\$29,921 thousands) and defined retirement benefit plans decreased ¥159 millions (\$1,299 thousands). In addition, ¥3,891 millions (\$31,799 thousands) were recorded in other income.

(a) Defined benefit plan

(1) The changes in defined benefit obligations for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥94,864	¥96,454	\$775,099
Service cost	2,133	2,255	17,433
Interest cost	578	593	4,730
Actuarial (gains) losses	481	776	3,930
Benefits paid	(5,458)	(5,298)	(44,601)
Past service cost	(1,742)	—	(14,239)
Decrease resulting from transfer to defined contribution pension plans	(7,593)	—	(62,047)
Others	80	83	660
Balance at end of year	¥83,343	¥94,864	\$680,965

(2) The changes in plan assets for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥94,382	¥84,254	\$771,159
Expected return on plan assets	2,568	2,395	20,982
Actuarial (gains) losses	1,822	9,699	14,890
Contributions from the employer	513	2,031	4,194
Benefits paid	(4,956)	(4,082)	(40,497)
Decrease resulting from transfer to defined contribution pension plans	(3,931)	—	(32,119)
Others	80	83	660
Balance at end of year	¥90,479	¥94,382	\$739,269

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded defined benefit obligation	¥69,714	¥80,622	\$569,612
Plan assets	(80,554)	(83,706)	(658,177)
	(10,839)	(3,084)	(88,565)
Unfunded defined benefit obligation	13,628	14,242	111,353
Plan assets	(9,924)	(10,675)	(81,091)
	3,703	3,566	30,262
Net liability (asset) arising from defined benefit obligation	¥(7,135)	¥ 482	\$(58,303)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits	¥3,703	¥3,566	\$30,262
Asset for retirement benefits	(10,839)	(3,084)	(88,565)
Net liability (asset) arising from defined benefit obligation	¥(7,135)	¥ 482	\$(58,303)

(4) 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
Service cost	¥2,133	¥2,255	\$17,433
Interest cost	578	593	4,730
Expected return on plan assets	(2,568)	(2,395)	(20,982)
Recognized actuarial (gains) losses	501	1,229	4,097
Recognized past service cost	(16)	—	(132)
Others	114	118	938
Net periodic benefit costs	¥744	¥1,800	\$6,084

(5) 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
Past service cost	¥1,726	¥—	\$14,107
Actuarial gains (losses)	1,613	10,152	13,185
Total	¥3,340	¥10,152	\$27,292

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized past service cost	¥(1,726)	¥—	\$(14,107)
Unrecognized actuarial (gains) losses	1,242	2,856	10,151
Total	¥(484)	¥2,856	\$(3,956)

(7) Plan assets

• *Components of plan assets*

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

	2022	2021
Bonds	29.69%	29.13%
Stocks	44.98	45.43
Cash and deposits	2.06	2.75
General accounts	7.14	7.11
Other	16.13	15.58
Total	100.00%	100.00%

Note: Plan assets include retirement benefit trusts of 20.25% and 19.28% as of March 31, 2022 and 2021, respectively.

• *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 are expected currently and in the future, from the various components of the plan assets.

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

	2022	2021
Discount rate	0.61%-0.63%	0.61%-0.63%
Expected rate of return on plan assets	2.6%-3.0%	2.7%-3.0%

(b) *Defined contribution pension plan*

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Contribution	¥350	¥345	\$2,860

19. Equity

Japanese banks are subject to the Banking Act and the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act and the Banking 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. With respect to the third condition above, the Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 27, 2017. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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 Banking Act requires that an amount equal to 20% 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 100% 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 of 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.

On October 1, 2016, the Company implemented a common stock consolidation at a ratio of ten stocks to one stock based on the resolution of the General Shareholders' meeting held on June 24, 2016.

(d) *Appropriations of retained earnings*

The following appropriations of retained earnings at March 31, 2022 was approved at the Company's general shareholders' meeting held on June 23, 2022:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥35.00 (\$0.28) per share of common stock	¥4,478	\$36,591
Cash dividends, ¥7.50 (\$0.06) per share of preferred stock (Type 5)	564	4,608

20. Capital Stock

Information with respect to capital stock of the Company as of March 31, 2022 and 2021 is as follows:

	2022	2021
Number of shares:		
Authorized:		
Common	280,000,000	280,000,000
Preferred (Type 5)	110,000,000	110,000,000
Issued and outstanding:		
Common	128,770,814	132,163,014
Preferred (Type 5)	75,212,000	85,955,000
Treasury stock:		
Common	831,643	953,838
Preferred (Type 5)	11,112	11,128

Preferred stock (Type 5)

Preferred stock (Type 5) is noncumulative and nonparticipating. Shareholders of the preferred stock (Type 5) are not entitled to vote at the general meeting of shareholders, except when the proposal to pay the prescribed dividends to shareholders is not submitted to the general meeting of shareholders or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 5) are paid to shareholders at ¥15.00.

The changes in the number of treasury stock for the fiscal years ended March 31, 2022 and 2021 were as follows:

	As of April 1, 2021	Changes during the fiscal year		As of March 31, 2022
		Increase*1	Decrease*2	
2022				
Common	953,838	3,397,257	3,519,452	831,643
Preferred (Type 5)	11,128	10,742,984	10,743,000	11,112

	As of April 1, 2020	Changes during the fiscal year		As of March 31, 2021
		Increase*1	Decrease*2	
2021				
Common	999,658	4,120	49,940	953,838
Preferred (Type 5)	11,144	10,742,984	10,743,000	11,128

*1 The increase of common represents the acquisition of treasury stock and odd-lot shares.

The increase of preferred (Type5) represents the acquisition of treasury stock.

*2 The decrease of common represents the retirement of treasury stock and the exercise of stock options.

The decrease of preferred (Type5) represents the retirement of treasury stock.

21. Stock Acquisition Rights

Stock acquisition rights as of March 31, 2022 and 2021 consisted of stock options.

22. Stock Options

The stock option plans grant options to the Company's directors and the Banks' directors and executive officers to purchase certain shares of the Company's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

Stock option expenses in the amount of ¥117 million (\$961 thousand) and ¥110 million were recorded under general and administrative expenses for the years ended March 31, 2022 and 2021, respectively.

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

Stock options	Persons granted	Number of options granted (Shares)	Date of grant	Exercise price	Exercise period
2012 Stock Option	19 directors 23 executive officers	105,850	November 28, 2012	¥1	From November 29, 2012 to November 28, 2042
2013 Stock Option	19 directors 22 executive officers	62,950	August 13, 2013	¥1	From August 14, 2013 to August 13, 2043
2014 Stock Option	19 directors 21 executive officers	55,400	July 11, 2014	¥1	From July 12, 2014 to July 11, 2044
2015 Stock Option	18 directors 24 executive officers	41,730	July 14, 2015	¥1	From July 15, 2015 to July 14, 2045
2016 Stock Option	19 directors 25 executive officers	106,200	August 12, 2016	¥1	From August 13, 2016 to August 12, 2046
2017 Stock Option	20 directors 25 executive officers	75,960	July 14, 2017	¥1	From July 15, 2017 to July 14, 2047
2018 Stock Option	19 directors 24 executive officers	87,420	July 11, 2018	¥1	From July 12, 2018 to July 11, 2048
2019 Stock Option	19 directors 24 executive officers	114,610	July 10, 2019	¥1	From July 11, 2019 to July 10, 2049
2020 Stock Option	19 directors 23 executive officers	138,000	July 10, 2020	¥1	From July 11, 2020 to July 10, 2050
2021 Stock Option	19 directors 24 executive officers	154,930	July 14, 2021	¥1	From July 15, 2021 to July 14, 2051

The stock option activity was as follows:

Year ended March 31, 2022	2012 stock option (Shares)	2013 stock option (Shares)	2014 stock option (Shares)	2015 stock option (Shares)
Non-vested:				
March 31, 2021				
–outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022				
–outstanding	—	—	—	—
Vested:				
March 31, 2021				
–outstanding	18,770	16,700	14,780	14,400
Vested	—	—	—	—
Exercised	7,260	4,480	4,070	5,140
Canceled	—	—	—	—
March 31, 2022				
–outstanding	11,510	12,220	10,710	9,260
Exercise price	¥1	¥1	¥1	¥1
	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥837	¥837	¥837	¥837
	\$6.83	\$6.83	\$6.83	\$6.83
Fair value price at grant date	¥1,080	¥1,820	¥2,010	¥2,650
	\$8.82	\$14.87	\$16.42	\$21.65

Year ended March 31, 2022	2016 stock option (Shares)	2017 stock option (Shares)	2018 stock option (Shares)	2019 stock option (Shares)
Non-vested:				
March 31, 2021				
–outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2022				
–outstanding	—	—	—	—
Vested:				
March 31, 2021				
–outstanding	44,490	37,170	64,420	98,620
Vested	—	—	—	—
Exercised	12,720	10,050	20,670	28,000
Canceled	—	—	—	—
March 31, 2022				
–outstanding	31,770	27,120	43,750	70,620
Exercise price	¥1	¥1	¥1	¥1
	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥837	¥837	¥837	¥837
	\$6.83	\$6.83	\$6.83	\$6.83
Fair value price at grant date	¥1,170	¥1,717	¥1,353	¥1,080
	\$9.55	\$14.02	\$11.05	\$8.82

Year ended March 31, 2022	2020 stock option (Shares)	2021 stock option (Shares)
Non-vested:		
March 31, 2021		
–outstanding	—	—
Granted	—	154,930
Canceled	—	—
Vested	—	154,930
March 31, 2022		
–outstanding	—	—
Vested:		
March 31, 2021		
–outstanding	138,000	—
Vested	—	154,930
Exercised	34,670	—
Canceled	—	—
March 31, 2022		
–outstanding	103,330	154,930
Exercise price	¥1	¥1
	\$0.01	\$0.01
Average stock price at exercise	¥837	¥—
	\$6.83	\$—
Fair value price at grant date	¥802	¥759
	\$6.55	\$6.20

Shares and per share figures have been restated, as appropriate, to reflect a one-for-ten stock consolidation effective October 1, 2016.

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

Estimate method	Black-Scholes option-pricing model
Volatility of stock price	32.980%
Estimated remaining outstanding period	One years and ten months
Estimate dividend	¥35.00 per share
Risk-free interest rate	(0.130)%

In estimating the vested number of stock options, the Company basically reflects only the actual forfeited number since it is difficult to make a reasonable estimate on the future forfeited number.

23. Per Share Information

(1) Net income per share of common stock

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2022 and 2021 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended	Net income attributable to owners of parent	Weighted-average shares		EPS
March 31, 2022				
Basic EPS – Net income available to common shareholders	¥19,318	130,994	¥147.47	\$1.20
Effect of dilutive securities		461		
Diluted EPS – Net income for computation	¥19,318	131,455	¥146.95	\$1.20

	Millions of yen	Thousands of shares	Yen
Year ended	Net income attributable to owners of parent	Weighted-average shares	EPS
March 31, 2021			
Basic EPS – Net income available to common shareholders	¥19,964	131,200	¥152.17
Effect of dilutive securities		419	
Diluted EPS – Net income for computation	¥19,964	131,620	¥151.68

(2) Net assets per share of common stock

Net assets per share of common stock as of March 31, 2022 and 2021 were as follows:

	Yen	U.S. dollars
	2022	2021
Net assets per share of common stock	¥4,539.12	¥4,504.91
		\$37.08

Net assets per share of common stock as of March 31, 2022 and 2021 were calculated based on the following:

	Millions of yen	Thousands of U.S. dollars
	2022	2021
Total equity	¥622,845	¥638,504
Deductions from total equity:		
Stock acquisition rights	500	538
Non-controlling interests	3,449	3,263
Preferred stock	37,600	42,971
Preferred dividends	564	644
Net assets attributable to common stock at the end of the fiscal year	580,731	591,085
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share of common stock (shares in thousands)	127,939	131,209

24. Other Ordinary Income

Other ordinary income for the years ended March 31, 2022 and 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2021
Gain on foreign exchange transactions – net	¥1,184	¥980
Gains on sales and redemption of bonds and other securities	6,284	5,955
Gains on derivatives	—	75
Lease receipts	11,140	11,606
Other	1,457	1,431
Total	¥20,067	¥20,049

25. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2021
Losses on sales, redemption and devaluation of bonds and other securities	¥9,076	¥3,951
Losses on derivatives	9	—
Lease costs	10,258	10,689
Other	316	329
Total	¥19,660	¥14,970

26. Other Income

Other income for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on sales of stocks	¥9,780	¥9,612	\$79,912
Gains on sales of tangible fixed assets	99	25	815
Other	5,803	2,356	47,418
Total	¥15,683	¥11,994	\$128,145

27. Other Expenses

Other expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Losses on write-offs of loans and bills discounted	¥500	¥466	\$4,091
Losses on sales of stocks	2,889	4,427	23,608
Losses on impairments of stocks and other securities	4,842	98	39,567
Losses on sales of loans	135	193	1,107
Losses on impairments and disposals of fixed assets	1,037	1,113	8,477
Other	2,396	2,136	19,577
Total	¥11,801	¥8,436	\$96,427

28. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in the normal effective statutory tax rate of approximately 30.45% for the years ended March 31, 2022 and 2021.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥29,430	¥27,639	\$240,462
Depreciation	625	696	5,113
Liability for retirement benefits	4,852	8,116	39,646
Loss on valuation of securities	11,885	10,805	97,110
Other	5,302	5,193	43,327
Operating loss carryforwards	52	47	432
Subtotal	52,149	52,499	426,090
Less: Valuation allowance	30,375	27,231	248,182
Total deferred tax assets	21,774	25,267	177,908
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	26,780	37,170	218,816
Land transfer through merger	2,765	2,765	22,598
Other	2,861	2,701	23,381
Total deferred tax liabilities	32,408	42,637	264,795
Net deferred tax assets	¥(10,634)	¥(17,369)	\$(86,887)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2022 and 2021 are as follows:

	2022	2021
Normal effective statutory tax rate	30.45%	30.45%
Change in valuation allowance	5.58	(1.65)
Permanently non-taxable income	(1.04)	(1.08)
Per capita portion of inhabitants' taxes	0.46	0.46
Permanently non-deductible expenses	0.17	0.21
Other	2.13	2.33
Actual effective tax rate	37.75%	30.72%

29. Other Comprehensive Income (Loss)

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Amount incurred during the fiscal year	¥(32,495)	¥42,800	\$(265,508)
Reclassification adjustment	(1,153)	(6,881)	(9,424)
Prior to deducting tax effect	(33,648)	35,919	(274,932)
Tax effect	8,941	(10,575)	73,056
Total	(24,707)	25,343	(201,876)

Deferred gains (losses) on hedges:

Amount incurred during the fiscal year	(860)	401	(7,032)
Reclassification adjustment	1,414	843	11,558
Prior to deducting tax effect	553	1,245	4,526
Tax effect	(167)	(230)	(1,367)
Total	386	1,014	3,159

Defined retirement benefit plans:

Amount incurred during the fiscal year	2,854	8,922	23,327
Reclassification adjustment	485	1,229	3,965
Prior to deducting tax effect	3,340	10,152	27,292
Tax effect	(1,015)	(3,089)	(8,298)
Total	2,324	7,063	18,994

Share of other comprehensive income (loss) of associates accounted for using the equity method:

Amount incurred during the fiscal year	48	183	393
Reclassification adjustment	(15)	(0)	(125)
Prior to deducting tax effect	32	183	268
Tax effect	(10)	(55)	(89)
Total	21	127	179

Total other comprehensive income (loss)

¥(21,974)	¥33,549	\$(179,544)
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30. Leases

(1) Finance lease transactions

(Lessee)

The Group leases ATMs, computer equipment, software, and other assets.

(2) Operating lease transactions

(Lessee)

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
Within one year	¥3	¥3	\$32
Over one year	5	9	48
Total	¥9	¥13	\$80

31. Financial Instruments and Related Disclosures

(1) Group policy on financial instruments

The Group provides a wide variety of financial services, centered on banking services such as deposit-taking and lending.

The Group's lending activities are aimed at achieving co-prosperity with the regional economy and the Group endeavors to manage the Group's lending in a sound and appropriate manner, while simultaneously working to strengthen credit risk management.

Investments in securities are strictly managed based on the Group's risk management policies and regulations. Regarding deposit-taking operations, the Group aims to ensure stable fundraising by the expansion and upgrading of financial services for all customers in the region. Borrowed money and corporate bonds are used mainly for medium- to long-term fundraising.

Given the different term structures of the Group's financial assets such as loans and financial liabilities such as deposits, the Group is exposed to interest-rate fluctuation risk in the financial markets. For this reason, the Group conducts comprehensive asset liability management ("ALM") to appropriately control such market risk and ensure stable earnings.

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

The financial assets held by the Group consist primarily of securities and loans to domestic customers. Loans are subject to credit risks that could cause financial loss to the Group, such as declines or losses in asset value resulting from a possible deterioration in the financial condition of borrowers. With regard to securities, the Group is exposed to the credit risk of issuers, interest-rate risk, and market price volatility risk. However, the Group takes adequate steps to mitigate these risks.

Financial liabilities, including deposits and borrowed money, are exposed to liquidity risk arising from the possibility that the Group may be obliged to procure funds at interest rates significantly higher than normal owing to a sudden change in the market environment or a deterioration in the Group's financial position.

The Banks make use of currency-related derivatives such as currency swaps, forward exchange contracts, and currency options, as well as interest-related derivatives such as interest-rate swaps, interest-rate futures, and interest-rate caps, to meet the ALM needs of the Banks as well as the various needs of the

Banks' customers. These derivatives are exposed to the following risks among others: interest-rate risk, the risk of exchange rate fluctuations, price volatility risk, and credit risk.

However, none of the Group's financial assets and liabilities are attended by notably high risk levels, nor do they include any particular derivatives with high market price volatility.

The Banks apply hedge accounting to hedge the value of some of its assets and liabilities against interest-rate fluctuations. When applying hedge accounting, the Banks adopt integrated management in both hedging instruments and hedged items as long as hedging is managed and evaluates the effectiveness of the hedges.

(3) Risk management for financial instruments

The Group have established risk management departments and have stipulated basic regulations for risk management and other regulations pertaining to risk. In addition, the Group have established an ALM Committee and a Comprehensive Risk Management Committee, where qualified risks and administration matters are discussed regularly to ensure that all categories of risk are managed effectively. Changes in regulations and organizational structures of the Banks are revised or supervised by the Company to ensure conformance to the Group's policies and the results of the above committees are reported to the Company.

(a) Credit Risk Management

The Group's fundamental policy is to strive for improved earnings and ensure sound business operations through the appropriate management of credit risk. In line with this policy, the Company and the Banks collaborated in establishing various regulations, including Credit Risk Management Regulations, and ensuring the effective operation of internal checking functions by separating business promotion departments from credit risk management departments. Rigorous screening is also conducted and credit ratings are granted based on Credit Policy. Additionally, the setting of credit limits is managed on an individual customer basis to avoid the risk of an overconcentration of loans in particular sectors. Finally, the Banks carry out self-assessment and credit risk quantification procedures and the risk situation is regularly reported to the Banks' board of directors.

As for the loan screening process of the Banks, the branches concerned carefully analyze each loan application and screen each customer involved. In the event that the decision exceeds the limits of authority of the branch manager, the appropriate loan screening departments at the headquarters of the Banks carry out their own analysis and screening. Specialized staff members in place within the screening departments are responsible for particular industries and geographical areas. These specialists provide the appropriate advice and guidance to the branches based on the particular features of the customer.

Concerning the creditworthiness of security issuers and counterparty risk in derivative transactions, credit information and the state of transactions are regularly monitored and managed by the risk management departments of the Banks.

(b) Market Risk Management

Having stipulated regulations such as Market Risk Management Regulations and an arranged organizational structure including ALM and other committees, the Banks appropriately control

market risk associated with lending and deposit-taking in order to ensure stable earnings.

Interest Rate Risk Management

The risk management departments of the Banks regularly and comprehensively monitor the interest rates and time-frames involved in the Banks' financial assets and liabilities and monitor interest rate risk levels through methods such as gap analysis and sensitivity analysis of interest rates, based on the Banks' Interest Rate Risk Management Regulations and other related regulations where the methods and procedures to be employed for risk management are described in detail.

The Banks set ceiling amounts for each type of interest rate risk to control such risk appropriately. Derivatives such as interest-rate swaps and interest-rate caps are employed from an ALM perspective so that the Banks reduce interest rate risk by hedging against interest rate fluctuations.

Foreign Exchange Risk Management

Using measures such as currency swaps to reduce foreign exchange risk, the Banks manage exchange risk arising from fluctuations in foreign exchange rates that affect the values of assets and liabilities denominated in foreign currencies.

Price Volatility Risk Management

Regarding investments in instruments such as securities, the Banks carry out prior screening and set investment ceilings, and then constantly monitor the investment status to minimize price volatility risk. Every process above has to be strictly managed under the supervision of the Banks' Board of Directors and to be in line with policies laid down by Management Committees. A high percentage of the stocks held by the Banks are acquired and held for long-term strategic purposes. The Banks monitor the market conditions and financial positions of the securities issuers. Value at Risk ("VaR") and other methods are used to determine the amount of market risk for each security held. The staff members of the responsible departments provide regular reports to the Banks' Board of Directors and Management Committees to confirm that price risk is controllable and all rules pertaining to market risk management are being followed correctly.

Derivatives

The Banks arrange their organizational structures securing the separation and internal check-and-balance mechanisms among front sections (specializing in market transactions), middle sections (engaging in risk management), and back sections (responsible for book entries and settlements). Management sections confirm the validity of transactions, value the Banks' daily derivative positions, and measure gains and losses as well as risk levels. Derivative transactions are carefully managed in such a way that losses never exceed a predetermined maximum.

Quantitative Information Related to Market Risk

Hokuriku Bank and Hokkaido Bank measure quantitative information related to market risk.

• Financial instruments in the trading account

In calculating VaR for trading securities and a portion of currency-related and interest-related derivative transactions held in the trading account, Hokuriku Bank adopts the historical simulation method (a holding period of 1 business day, a confidence interval of 99%, and a main observation period of 1,250 business days).

The market risk amounts (VaR) of the trading business of Hokuriku Bank were ¥297 million (\$2,427 thousand) and ¥179 million as of March 31, 2022 and 2021, respectively.

Hokkaido Bank has no financial instruments in the trading accounts.

• Financial instruments in the banking account

In the Banks, the main financial instruments affected by interest rate risk are monetary claims bought, loans and bills discounted, bonds, deposits, borrowed money, and transactions of interest rate swaps, interest swaptions, and interest rate caps held in derivative transactions. The main financial instruments affected by market value are listed stocks and investment trust. The Banks use VaR for integrated management of these financial instruments.

For calculating VaR, the Banks adopted the historical simulation method (a holding period of 120 business days, a confidence interval of 99% and main observation period of 1,250 business days) and consider the correlations between interest and the fluctuation of prices of the listed stocks. In addition, Hokkaido Bank has set a holding period of 10 business days for trading account securities (including public bonds traded over the counter) and for specified fund trust as investment securities. Hokkaido Bank also considers the correlation between interest rates and the fluctuation of prices of the listed stocks in calculating VaR of specified fund trust as investment securities.

Hokuriku Bank's VaR of the financial instruments in the banking account was ¥28,903 million (\$236,155 thousand) and ¥48,751 million as of March 31, 2022 and 2021, respectively. Hokkaido Bank's VaR of the financial instruments in the banking account was ¥21,868 million (\$178,675 thousand) and ¥13,527 million as of March 31, 2022 and 2021, respectively. Hokkaido Bank's trading account securities totaled ¥8 million (\$65 thousand) and ¥13 million as of March 31, 2022 and 2021, respectively. Hokkaido Bank's specified fund trust totaled ¥0 million (\$4 thousand) and ¥2 million as of March 31, 2022 and 2021, respectively.

The Banks perform back testing of the VaR measurement model at fixed intervals. VaR measures the amount of market risk by certain occurrence probabilities that are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in markets beyond normal circumstances.

VaR shows the maximum loss during the holding period of the financial instruments under a confidence interval (99%) that is statistically calculated based on past market movements. In particular, the Banks calculate 100BPV (100 Basis Point Value) as supplements of the assets and liabilities and change in their present value on the assumption that index interest rate rises by 1.00%.

Hokuriku Bank's 100BPV was a ¥61,557 million increase (\$502,958 thousand increase) and a ¥70,800 million increase as of March 31, 2022 and 2021, respectively. Hokkaido Bank's 100BPV was a ¥768 million decrease (\$6,275 thousand decrease) and a ¥6,977 million increase as of March 31, 2022 and 2021, respectively.

For calculating 100BPV, the correlations between interest rates and the other parameters are not considered because the 100BPV is measured on the assumption that risk parameters other than interest rate remain unchanged. Actual risk can exceed the calculated 100BPV in the case of a drastic change in interest rates beyond reasonable prior expectations.

(c) Liquidity Risk Management

In accordance with the Banks' rules for management of liquidity risk, the Banks form an accurate appraisal of fund operations and procurement, and take measures to ensure smooth cash flows. Specifically, the Banks set benchmarks in various different categories to check liquidity risk on a daily basis, and maintain adequate levels of high-liquidity assets that are readily convertible into cash, such as government bonds.

The Banks have in place mechanisms for periodically assessing and managing liquidity risk through ALM committees, to prepare for every possible scenario.

(4) Supplementary explanation relating to fair values of financial instruments

The fair values of financial instruments include certain assumptions that are used in the measurement of such amounts. Accordingly, the results of such measurement may vary if different assumptions are used.

(5) Fair value of financial instruments

The fair values of the main financial instruments at March 31, 2022 and 2021 are as follows.

These amounts do not include stocks without a quoted market price and investments in partnerships (see Note 1). In addition, Cash and due from banks, Call loans and bills bought, negotiable certificate of deposit, Call money and bills sold, Payables under securities lending transactions are omitted since these instruments are mainly settled in the short term (within 1 year) and the book values approximate the fair values.

Fair value of financial instruments

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
March 31, 2022			
Monetary claims bought *1	¥21,217	¥21,217	¥—
Securities			
Bonds classified as held-to-maturity	4,000	4,018	17
Available-for-sale securities	2,157,573	2,157,573	—
Loans and bills discounted	9,193,283		
Allowance for loan losses *1	(70,487)		
	9,122,796	9,196,126	73,330
Total assets	¥11,305,587	¥11,378,936	¥73,348
Deposits	¥13,202,604	¥13,202,684	¥79
Borrowed money	2,608,500	2,606,603	(1,896)
Total liabilities	¥15,811,104	¥15,809,288	¥(1,816)
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting	¥(4,182)	¥(4,182)	¥—
Derivative transactions qualifying for hedge accounting *3	(1,587)	(1,587)	*4—
Total derivative transactions	¥(5,769)	¥(5,769)	¥—

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
March 31, 2021			
Monetary claims bought *1	¥27,985	¥27,985	¥—
Securities			
Bonds classified as held-to-maturity	198,881	208,265	9,383
Available-for-sale securities	1,878,941	1,878,941	—
Loans and bills discounted	9,050,446		
Allowance for loan losses *1	(61,071)		
	8,989,375	9,086,869	97,493
Total assets	¥11,095,184	¥11,202,061	¥106,877
Deposits	¥12,788,914	¥12,789,094	¥180
Borrowed money	2,385,969	2,386,764	794
Total liabilities	¥15,110,645	¥15,111,620	¥974
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting	¥(626)	¥(626)	¥—
Derivative transactions qualifying for hedge accounting *3	(2,311)	(2,311)	*4—
Total derivative transactions	¥(2,937)	¥(2,937)	¥—

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
March 31, 2022			
Monetary claims bought *1	\$173,355	\$173,355	\$—
Securities			
Bonds classified as held-to-maturity	32,686	32,833	147
Available-for-sale securities	17,628,678	17,628,678	—
Loans and bills discounted	75,114,665		
Allowance for loan losses *1	(575,924)		
	74,538,741	75,137,892	599,151
Total assets	\$92,373,460	\$92,972,758	\$599,298
Deposits	\$107,873,228	\$107,873,882	\$654
Borrowed money	21,313,020	21,297,521	(15,499)
Total liabilities	\$129,186,248	\$129,171,403	\$(14,845)
Derivative transactions *2			
Derivative transactions not qualifying for hedge accounting	\$(34,171)	\$(34,171)	\$—
Derivative transactions qualifying for hedge accounting *3	(12,971)	(12,971)	*4—
Total derivative transactions	\$(47,142)	\$(47,142)	\$—

*1. Allowance for loan losses shown in this table represents the general allowance and specific allowance for loan losses. Figures for allowance for loan losses on monetary claims bought are directly deducted from the balance of monetary claims bought as the amount concerned is insignificant.

*2. Derivative transactions included in trading assets and liabilities and other assets and liabilities are shown together. Assets and liabilities arising from derivative transactions are shown within parentheses with respect to net liabilities.

*3. Transactions to which hedge accounting is applied include interest rate swap transactions designated as hedging instrument for the purpose of balancing interest rate fluctuations in loans, securities, etc. Deferred hedge accounting is applied to these transactions. Of these hedge relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, March 17, 2022) applies are accounted for under the standard.

*4. As interest-rate swaps subject to exceptional treatment are accounted for together with the loans being hedged by the swaps, their fair value is included in the loans in question on the consolidated balance sheet.

(Note 1) The following are the consolidated balance sheet amounts of stocks without a quoted market price, and investments in partnerships. These amounts are not included in "Available-for-sale securities" in fair value of financial instruments.

Consolidated balance sheet amounts

March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted stocks *1,2	¥26,089	¥29,467	\$213,167
Unlisted foreign securities *1	0	0	3
Total	¥26,089	¥29,467	\$213,170

*1. In accordance with paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020), these items are not subject to disclosure of the fair value.

*2. Unlisted stocks were written down by ¥3,263 million (\$26,667 thousand) and ¥21 million as of March 31, 2022 and 2021, respectively.

*3. In accordance with paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019), investments in partnerships are not subject to disclosure of the fair value. The consolidated balance sheet amounts of these were ¥19,323 million (\$157,886 thousand) and ¥13,793 million at March 31, 2022 and 2021, respectively.

(Note 2) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
March 31, 2022					
Monetary claims bought	¥883	¥—	¥—	¥—	¥20,268
Securities	155,988	260,989	293,740	328,254	831,044
Bonds classified as held-to-maturity	1,000	1,500	1,500	—	—
Japanese government bonds	1,000	500	—	—	—
Japanese local government bonds	—	1,000	1,500	—	—
Japanese corporate bonds	—	—	—	—	—
Available-for-sale securities with maturities	154,988	259,489	292,240	328,254	831,044
Japanese government bonds	52,000	—	16,000	45,500	308,000
Japanese local government bonds	35,017	91,332	104,868	83,103	299,958
Japanese corporate bonds	49,309	85,296	65,978	13,580	61,731
Other	18,661	82,860	105,394	186,070	161,354
Loans and bills discounted	2,856,264	1,468,056	1,086,697	737,138	2,845,084
Total	¥3,013,136	¥1,729,046	¥1,380,438	¥1,065,392	¥3,696,397

	Millions of yen				
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
March 31, 2021					
Monetary claims bought	¥1,003	¥—	¥—	¥—	¥26,788
Securities	180,391	284,199	240,394	189,488	859,460
Bonds classified as held-to-maturity	37,362	61,450	42,361	6,985	50,725
Japanese government bonds	—	1,500	10,000	—	50,000
Japanese local government bonds	—	500	500	1,500	—
Japanese corporate bonds	37,362	59,450	31,861	5,485	725
Available-for-sale securities with maturities	143,028	222,748	198,032	182,503	808,735
Japanese government bonds	94,000	52,000	—	12,000	227,500
Japanese local government bonds	26,525	85,122	95,409	58,964	281,703
Japanese corporate bonds	13,652	24,846	37,359	13,743	62,540
Other	8,850	60,780	65,263	97,795	236,990
Loans and bills discounted	2,825,811	1,449,373	1,137,331	793,060	2,667,890
Total	¥3,007,206	¥1,733,572	¥1,377,725	¥982,548	¥3,554,139

Thousands of U.S. dollars					
March 31, 2022	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Monetary claims bought	\$7,222	\$—	\$—	\$—	\$165,603
Securities	1,274,520	2,132,442	2,400,039	2,682,033	6,790,131
Bonds classified as held-to-maturity	8,171	12,256	12,255	—	—
Japanese government bonds	8,171	4,085	—	—	—
Japanese local government bonds	—	8,171	12,255	—	—
Japanese corporate bonds	—	—	—	—	—
Available-for-sale securities with maturities	1,266,349	2,120,186	2,387,784	2,682,033	6,790,131
Japanese government bonds	424,871	—	130,730	371,762	2,516,545
Japanese local government bonds	286,114	746,243	856,838	679,004	2,450,843
Japanese corporate bonds	402,890	696,922	539,080	110,960	504,381
Other	152,474	677,021	861,136	1,520,307	1,318,362
Loans and bills discounted	23,337,399	11,994,905	8,878,972	6,022,866	23,246,056
Total	\$24,619,141	\$14,127,347	\$11,279,011	\$8,704,899	\$30,201,790

Loans and bills discounted

Claims on "Legal bankruptcy" borrowers, "Virtual bankruptcy" borrowers, and "Possible bankruptcy" borrowers amounted to ¥179,726 million (\$1,468,476 thousand) and ¥156,342 million as of March 31, 2022 and 2021, respectively, and loans with no contractual maturities amounted to ¥20,315 million (\$165,991 thousand) and ¥20,636 million as of March 31, 2022 and 2021, respectively. They are not included in the table above.

(Note 3) Maturity analysis for financial liabilities with contractual maturities

Millions of yen					
March 31, 2022	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	¥12,210,561	¥724,888	¥196,648	¥3,415	¥3,011
Borrowed money	1,647,615	665,481	295,093	310	—
Total	¥13,858,176	¥1,390,370	¥491,741	¥3,725	¥3,011

Millions of yen					
March 31, 2021	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	¥11,840,670	¥724,147	¥152,074	¥4,689	¥3,094
Borrowed money	1,650,985	430,946	303,530	428	77
Total	¥13,491,656	¥1,155,093	¥455,605	¥5,118	¥3,172

Thousands of U.S. dollars					
March 31, 2022	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years
Deposits	\$99,767,638	\$5,922,775	\$1,606,733	\$27,907	\$24,604
Borrowed money	13,462,008	5,437,386	2,411,090	2,536	—
Total	\$113,229,646	\$11,360,161	\$4,017,823	\$30,443	\$24,604

Deposits

Demand deposits are included in "Due in 1 year or less."

(6) 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 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.

Investment trust and stocks without a quoted market price and investments in partnerships and partnerships are not included in following table in accordance with transitional treatment provide in paragraph 26, 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019).

(a) 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
Monetary claims bought	¥—	¥—	¥21,217	¥21,217
Securities	836,054	914,193	176,294	1,926,541
Available-for-sale securities	836,054	914,193	176,294	1,926,541
Japanese government bonds and Japanese local government bonds	389,535	649,971	—	1,039,507
Japanese corporate bonds	—	100,224	176,294	276,518
Japanese stocks	182,996	20,444	—	203,440
Other	263,522	143,552	—	407,074
Total assets	¥836,054	¥914,193	¥197,511	¥1,947,758
Derivative transactions *1 *2				
Interest rate - related transactions	¥—	¥553	¥—	¥553
Foreign exchange - related transactions	—	(6,357)	—	(6,357)
Commodity - related transactions	—	43	—	43
Credit derivative transactions	—	—	(9)	(9)
Total derivative transactions	¥—	¥(5,760)	¥(9)	¥(5,769)

March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$—	\$—	\$173,355	\$173,355
Securities	6,831,066	7,469,509	1,440,429	15,741,004
Available-for-sale securities	6,831,066	7,469,509	1,440,429	15,741,004
Japanese government bonds and Japanese local government bonds	3,182,741	5,310,660	—	8,493,401
Japanese corporate bonds	—	818,896	1,440,429	2,259,325
Japanese stocks	1,495,189	167,045	—	1,662,234
Other	2,153,136	1,172,908	—	3,326,044
Total assets	\$6,831,066	\$7,469,509	\$1,613,784	\$15,914,359
Derivative transactions *1 *2				
Interest rate - related transactions	\$—	\$4,524	\$—	\$4,524
Foreign exchange - related transactions	—	(51,944)	—	(51,944)
Commodity - related transactions	—	354	—	354
Credit derivative transactions	—	—	(76)	(76)
Total derivative transactions	\$—	\$(47,066)	\$(76)	\$(47,142)

*1. Derivative transactions included in trading assets and liabilities and other assets and liabilities are shown together. Assets and liabilities arising from derivative transactions are shown within parentheses with respect to net liabilities.

*2. As interest-rate swaps subject to exceptional treatment are included in the loans in question on the consolidated balance sheet.

*3. Investment trust was excluded in the above. It amounted to ¥231,032 million (\$1,887,674 thousand) as of March 31, 2022

(b) 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	¥1,507	¥2,510	¥—	¥4,018
Bonds classified as held-to-maturity	1,507	2,510	—	4,018
Japanese government bonds and Japanese local government bonds	1,507	2,510	—	4,018
Loans and bills discounted	—	—	9,196,126	9,196,126
Total assets	¥1,507	¥2,510	¥9,196,126	¥9,200,145
Deposits	—	13,138,604	—	13,138,604
Borrowed money	—	2,603,262	3,340	2,606,603
Total liabilities	¥—	¥15,741,867	¥3,340	¥15,745,208

March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Securities	\$12,317	\$20,516	\$—	\$32,833
Bonds classified as held-to-maturity	12,317	20,516	—	32,833
Japanese government bonds and Japanese local government bonds	12,317	20,516	—	32,833
Loans and bills discounted	—	—	75,137,892	75,137,892
Total assets	\$12,317	\$20,516	\$75,137,892	\$75,170,725
Deposits	—	107,350,310	—	107,350,310
Borrowed money	—	21,270,225	27,296	21,297,521
Total liabilities	\$—	\$128,620,535	\$27,296	\$128,647,831

(Note 1) The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities

Monetary claims bought

Trust beneficiary rights for mortgage and loans are stated at the level 3 fair value based on the price provided by the financial institutions. Trust beneficiary rights for account receivables are stated at the level 3 based on the present value as discounting cash flows by market interest rates in consideration of credit risk.

Securities

When quoted prices are available in an active market, the Group adopts the quoted prices to measure the fair value are classified as Level 1 of the fair value hierarchy that include stocks listed on the First Section of the Tokyo Stock Exchange and Japanese Government Bonds. The fair value of an input that can be directly or indirectly observed other than Level 1 input is classified as Level 2 of the fair value hierarchy.

When a quoted price is not observable, an entity measures fair value using valuation technique such as discount present value method of future cash flows and that maximises the use of relevant observable inputs which include interest market rates and the probability of default. When an unobservable input is significant to the entire measurement, the fair value is classified as Level 3 of the fair value hierarchy that include privately-placed bonds.

Loans and bills discounted

For loans, the fair value is measured using the total future cash flows from principal and interest discounted by current market interest rates, taking into account the credit risk involved. This measurement is performed separately for each different category of loans, classified by type of loan, internal credit ratings, and maturity length. As loans with variable interest rates reflect short-term market interest rates, the book value will approximate the fair value unless the creditworthiness of the borrower changes subsequent to the grading of the loan. Because of this, the book value is employed as the fair value.

Regarding the fair value of claims on "Legal bankruptcy" borrowers, "Virtual bankruptcy" borrowers, and "Possible bankruptcy" borrowers, credit losses are estimated based on the present value of estimated future cash flows or the estimated value recoverable from collateral and guarantees. Since the book value stated on the consolidated balance sheet as of the consolidated balance sheet date, minus the present value of estimated bad debt, approximates the fair value, this figure is treated as the fair value. These fair values are classified as Level 3 of the fair value hierarchy. Also, fair value of loans are accounted hedged by the swaps for together with the loans are reflected the fair value of such interest-rate swaps.

Deposits

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value and is classified as Level 2 of the fair value hierarchy. In addition, the fair value of time deposits is calculated by discounting the estimated future cash flows for each of the specified periods and is classified as Level 2 of the fair value hierarchy. This measurement is performed separately as per the remaining maturity of time deposits. The discount rate employed is the interest rate is available in the market.

Borrowed money

Borrowed money with floating interest rates reflects market interest rates and because the credit standing of the Company and its consolidated subsidiaries has changed little since taking out such loans, the book value is deemed to approximate the fair value and is therefore treated as such. For money borrowed through loans carrying fixed rates, the current value of such loans is determined by discounting the total of their principal plus interest (separately for each specific period) at the rate currently applied to other loans of the same duration and terms. These fair values are mainly classified as Level 2 of the fair value hierarchy.

Derivative transactions

Derivative transactions for which unadjusted quoted prices in active markets are available are classified as Level 1 of the fair value hierarchy. However, since most derivative transactions are over-the-counter transactions and there are no published quoted prices, fair values are measured using valuation techniques such as the discounted present value method and the Black-Scholes model depending on the type of transaction and the period to maturity. The main inputs used in these valuation techniques are interest rates, exchange rates, volatility, etc. When an unobservable input is not entire or is not significant for the fair value measurement, the fair values are classified as Level 2 of the fair value hierarchy that include plain vanilla swap, currency option, and so on.

The fair value used significant unobservable inputs are classified as Level 3 fair value of the fair value hierarchy.

(Note 2) The information of level 3 fair value with the financial assets and liabilities measured at the fair values in the consolidated balance sheet

(a) The quantitative information of fair values measured by using unobservable inputs for the assets or liabilities

March 31, 2022

	valuation method	Unobservable inputs for the assets	Range of valuation input
Monetary claims bought	Discounted cash flow method	Bankruptcy probability by ratings	0.002%
		Expected loss ratio	11.517%
		Expense ratio	0.426%
Privately-Placed bonds	Discounted cash flow method	Bankruptcy probability by ratings	0.000%—5.380%
		Expected loss ratio	11.517%—19.244%
		Expense ratio	0.036%—0.426%

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

March 31, 2022	Millions of yen		
	Monetary claims bought	Privately-Placed bonds	Total
Balance at the beginning of the period	¥27,985	¥45,060	¥73,046
Profit and loss or other comprehensive income at the current period	(95)	(48)	(143)
Included in profit and loss	1	(48)	(46)
Included in other comprehensive income*1	(96)	0	(96)
Purchase, Issue	3,248	22,830	26,078
Sales, Redemption, Settlement	(9,922)	(19,032)	(28,954)
Transfer to fair value level 3	—	127,484	127,484
Transfer from fair value level 3	—	—	—
Balance at the end of current period	21,217	176,294	197,511
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	¥—	¥—	¥—

March 31, 2022	Thousands of U.S. dollars		
	Monetary claims bought	Corporate bonds sold through private placement	Total
Balance at the beginning of the period	\$228,659	\$368,171	\$596,830
Profit and loss or other comprehensive income at the current period	(779)	(393)	(1,172)
Included in profit and loss	12	(396)	(384)
Included in other comprehensive income*1	(791)	3	(788)
Purchase, Issue	26,545	186,535	213,080
Sales, Redemption, Settlement	(81,070)	(155,506)	(236,576)
Transfer to fair value level 3 *2	—	1,041,622	1,041,622
Transfer from fair value level 3	—	—	—
Balance at the end of current period	173,355	1,440,429	1,613,784
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	\$—	\$—	\$—

*1. Those amounts are included in valuation difference on available for sale securities of other comprehensive income in the consolidated statement of comprehensive income.

*2. Due to changed classification from held maturity debt securities to available-for-sale securities.

(c) Description of the valuation processes used by the entity

In accordance with the policies and procedures established by the Corporate Planning Department regarding the fair values, the Banks verifies the appropriateness of the valuation techniques and inputs used in the measurement of fair values by the back offices of the Banks. The report of these verifies is submitted to middle offices, therefore, the appropriateness of fair value hierarchy and policy or process of fair value measurement are securely established.

In measurement of the fair value, the Banks use an evaluation model that is most adequate that reflects the nature, characteristics and risks of each asset. In addition, when using quoted prices provided by the third parties, the appropriateness of prices is verified by appropriate methods such as confirmation of the valuation techniques and inputs used and comparison with the market prices of similar financial instruments.

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

Significant unobservable inputs used in measurement of the fair value of purchased monetary claims and privately-placed bonds are the probability of default by rating, the expected credit loss ratio and the expense ratio. A significant increase (decrease) in these inputs affect mitigate or magnify of the fair value.

32. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, notional principal or contract amount, fair value at the balance sheet date by transaction type, and related unrealized gain or loss. Note that contract amounts do not represent the market risk exposure of derivative transactions.

• Interest Rate-Related Transactions

March 31, 2022	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥46,968	¥38,004	¥575	¥575
Receive/floating and pay/fixed	46,937	37,989	(274)	(274)
Others/sell	479	479	(0)	10
Others/buy	479	479	0	(3)
Total	/	/	¥300	¥306

March 31, 2021	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥67,512	¥55,140	¥1,275	¥1,275
Receive/floating and pay/fixed	67,500	55,092	(820)	(820)
Others/sell	510	510	(0)	10
Others/buy	510	510	0	(4)
Total	/	/	¥455	¥461

March 31, 2022	Thousands of U.S. dollars			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	\$383,759	\$310,520	\$4,699	\$4,699
Receive/floating and pay/fixed	383,508	310,398	(2,247)	(2,247)
Others/sell	3,918	3,918	(7)	83
Others/buy	3,918	3,918	7	(32)
Total	/	/	\$2,452	\$2,503

Note: The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.

• Foreign Exchange-Related Transactions

March 31, 2022	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps	¥5,051	¥2,327	¥3	¥3
Forward contracts/sell	136,733	1,336	(5,429)	(5,429)
Forward contracts/buy	57,898	1,321	909	909
Options/sell	27,523	15,404	(675)	34
Options/buy	27,523	15,404	675	122
Total	/	/	¥(4,516)	¥(4,360)

March 31, 2021	Millions of yen			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps	¥2,100	¥2,100	¥1	¥1
Forward contracts/sell	76,774	509	(2,223)	(2,223)
Forward contracts/buy	62,726	553	1,074	1,074
Options/sell	39,851	18,716	(656)	833
Options/buy	39,851	18,716	655	(625)
Total	/	/	¥(1,148)	¥(939)

March 31, 2022	Thousands of U.S. dollars			
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps	\$41,276	\$19,015	\$32	\$32
Forward contracts/sell	1,117,193	10,920	(44,365)	(44,364)
Forward contracts/buy	473,063	10,800	7,430	7,430
Options/sell	224,885	125,863	(5,520)	278
Options/buy	224,885	125,863	5,520	997
Total	/	/	\$(36,903)	\$(35,627)

Note: The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.

• Commodity-Related Transactions

Millions of yen				
March 31, 2022	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥1,060	¥1,049	¥(415)	¥(415)
Receive/floating and pay/fixed	1,060	1,049	458	458
Total	/	/	¥43	¥43

Millions of yen				
March 31, 2021	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	¥842	¥832	¥(79)	¥(79)
Receive/floating and pay/fixed	842	832	145	145
Total	/	/	¥66	¥66

Thousands of U.S. dollars				
March 31, 2022	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Swaps				
Receive/fixed and pay/floating	\$8,665	\$8,578	\$(3,394)	\$(3,394)
Receive/floating and pay/fixed	8,665	8,578	3,748	3,748
Total	/	/	\$354	\$354

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. The above derivative transactions consist of those for oil, copper, aluminum, etc.

• Credit Derivative Transactions

Millions of yen				
March 31, 2022	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Credit default options				
Sell	¥—	¥—	¥—	¥—
Buy	488	471	(9)	(8)
Total	/	/	¥(9)	¥(8)

Thousands of U.S. dollars				
March 31, 2022	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
Over-the-counter transactions				
Credit default options				
Sell	\$—	\$—	\$—	\$—
Buy	3,991	3,856	(76)	(71)
Total	/	/	\$(76)	\$(71)

Notes: 1. The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.
2. "Sell" and "Buy" indicate assumption and cession of credit risk, respectively

• Others

Millions of yen				
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
March 31, 2022				
Over-the-counter transactions				
Earthquake derivatives				
Sell	¥8,965	¥—	¥(57)	¥—
Buy	8,965	—	57	—
Total	/	/	¥—	¥—
Millions of yen				
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
March 31, 2021				
Over-the-counter transactions				
Earthquake derivatives				
Sell	¥9,015	¥—	¥(58)	¥—
Buy	9,015	—	58	—
Total	/	/	¥—	¥—
Thousands of U.S. dollars				
	Notional principal or contract amount		Fair value	Unrealized gain (loss)
	Total	Due after 1 year		
March 31, 2022				
Over-the-counter transactions				
Earthquake derivatives				
Sell	\$73,249	\$—	\$(471)	\$—
Buy	73,249	—	471	—
Total	/	/	\$—	\$—

Note: The above transactions are stated at fair value and unrealized gain or loss is charged to income or expenses in the consolidated statement of income.

(2) Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, notional principal or contract amount and fair value at the balance sheet date by transaction type and hedge accounting method. Note that contract amounts do not represent the market risk exposure of derivative transactions.

• Interest Rate-Related Transactions

March 31, 2022

Hedge accounting method	Type	Hedged item	Millions of yen		
			Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps Receive/floating and pay/fixed	Yen-based bond	¥70,000	¥20,000	¥253
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	36,718	36,672	*2
Total			/	/	¥253

March 31, 2021

Hedge accounting method	Type	Hedged item	Millions of yen		
			Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps Receive/floating and pay/fixed	Yen-based bond	¥73,000	¥68,000	¥(199)
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	37,670	37,670	*2
Total			/	/	¥(199)

March 31, 2022

Hedge accounting method	Type	Hedged item	Thousands of U.S. dollars		
			Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps Receive/floating and pay/fixed	Yen-based bond	\$571,942	\$163,412	\$2,071
Exceptional treatment for interest swaps	Swaps Receive/floating and pay/fixed	Loans and bills discounted	300,013	299,638	*2
Total			/	/	\$2,071

Notes: 1. Deferred hedge accounting is mainly applied in accordance with JICPA Industry Committee Practical Guidelines No. 24.

2. Amounts resulting from interest swaps with exceptional treatment are accounted for together with the financial instruments hedged. As a result, the fair value is included in the fair value of the loans stated in Note 31, "Financial Instruments and Related Disclosures."

• Foreign Exchange-Related Transactions

March 31, 2022

Hedge accounting method	Type	Hedged item	Millions of yen		
			Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans and foreign securities	¥18,654	¥249	¥(1,281)
	Forward contracts	Call loans and due from banks (foreign currencies)	19,650	—	(559)
Total			/	/	¥(1,840)

March 31, 2021

Hedge accounting method	Type	Hedged item	Millions of yen		
			Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans and foreign securities	¥34,665	¥239	¥(2,111)
	Forward contracts	Call loans and due from banks (foreign currencies)	—	—	—
Total			/	/	¥(2,111)

March 31, 2022

Hedge accounting method	Type	Hedged item	Thousands of U.S. dollars		
			Notional principal or contract amount		Fair value
			Total	Due after 1 year	
Accounting method employed in principle	Swaps	Foreign loans and foreign securities	\$152,418	\$2,041	\$(10,472)
	Forward contracts	Call loans and due from banks (foreign currencies)	160,558	—	(4,570)
Total			/	/	\$(15,042)

Note: Deferred hedge accounting is mainly applied in accordance with JICPA Industry Committee Practical Guidelines No. 25.

33. Revenue Recognition

(1) Disaggregation of Revenue from contracts with customers

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2022, were as follows:

	Millions of yen				
	2022				
	Reportable segment			Other *	Total
	Hokuriku Bank	Hokkaido Bank	Total		
Trust fees	¥36	¥—	¥36	¥—	¥36
Fees and commissions	15,057	14,279	29,336	4,576	33,912
Deposits and loan operations	4,257	5,601	9,858	—	9,858
Domestic and foreign exchange operations	5,413	4,236	9,650	—	9,650
Investment operations	1,595	1,596	3,191	1,207	4,399
Agency operations	574	639	1,213	441	1,654
Safe keeping and safe operations	149	77	226	—	226
Other	3,068	2,128	5,196	2,927	8,123
Other ordinary incomes	—	—	—	1,445	1,445
Other incomes	—	—	—	33	33
Ordinary income from contracts with customers	15,093	14,279	29,373	6,054	35,427
Ordinary income except the above	72,773	57,358	130,132	12,233	142,366
Ordinary income from external customers	¥87,867	¥71,637	¥159,505	¥18,288	¥177,793

	Thousands of U.S.dollars				
	2022				
	Reportable segment			Other *	Total
	Hokuriku Bank	Hokkaido Bank	Total		
Trust fees	\$296	\$—	\$296	\$—	\$296
Fees and commissions	123,028	116,671	239,699	37,389	277,088
Deposits and loan operations	34,783	45,765	80,548	—	80,548
Domestic and foreign exchange operations	44,231	34,618	78,849	—	78,849
Investment operations	13,035	13,041	26,076	9,867	35,943
Agency operations	4,693	5,224	9,917	3,604	13,521
Safe keeping and safe operations	1,218	634	1,852	—	1,852
Other	25,068	17,390	42,458	23,918	66,376
Other ordinary incomes	—	—	—	11,809	11,809
Other incomes	—	—	—	270	270
Ordinary income from contracts with customers	123,324	116,671	239,995	49,468	289,463
Ordinary income except the above	594,604	468,654	1,063,258	99,959	1,163,217
Ordinary income from external customers	\$717,929	\$585,325	\$1,303,254	\$149,427	\$1,452,681

* "Other" was included financial instruments business, leasing, credit card operations and others without banking.

(2) Basic information to understand the revenue from contracts with customers

The Group recognizes revenue in accordance with that core principle by applying the following 5 steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Accounting Standard for Revenue Recognition is applied to contracts with customers are mainly Fees and commission in the Banks. The Banks provides exchange settlements services such as transfer of fund and deposit services such as account transfers and sales agency services for investment trusts and life insurance contracts. If the performance obligations are satisfied at a point in time such as settlement and conclusion of sales contracts, the fees received in connection with the services are recognized as revenue when the performance obligations satisfied.

In addition, if performance obligations are satisfied for a certain period of time, revenue is recognized as the performance obligations satisfied over time.

The Company and its consolidated non-banking subsidiaries recognize the revenues by a similar method as that of the Banks.

34. Segment Information

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 separate financial information is available and regular evaluation by the Board of Directors and Management Committees is being performed in order to decide how resources are allocated among the Group and assess performance.

The Group comprehensively conducts banking business as its core business and other financial services under the control of the Company.

The Company recognized each of its consolidated subsidiaries as an operating segment. Therefore, Hokuriku Bank and Hokkaido Bank are reportable segments.

(2) Methods of measurement for the amounts of ordinary income, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Profits of reportable segments are the same as net income. Ordinary income from intersegment transactions is based on transaction prices determined in the same manner as ordinary income from external customers.

(3) Information about ordinary income, profit (loss), assets, liabilities, and other items

Segment results for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen						
	2022						
	Reportable segment			Other	Total	Reconciliations	Consolidated
	Hokuriku Bank	Hokkaido Bank	Total				
Ordinary income							
Ordinary income from external customers	¥87,867	¥71,637	¥159,505	¥20,145	¥179,650	¥(1,856)	¥177,793
Ordinary income from intersegment transactions	1,131	1,345	2,476	4,308	6,785	(6,785)	—
Total	88,998	72,983	161,982	24,453	186,435	(8,641)	177,793
Segment profit	13,102	8,770	21,873	2,302	24,176	(3,649)	20,526
Segment assets	10,178,190	7,065,244	17,243,435	94,854	17,338,290	(58,218)	17,280,071
Segment liabilities	¥9,808,584	¥6,842,923	¥16,651,508	¥64,994	¥16,716,502	¥(59,276)	¥16,657,226
Others							
Depreciation	¥3,787	¥2,650	¥6,438	¥243	¥6,682	¥0	¥6,682
Amortization of goodwill	—	—	—	—	—	2,102	2,102
Unamortized balance of goodwill	—	—	—	—	—	5,080	5,080
Increase in tangible fixed assets and intangible assets	¥7,015	¥2,712	¥9,727	¥102	¥9,830	¥(11)	¥9,818
	Millions of yen						
	2021						
	Reportable segment			Other	Total	Reconciliations	Consolidated
	Hokuriku Bank	Hokkaido Bank	Total				
Ordinary income							
Ordinary income from external customers	¥85,281	¥70,337	¥155,619	¥20,518	¥176,137	¥(174)	¥175,963
Ordinary income from intersegment transactions	1,145	1,234	2,380	4,671	7,052	(7,052)	—
Total	86,427	71,572	157,999	25,190	183,189	(7,226)	175,963
Segment profit	14,297	8,192	22,490	2,408	24,898	(3,563)	21,334
Segment assets	9,857,292	6,737,566	16,594,859	95,160	16,690,020	(54,548)	16,635,471
Segment liabilities	¥9,473,122	¥6,514,085	¥15,987,208	¥66,948	¥16,054,156	¥(57,190)	¥15,996,966
Others							
Depreciation	¥3,957	¥2,515	¥6,473	¥268	¥6,741	¥1	¥6,743
Amortization of goodwill	—	—	—	—	—	2,102	2,102
Unamortized balance of goodwill	—	—	—	—	—	7,182	7,182
Increase in tangible fixed assets and intangible assets	¥2,817	¥2,170	¥4,988	¥60	¥5,048	¥6	¥5,055
	Thousands of U.S. dollars						
	2022						
	Reportable segment			Other	Total	Reconciliations	Consolidated
	Hokuriku Bank	Hokkaido Bank	Total				
Ordinary income							
Ordinary income from external customers	\$717,929	\$585,325	\$1,303,254	\$164,598	\$1,467,852	\$(15,171)	\$1,452,681
Ordinary income from intersegment transactions	9,244	10,993	20,237	35,202	55,439	(55,439)	—
Total	727,173	596,318	1,323,491	199,800	1,523,291	(70,610)	1,452,681
Segment profit	107,055	71,664	178,719	18,816	197,535	(29,819)	167,716
Segment assets	83,161,945	57,727,304	140,889,249	775,021	141,664,270	(475,677)	141,188,593
Segment liabilities	\$80,142,042	\$55,910,808	\$136,052,850	\$531,043	\$136,583,893	\$(484,323)	\$136,099,570
Others							
Depreciation	\$30,946	\$21,659	\$52,605	\$1,991	\$54,596	\$2	\$54,598
Amortization of goodwill	—	—	—	—	—	17,177	17,177
Unamortized balance of goodwill	—	—	—	—	—	41,511	41,511
Increase in tangible fixed assets and intangible assets	\$57,320	\$22,160	\$79,480	\$840	\$80,320	\$(96)	\$80,224

(4) Information about services

Year ended March 31, 2022	Millions of yen			
	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from external customers	¥95,708	¥39,040	¥43,044	¥177,793
Year ended March 31, 2021	Millions of yen			
	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from external customers	¥96,141	¥39,914	¥39,907	¥175,963
Year ended March 31, 2022	Thousands of U.S. dollars			
	Deposit and loan operations	Investment operations	Other	Total
Ordinary income from external customers	\$781,997	\$318,988	\$351,696	\$1,452,681

(5) Information about geographical areas

There is no geographical segment outside Japan accounting for 10% or more of ordinary income and tangible fixed assets.

(6) Information about major customers

There are no major customers individually accounting for 10% or more of ordinary income.

35. Related Party Transactions

Related party transactions as of March 31, 2022 and 2021 were as follows:

- Officers and principal individual shareholders of the company submitting consolidated financial statements

March 31, 2022

Related party	Account Classification	Transaction amount *5		Balance at end of year	
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Minamidani Kanamono Co., Ltd. *2	Loans and bills discounted	¥21	\$172	¥19	\$155
Nakamura-Tome Precision Industry Co., Ltd. *3	Loans and bills discounted	¥947	\$7,738	¥—	\$—
NAKAMURA-TOME HOLDING CO., LTD. *3	Loans and bills discounted	¥500	\$4,085	¥500	\$4,085
Yagikuma Co., Ltd *4	Loans and bills discounted	¥344	\$2,811	¥314	\$2,566

March 31, 2021

Related party	Account Classification	Transaction amount *5		Balance at end of year	
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Nakamura-Tome Precision Industry Co., Ltd. *3	Loans and bills discounted	¥950	\$7,738	¥950	\$7,738
NAKAMURA-TOME HOLDING CO., LTD. *3	Loans and bills discounted	¥500	\$4,085	¥500	\$4,085

Notes: 1. Terms and conditions of the transactions are similar to those with unrelated parties.

2. Close relatives of a member of the Hokuriku Bank's director own the majority of the voting rights.

3. A member of the Hokuriku Bank's audit & supervisory board and his close relatives own the majority of the voting rights, and he is the president of these companies.

4. A member of the Hokuriku Bank's audit & supervisory board and his close relatives own the majority of the voting rights.

5. Transaction amount was reported at the average balance for the period.

36. Subsequent Events

Acquisition of a portion of preferred stock

The Company resolved to acquire the following preferred stock in accordance with the provisions of Article 13 of the Article of Incorporation at the meeting of the Board of Directors held on July 15, 2022:

Type of preferred stock acquired	Preferred Stock (Type 5)
Total number of stock acquired	A seventh part of outstanding shares (excluding treasury shares) of the preferred stock on the date of acquisition
Acquisition price per share (yen)	¥500
Sellers and how acquired	All holders of preferred stock. The Company will acquire a seventh part of the stocks of each one
Date of acquisition	October 1, 2022

INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu LLC
Toyama Daiichiseimei Building
2-25 Sakurabashi-dori
Toyama-shi, Toyama 930-0004
Japan

Tel: +81 (76) 443 7220
Fax: +81 (76) 443 7221
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hokuhoku Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Hokuhoku Financial Group, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Determination of Borrower Classifications in the Estimation of Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As of March 31, 2022, the Group recorded loans and bills discounted of ¥9,193,283 million (\$75,114,665 thousand), representing 53% of total assets, and allowance for loan losses of ¥72,470 million (\$592,128 thousand) on the consolidated balance sheet.</p> <p>The subsidiaries of the Group ("Banks"), which provide banking services, classify borrowers into categories, namely "Normal," "In need of caution" ("Substandard" borrowers with substandard loans or other borrowers in need of caution), "Possible bankruptcy," "Virtual bankruptcy," and "Legal bankruptcy," according to the borrowers' repayment ability based on their financial condition, cash flows, earnings ability and other considerations, and estimate the allowance for loan losses for each category as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses" to the consolidated financial statements.</p> <p>In case of borrowers whose business results or financial position is currently unfavorable or unstable, the Banks frequently determine the borrower classifications based on the latest changes in the borrowers' business conditions or the evaluation of the borrowers' future prospects, such as the prospects for recovery of their business performance in the future periods and the achievability of the borrowers' medium-term to long-term business improvement plans ("Business Improvement Plans"), in addition to the borrowers' historical business performance. The latest changes in the borrowers' business conditions include the impact of the spread of novel coronavirus disease or containment thereof on the borrowers' business conditions, as described in Note 3, "Significant Accounting Estimate" to the consolidated financial statements.</p> <p>Loans and bills discounted is the most significant line item on the consolidated balance sheet as of March 31, 2022. The account balance and allowance for loan losses involve significant estimates that could have a significant impact on the consolidated financial statements. The determination of borrower classifications based on the evaluation of the borrowers' future prospects, including the borrowers' Business Improvement Plans, requires the Banks to have a detailed understanding of the borrowers' internal and external environments as well as advanced financial analytical abilities. Additionally, the evaluation of the borrowers' future prospects, including the borrowers' Business Improvement Plans, involves judgment made by the Banks' management.</p>	<p>Our audit procedures to address the key audit matter included the following, among others:</p> <p>(1) Tests of the effectiveness of controls</p> <p>In accordance with the Banks' policies and guidelines for internal controls, borrower classifications are initially determined by the branches. The branches regularly determine borrower classifications based on the borrowers' financial statements, and assess whether to change the borrower classifications, as necessary. The asset review and inspection division, which is independent from the branches, evaluates the appropriateness of such determination.</p> <p>We tested the design and operating effectiveness of the controls over the branches' determination of the borrower classifications and the evaluation by the asset review and inspection division by inquiring of the persons in charge and inspecting related documents.</p> <p>(2) Tests of the borrower classifications</p> <p>We evaluated whether the Banks' management assessment of the borrowers' future prospects, including their Business Improvement Plans, was conducted based on a reasonable basis by:</p> <ul style="list-style-type: none"> —Comparing the borrowers' Business Improvement Plans with historical results —Inspecting analysis of external and internal environments, and financial analysis —Inspecting documents supporting the achievability of the borrowers' Business Improvement Plans

We identified the determination of borrower classifications that are based on the evaluation of the borrowers' future prospects, including their Business Improvement Plans, as a key audit matter.	—Inquiring of the persons in charge of the asset review and inspection division regarding the achievability of the borrowers' Business Improvement Plans.
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Other Information

The other information comprises the information included in the Group's disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Deloitte Touche Tohmatsu LLC

August 10, 2022

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokuriku Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets			
Cash and due from banks	¥3,607,139	¥3,368,633	\$29,472,500
Call loans and bills bought	26,731	—	218,412
Monetary claims bought	21,217	27,985	173,356
Trading assets	1,048	793	8,568
Money held in trust	4,945	4,947	40,404
Securities	1,294,377	1,268,165	10,575,847
Loans and bills discounted	5,061,661	5,033,384	41,356,822
Foreign exchanges	19,983	13,597	163,275
Other assets	66,270	66,840	541,467
Tangible fixed assets	76,244	73,176	622,965
Intangible assets	2,774	3,363	22,669
Prepaid pension cost	3,616	3,786	29,551
Customers' liabilities for acceptances and guarantees	32,708	25,950	267,247
Allowance for loan losses	(40,527)	(33,332)	(331,138)
Total assets	¥10,178,190	¥9,857,292	\$83,161,945
Liabilities and equity			
Liabilities			
Deposits	¥7,536,937	¥7,350,562	\$61,581,318
Call money and bills sold	318,920	280,517	2,605,769
Payables under repurchase agreements	21,123	24,670	172,594
Payables under securities lending transactions	186,628	221,036	1,524,869
Trading liabilities	651	349	5,326
Borrowed money	1,630,857	1,485,575	13,325,089
Foreign exchanges	354	92	2,895
Borrowed money from trust account	4,514	2,942	36,884
Other liabilities	54,485	53,158	445,182
Reserve for employee retirement benefits	948	368	7,749
Reserve for directors' and audit & supervisory board members' retirement benefits	43	43	355
Reserve for contingent losses	562	495	4,598
Reserve for reimbursement of deposits	1,015	1,138	8,297
Deferred tax liabilities	13,847	21,097	113,145
Deferred tax liabilities for land revaluation	4,984	5,123	40,725
Acceptances and guarantees	32,708	25,950	267,247
Total liabilities	9,808,584	9,473,122	80,142,042
Equity			
Capital stock	140,409	140,409	1,147,230
Capital surplus	14,998	14,998	122,550
Retained earnings	157,746	151,491	1,288,886
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	48,649	69,269	397,497
Deferred gains (losses) on hedges	9	(87)	79
Revaluation reserve for land	7,791	8,088	63,661
Total equity	369,606	384,170	3,019,903
Total liabilities and equity	¥10,178,190	¥9,857,292	\$83,161,945

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokuriku Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income			
Interest income:			
Interest on loans and discounts	¥41,196	¥42,557	\$336,604
Interest and dividends on securities	12,664	13,369	103,478
Interest on deposits with other banks	3,386	1,003	27,670
Other interest income	224	318	1,838
Trust fees	36	42	296
Fees and commissions	18,743	17,523	153,142
Trading income	14	50	115
Other ordinary income	4,322	4,063	35,314
Other income	8,428	7,522	68,865
Total income	89,016	86,452	727,322
Expenses			
Interest expenses:			
Interest on deposits	315	436	2,575
Interest on payables under repurchase agreements	9	27	81
Interest on payables under securities lending transactions	205	155	1,682
Interest on borrowings and rediscounts	1	6	15
Other interest expenses	609	850	4,980
Fees and commissions	7,386	7,397	60,351
Other ordinary expenses	5,675	1,450	46,370
General and administrative expenses	42,447	44,738	346,822
Provision of allowance for loan losses	8,369	8,330	68,382
Other expenses	3,921	3,403	32,043
Total expenses	68,942	66,795	563,301
Income before income taxes	20,074	19,657	164,021
Income taxes:			
Current	7,205	6,453	58,873
Deferred	(233)	(1,093)	(1,907)
Net income	¥13,102	¥14,297	\$107,055

NON-CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Hokkaido Bank, Ltd.

March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets			
Cash and due from banks	¥1,862,525	¥1,725,165	\$15,217,954
Trading account securities	2,406	2,614	19,660
Money held in trust	9,179	9,098	75,000
Securities	905,214	832,023	7,396,148
Loans and bills discounted	4,149,502	4,031,781	33,903,937
Foreign exchanges	5,645	8,787	46,123
Other assets	85,968	86,138	702,414
Tangible fixed assets	28,337	28,009	231,534
Intangible assets	2,313	2,809	18,905
Prepaid pension cost	5,797	978	47,373
Deferred tax assets	6,391	5,626	52,221
Customers' liabilities for acceptances and guarantees	27,599	26,966	225,507
Allowance for loan losses	(25,637)	(22,433)	(209,472)
Total assets	¥7,065,244	¥6,737,566	\$57,727,304
Liabilities and equity			
Liabilities			
Deposits	¥5,696,452	¥5,465,108	\$46,543,449
Payables under securities lending transactions	102,186	86,751	834,927
Borrowed money	972,200	895,500	7,943,459
Foreign exchanges	293	355	2,397
Other liabilities	41,940	36,981	342,680
Reserve for employee retirement benefits	1,359	1,589	11,105
Reserve for directors' and audit & supervisory board members' retirement benefits	37	93	308
Reserve for contingent losses	374	248	3,056
Reserve for reimbursement of deposits	479	491	3,920
Acceptances and guarantees	27,599	26,966	225,507
Total liabilities	6,842,923	6,514,085	55,910,808
Equity			
Capital stock	93,524	93,524	764,147
Capital surplus	16,795	16,795	137,226
Retained earnings	105,150	101,751	859,142
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	6,535	11,384	53,401
Deferred gains (losses) on hedges	315	26	2,580
Total equity	222,320	223,480	1,816,496
Total liabilities and equity	¥7,065,244	¥6,737,566	\$57,727,304

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

The Hokkaido Bank, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income			
Interest income:			
Interest on loans and discounts	¥41,445	¥41,568	\$338,638
Interest and dividends on securities	6,227	6,041	50,887
Interest on receivables under resale agreements	—	(1)	—
Interest on deposits with other banks	2,117	428	17,298
Other interest income	137	143	1,125
Fees and commissions	16,128	15,709	131,780
Other ordinary income	3,147	2,947	25,713
Other income	7,752	4,778	63,342
Total income	76,956	71,615	628,783
Expenses			
Interest expenses:			
Interest on deposits	120	187	983
Interest on payables under securities lending transactions	184	61	1,508
Interest on borrowings and rediscounts	(30)	(5)	(247)
Other interest expenses	33	8	273
Fees and commissions	9,790	9,895	79,996
Other ordinary expenses	4,988	2,514	40,761
General and administrative expenses	37,023	38,977	302,506
Provision of allowance for loan losses	4,708	4,488	38,473
Other expenses	6,751	4,082	55,163
Total expenses	63,571	60,210	519,416
Income before income taxes	13,385	11,405	109,367
Income taxes:			
Current	3,406	3,115	27,836
Deferred	1,207	97	9,867
Net income	¥8,770	¥8,192	\$71,664



Hokuhoku Financial Group, Inc.