

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Shiga Bank, Ltd.:

### Opinion

We have audited the consolidated financial statements of The Shiga Bank, Ltd. 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.

The Determination of the Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As a regional financial institution, The Shiga Bank, Ltd. (the "Bank") plays a role as a financial intermediary that supports the sustainable development of the region, and recognizes credit risk, mainly in loans, as the most important risk because of its impact. In addition, in developing sales activities rooted in the local community, the Bank is particularly focusing on strengthening the sales force by providing consulting services. The Bank maintains an allowance for loan losses to absorb incurred probable losses due to defaults, by borrowers, assessing the borrowers' financial conditions and repayment statuses, the fair value of collateral, the borrowers' business environments and so forth. As of March 31, 2022, loans and bills discounted of ¥4,064.6 billion and an allowance for loan losses of ¥32.8 billion against these loans and bills were recorded on the consolidated balance sheet.</p> <p>The determination of the allowance for loan losses, as described in 2. Summary of significant accounting policies (k) Allowance for loan losses and (v) Significant accounting estimates, is based on the Bank's internal rules for credit ratings and self-assessment of asset quality, depending on the degree of risk, by categorizing loans into five debtor classifications: normal debtors, debtors on close watch, debtors who are likely to go bankrupt, debtors who are virtually bankrupt and debtors who are legally bankrupt. In the self-assessment of asset quality, an operating division, such as a branch, assesses borrower credit ratings and the debtor classifications that are commensurate with the credit ratings, and then the credit risk management division in the Credit Supervision Department approves both of them. Through the process of determining the debtor classifications, the borrowers' situations are considered by assessing their repayment capabilities based on the financial conditions, cash flows, earning capacities and so on. The determination of debtor classifications may depend on future performance estimates, such as the borrower's business improvement plan. To secure the accuracy of the results of such self-assessment of asset quality, the Risk Management Division, which is independent of the operating division and the credit risk management division, inspects selected borrowers in accordance with certain criteria.</p> <p>When the determination of debtor classifications depends on future performance estimates, such as a business improvement plan, future forecasts of business environments, including the future growth of the industry to which a borrower belongs, supply and demand environments of markets, price trends, and the feasibility of management measures, including cost-cutting and revenue improvement measures, are significant factors to determine the debtor classifications. As a result, the determination of debtor classifications is highly dependent on management's subjective judgments, and the risk of management bias and misjudgments in making estimates may increase. Additionally, the uncertainty in the estimation of future performances becomes higher for borrowers significantly affected by the novel coronavirus infection ("COVID-19"). Therefore, we identified the determination of the allowance for loan losses for the borrowers whose debtor-classification determination is highly dependent on the estimation of future performances and has significant impacts on the Bank's results of operations as a key audit matter.</p>	<p>Our audit procedures to address this key audit matter included the following, among others:</p> <p>(1) Test of internal controls</p> <ul style="list-style-type: none"> <li>We tested the effectiveness of internal controls, including the inspection and approval, over the determination of borrower credit ratings and the debtor classifications that were commensurate with the credit ratings based on the Bank's internal rules for credit ratings and self-assessment of asset quality for the borrowers related to this key audit matter.</li> </ul> <p>(2) Examination of business improvement plan</p> <ul style="list-style-type: none"> <li>We evaluated the reasonableness of the borrowers' management measures, including cost-cutting and revenue improvement measures, by inspecting the related materials used to develop such measures to determine whether they were supported by concrete figures.</li> <li>In order to evaluate the reasonableness of the assumption that borrowers will recover from the impacts of COVID-19, we inspected the self-assessment materials prepared by the Bank regarding the businesses and current conditions of the borrowers and performed transition analyses of the financial positions and results of operations of the borrowers. Also, in order to evaluate the progress of borrowers' management measures and the degree of recovery from the impacts of COVID-19, we inspected borrowers' financial statements and their latest trial balances and compared the planned forecasts with actual results.</li> </ul> <p>In addition to the procedures described above, we performed the following procedures for certain borrowers that would have considerable impacts on the Bank's results of operations if their debtor classifications deteriorated.</p> <ul style="list-style-type: none"> <li>We evaluated the reasonableness of the future forecasts of business environments, including future growth of industries to which borrowers belong, supply and demand environments of markets and price trends by testing the consistency between the underlying figures used as premises for forecasts and objective facts, such as statistical research and research institutions' reports.</li> <li>We inquired of the Credit Supervision Management, which was responsible for approving the determination of the debtor classifications, and inspected the records of interviews with borrowers and the records of consultations with financial institutions that supported borrowers to evaluate the progress of the management measures, considering the impacts of COVID-19.</li> </ul>

## **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 Audit & Supervisory Board Members and the Audit & Supervisory Board 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.

Audit & Supervisory Board members and the Audit & Supervisory Board are 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, 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.



July 13, 2022

**Consolidated Balance Sheet**

As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Assets</b>			
Cash and due from banks (Notes 3 and 33) .....	¥ 1,751,539	¥ 2,013,251	\$ 14,311,128
Call loans and bills bought .....	8,444	10,000	68,992
Debt purchased .....	3,594	4,218	29,365
Trading securities (Note 4) .....	468	567	3,823
Money held in trust (Note 5) .....	15,359	14,476	125,492
Investment securities (Notes 4, 7, 12, 19 and 33) .....	1,511,864	1,586,506	12,352,839
Loans and bills discounted (Notes 7, 12, 13, 33 and 39) .....	4,064,683	4,001,698	33,210,907
Foreign exchange assets (Notes 7 and 8) .....	7,063	8,334	57,708
Other assets (Notes 7, 9, 12 and 39) .....	109,742	98,021	896,658
Tangible fixed assets (Notes 10, 11, and 14) .....	50,114	47,667	409,461
Intangible fixed assets .....	1,641	1,855	13,407
Asset for retirement benefits (Note 31) .....	13,323	12,969	108,856
Deferred tax assets (Note 32) .....	593	626	4,845
Customers' liabilities for acceptances and guarantees (Notes 7, 19 and 39) .....	32,340	27,246	264,237
Allowance for loan losses .....	(32,815)	(33,692)	(268,118)
<b>Total assets</b> .....	<b>7,537,956</b>	<b>7,793,748</b>	<b>61,589,639</b>
<b>Liabilities</b>			
Deposits (Notes 12, 15 and 33) .....	5,611,084	5,398,851	45,845,935
Negotiable certificates of deposit (Note 33) .....	41,880	49,560	342,184
Call money and bills sold (Note 33) .....	145,809	516,077	1,191,347
Payables under securities lending transactions (Notes 12 and 33) .....	185,680	272,654	1,517,117
Borrowed money (Notes 12, 16 and 33) .....	936,840	899,055	7,654,546
Foreign exchange liabilities (Note 8) .....	246	303	2,009
Borrowed money from trust account (Note 17) .....	214	166	1,748
Other liabilities (Notes 18 and 39) .....	59,226	53,645	483,912
Liability for retirement benefits (Note 31) .....	157	143	1,282
Liability for retirement benefits of directors and Audit & Supervisory Board Members .....	4	5	32
Liability for reimbursement of deposits .....	83	267	678
Allowance for repayment of excess interest .....	12	20	98
Reserve for other contingent losses .....	134	156	1,094
Deferred tax liabilities (Note 32) .....	54,507	74,522	445,355
Deferred tax liabilities for land revaluation (Note 14) .....	5,520	5,602	45,101
Acceptances and guarantees (Notes 19 and 39) .....	32,340	27,246	264,237
<b>Total liabilities</b> .....	<b>7,073,742</b>	<b>7,298,278</b>	<b>57,796,731</b>
<b>Equity</b> (Notes 20, 21 and 37)			
Common stock, authorized, 100,000,000 shares; issued, 53,090,081 shares as of March 31, 2022 and 2021 .....	33,076	33,076	270,250
Capital surplus .....	24,536	24,536	200,473
Stock acquisition rights .....	103	84	841
Retained earnings .....	248,089	232,289	2,027,036
Treasury stock – at cost 4,502,938 shares and 3,345,006 shares as of March 31, 2022 and 2021, respectively .....	(11,619)	(9,116)	(94,934)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Notes 4 and 6) .....	148,955	195,174	1,217,052
Deferred gains on derivatives under hedge accounting .....	6,045	1,634	49,391
Land revaluation surplus (Note 14) .....	8,369	8,532	68,379
Defined retirement benefit plans .....	6,656	9,257	54,383
<b>Total equity</b> .....	<b>464,214</b>	<b>495,469</b>	<b>3,792,907</b>
<b>Total liabilities and equity</b> .....	<b>¥ 7,537,956</b>	<b>¥ 7,793,748</b>	<b>\$ 61,589,639</b>

See Notes to Consolidated Financial Statements.

# Consolidated Statement of Income

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Income</b> (Notes 22 and 38)			
Interest income:			
Interest on loans and discounts .....	¥ 33,414	¥ 34,569	\$ 273,012
Interest and dividends on securities .....	14,521	12,531	118,645
Other interest income .....	1,792	312	14,641
Trust fees .....	0	2	0
Fees and commissions .....	17,366	16,539	141,890
Other operating income (Note 23) .....	16,198	15,210	132,347
Other income (Note 24) .....	15,013	8,960	122,665
<b>Total income</b> .....	<b>98,307</b>	<b>88,127</b>	<b>803,227</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits .....	632	917	5,163
Interest on borrowing and rediscounts .....	418	1,023	3,415
Other interest expenses .....	1,897	1,343	15,499
Fees and commissions .....	4,092	4,563	33,434
Other operating expenses (Note 25) .....	15,818	14,257	129,242
General and administrative expenses (Note 26) .....	46,382	41,670	378,968
Other expenses (Note 27) .....	5,657	11,299	46,221
<b>Total expenses</b> .....	<b>74,899</b>	<b>75,075</b>	<b>611,969</b>
<b>Income before income taxes</b> .....	<b>23,408</b>	<b>13,051</b>	<b>191,257</b>
<b>Income taxes</b> (Note 31)			
Current .....	6,186	6,390	50,543
Deferred .....	(493)	(4,787)	(4,028)
<b>Net income</b> .....	<b>17,715</b>	<b>11,448</b>	<b>144,742</b>
<b>Net income attributable to owners of the parent</b> .....	<b>¥ 17,715</b>	<b>¥ 11,448</b>	<b>\$ 144,742</b>
	Yen		U.S. dollars
	2022	2021	2022
<b>Per share information</b> (Note 36)			
Basic net income .....	¥ 359.50	¥ 228.12	\$ 2.937
Diluted net income .....	359.20	220.43	2.934
Cash dividends applicable to the year .....	80.00	40.00	0.653

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Net income</b> .....	¥ 17,715	¥ 11,448	\$ 144,742
Other comprehensive income (Note 35):			
Net unrealized gains (losses) on available-for-sale securities .....	(46,218)	92,863	(377,628)
Deferred gains on derivatives under hedge accounting.....	4,410	9,985	36,032
Defined retirement benefit plans.....	(2,600)	8,362	(21,243)
Total other comprehensive income (loss) .....	(44,408)	111,212	(362,840)
Comprehensive income (loss) .....	¥ (26,692)	¥ 122,660	\$ (218,089)
Attributable to			
Owners of the parent .....	¥ (26,692)	¥ 122,660	\$ (218,089)

See Notes to Consolidated Financial Statements.

**Consolidated Statement of Changes in Equity**

Years ended March 31, 2022 and 2021

	Thousands	Millions of yen									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income				Total equity
							Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	
Balance as of April 1, 2020.....	50,207	¥33,076	¥24,536	¥131	¥220,282	¥(8,184)	¥102,311	¥(8,351)	¥11,103	¥894	¥375,801
Changes during the year:											
Net income attributable to owners of the parent.....					11,448						11,448
Cash dividends, ¥40.00 per share .....					(2,008)						(2,008)
Purchase of treasury stock.....	(487)					(1,003)					(1,003)
Sales of treasury stock.....					(4)	71					67
Reversal of land revaluation surplus .....					2,571						2,571
Other changes .....	25			(47)			92,863	9,985	(2,571)	8,362	108,593
Net change in the year .....		—	—	(47)	12,006	(932)	92,863	9,985	(2,571)	8,362	119,667
Balance as of March 31, 2021 ..	49,745	33,076	24,536	84	232,289	(9,116)	195,174	1,634	8,532	9,257	495,469
Cumulative effects of changes in accounting policies .....					(97)						(97)
Restated balance .....	49,745	33,076	24,536	84	232,191	(9,116)	195,174	1,634	8,532	9,257	495,372
Changes during the year:											
Net income attributable to owners of the parent.....					17,715						17,715
Cash dividends, ¥40.00 per share .....					(1,981)						(1,981)
Purchase of treasury stock.....	(1,158)					(2,502)					(2,502)
Sales of treasury stock.....					(0)	0					0
Reversal of land revaluation surplus .....					162						162
Other changes.....	0			18			(46,218)	4,410	(162)	(2,600)	(44,552)
Net change in the year .....		—	—	18	15,897	(2,502)	(46,218)	4,410	(162)	(2,600)	(31,157)
Balance as of March 31, 2022 ..	48,587	¥ 33,076	¥ 24,536	¥ 103	¥248,089	¥(11,619)	¥148,955	¥6,045	¥8,369	¥6,656	¥464,214

	Thousands of U.S. dollars (Note 1)									
	Accumulated Other Comprehensive Income									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total equity
Balance as of April 1, 2021.....	\$270,250	\$200,473	\$686	\$1,897,941	\$(74,483)	\$1,594,689	\$13,350	\$69,711	\$75,635	\$4,048,280
Cumulative effects of changes in accounting policies				(792)						(792)
Restated balance	270,250	200,473	686	1,897,140	(74,483)	1,594,689	13,350	69,711	75,635	4,047,487
Changes during the year:										
Net income attributable to owners of the parent.....				144,742						144,742
Cash dividends, \$0.32 per share .....				(16,185)						(16,185)
Purchase of treasury stock.....					(20,442)					(20,442)
Sales of treasury stock.....				(0)	0					0
Reversal of land revaluation surplus .....				1,323						1,323
Other changes .....			147			(377,628)	36,032	(1,323)	(21,243)	(364,016)
Net change in the year .....	—	—	147	129,888	(20,442)	(377,628)	36,032	(1,323)	(21,243)	(254,571)
Balance as of March 31, 2022 ..	\$270,250	\$200,473	\$841	\$2,027,036	\$(94,934)	\$1,217,052	\$49,391	\$68,379	\$54,383	\$3,792,907

See Notes to Consolidated Financial Statements.



**Consolidated Statement of Cash Flows**

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<b>Operating activities:</b>			
Income before income taxes .....	¥ 23,408	¥ 13,051	\$ 191,257
Depreciation .....	2,247	2,445	18,359
Losses on impairment of long-lived assets .....	509	316	4,158
Increase (decrease) in allowance for loan losses .....	(877)	5,739	(7,165)
Decrease in reserve for other contingent losses .....	(22)	(25)	(179)
Increase in asset for retirement benefits .....	(353)	(12,969)	(2,884)
Increase (decrease) in liability for retirement benefits .....	14	(1,698)	114
Decrease in liability for retirement benefits of directors and Audit & Supervisory Board Members .....	(0)	(0)	(0)
Decrease in liability for reimbursement of deposits .....	(184)	(111)	(1,503)
Decrease in allowance for repayment of excess interest .....	(7)	(4)	(57)
Interest income .....	(49,728)	(47,413)	(406,307)
Interest expense .....	2,948	3,284	24,086
Gains on sales and write-down of investment securities .....	(8,307)	(2,174)	(67,873)
Gains on money held in trust .....	(265)	(82)	(2,165)
Foreign exchange gains .....	(2)	(1)	(16)
Losses (gains) on disposals of fixed assets – net .....	81	(2,297)	661
Net increase in loans and bills discounted .....	(62,984)	(142,335)	(514,617)
Net increase in deposits .....	212,232	512,417	1,734,063
Net decrease in negotiable certificate of deposits .....	(7,679)	(17,123)	(62,742)
Net increase in borrowed money (excluding subordinated loans) .....	37,785	457,975	308,726
Net decrease (increase) in due from banks (excluding deposits in Bank of Japan) .....	94	(209)	768
Net decrease (increase) in call loans and others .....	2,178	(5,733)	17,795
Net increase (decrease) in call money and bills sold .....	(370,267)	379,691	(3,025,304)
Net increase (decrease) in payables under securities lending transactions .....	(86,974)	37,116	(710,629)
Net decrease (increase) in foreign exchange assets .....	1,271	(424)	10,384
Net increase (decrease) in foreign exchange liabilities .....	(57)	263	(465)
Net increase in borrowed money from trust account .....	48	166	392
Interest received (cash basis) .....	50,756	48,871	414,707
Interest paid (cash basis) .....	(2,970)	(4,427)	(24,266)
Other .....	(14,678)	20,748	(119,928)
Subtotal .....	(271,786)	1,245,054	(2,220,655)
Income taxes – paid .....	(7,172)	(4,637)	(58,599)
<b>Net cash provided by (used in) operating activities .....</b>	<b>(278,958)</b>	<b>1,240,417</b>	<b>(2,279,254)</b>
<b>Investing activities:</b>			
Purchases of securities .....	(1,003,543)	(866,123)	(8,199,550)
Proceeds from sales of securities .....	915,771	585,170	7,482,400
Proceeds from redemptions of securities .....	115,356	148,908	942,527
Increase in money held in trust .....	(681)	—	(5,564)
Purchases of tangible fixed assets .....	(4,660)	(1,094)	(38,075)
Proceeds from sales of tangible fixed assets .....	32	5,927	261
Purchases of intangible fixed assets .....	(451)	(663)	(3,684)
<b>Net cash provided by (used in) investing activities .....</b>	<b>21,823</b>	<b>(127,874)</b>	<b>178,307</b>
<b>Financing activities:</b>			
Repayment of subordinated loans .....	—	(10,000)	—
Redemption of bonds with stock acquisition rights .....	—	(21,392)	—
Purchases of treasury stock .....	(2,502)	(1,003)	(20,442)
Proceeds from sales of treasury stock .....	0	67	0
Dividends paid .....	(1,981)	(2,008)	(16,185)
<b>Net cash used in financing activities .....</b>	<b>(4,483)</b>	<b>(34,337)</b>	<b>(36,628)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents .....</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(261,618)</b>	<b>1,078,207</b>	<b>(2,137,576)</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>2,012,295</b>	<b>934,088</b>	<b>16,441,661</b>
<b>Cash and cash equivalents, end of year (Note 3) .....</b>	<b>¥1,750,676</b>	<b>¥2,012,295</b>	<b>\$ 14,304,077</b>

See Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

Years ended March 31, 2022 and 2021

### 1. Basis of presenting consolidated financial statements

---

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. (the “Bank”) and its significant subsidiaries (together the “Group”) in accordance with the provisions set forth in the Companies Act of Japan, the Japanese Financial Instruments and Exchange Act, and the Japanese Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in yen of respective accounts included in the accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding fractional amounts less than ¥1 million. Therefore, total or subtotal amounts do not necessarily tie in with the aggregation of such account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥122.39 to U.S.\$1, the rate of exchange at March 31, 2022, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollar amounts at this rate or any other rates.

### 2. Summary of significant accounting policies

---

#### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and seven consolidated subsidiaries for the years ended March 31, 2022 and 2021.

The consolidated subsidiaries’ respective fiscal periods end March 31 for the years ended March 31, 2022 and 2021.

The Bank has two and four other nonconsolidated subsidiaries in 2022 and 2021, respectively, in which investments are not accounted for by the equity method because their net income (the portion corresponding to the Bank’s equity), retained earnings (as above) and accumulated other comprehensive income (as above) have no material impact on the Group’s financial position or business performance.

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

#### (b) Cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

#### (c) Trading securities

Trading securities held by the Bank are stated at fair value at the fiscal year end (cost of sales, in principle, is computed by the moving-average method).

#### (d) Investment securities

i. Marketable securities held for trading purposes are stated at fair value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available-for-sale are stated at fair value (cost of sales, in principle, is computed by the moving-average method). Shares, etc. that do not have a market price are stated at cost using the moving-average method. Investment in capital of investment partnership and others are recorded at the net amount of the Bank’s share of their assets based on the most recent financial statements of the partnership and others. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at fair value at the fiscal year-end. Securities that constitute trust assets in money held in trust are stated using the

same methods described in (i) above.

iii. Beneficiary rights included in “debt purchased” are stated using the same methods described in (i) above.

#### **(e) Derivatives and hedging activities**

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless they are used for hedging purposes.

##### ***i. Interest rate risk hedges***

The Bank applies deferred hedge accounting to hedge transactions against interest rate risk arising from financial assets and liabilities which includes the method of designating hedging instruments to hedged items as well as the method stipulated in “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 24, March 17, 2022).

With regard to the assessment of hedge effectiveness, for the hedges that offset the fluctuations in the fair value of fixed interest rates classified as available-for-sale securities, interest rate swaps are assigned to hedged items collectively by bond type as the hedging instrument. The Bank designates the hedges so as to ensure that the important conditions related to the hedged items and hedging instruments are largely identical; therefore, the hedges are considered to be highly effective, and the assessment of the effectiveness is based on the similarity of the conditions.

With regard to the effectiveness of cash flow hedges, hedge effectiveness is assessed by verifying the relationship of the interest rate fluctuation factors of the hedged items and the hedging instruments.

##### ***ii. Currency exchange risk hedges***

Regarding the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020).

The Bank assesses the effectiveness of exchange swaps executed to reduce the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

To hedge foreign exchange fluctuation risks of foreign currency-denominated securities (other than bonds), the Bank identifies in advance the issues of foreign currency-denominated securities to be hedged and applies fair value hedging as a comprehensive hedge on the condition that the Bank has direct liabilities for such foreign currency-denominated securities in excess of the acquisition cost on a foreign currency basis, etc.

#### **(f) Bills discounted**

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guidelines No. 24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions.

#### **(g) Tangible fixed assets (except for lease assets)**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at a rate principally based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998 (excluding fittings and equipment), and fittings and equipment and structures purchased on or after April 1, 2016, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax acts permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥3,538 million (\$28,907 thousand) and ¥3,538 million at March 31, 2022 and 2021, respectively.

**(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.

Accumulated impairment losses are directly deducted from the respective fixed assets.

**(i) Intangible fixed assets (except for lease assets)**

Depreciation for intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated using the straight-line method over the estimated useful lives of 5 years.

**(j) Lease assets**

Lease assets in “Tangible fixed assets” or “Intangible fixed assets” of the finance leases other than those that were deemed to transfer the ownership of the leased property to the lessee are computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

**(k) Allowance for loan losses**

Allowance for loan losses of the Bank is provided as detailed below, pursuant to internal rules for write-offs and allowances.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), an allowance is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to go bankrupt, an allowance is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees, using the following methods.

- (i) For large debtors with credit exposure above a certain amount, an allowance is provided for the non-protected amount, net of an estimate of the amount collectible through cash flow based on a comprehensive assessment of the debtor’s situation (cash flow deduction method).
- (ii) For loans to debtors other than (i), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over three years with required adjustments for future forecasts and others.

For loans to other debtors, with regard to debtors who are recognized as having good business conditions and no particular problems with their financial conditions (hereinafter, “normal debtors”) and debtors who require careful management (hereinafter, “debtors on close watch”) such as debtors that have problems with loan terms, debtors with performance issues, debtors with weak or unstable business conditions, and debtors that have problems with their financial conditions, an allowance is provided for the expected losses for subsequent one year. Among the debtors on close watch, for debtors whose loans are in need of management (restructured loans and loans that are delinquent for three months or more), an allowance is provided for the expected losses for the subsequent three years. Expected losses are determined based on the average loan loss ratio over a certain period of time calculated using historical loan loss experience over one year or three years with required adjustments for future forecasts and others.

\*Necessary revision and determination method of the expected loss ratio due to future forecasts, etc.

The expected loss ratio used in the calculation of the allowance is determined by comparing the average value of the most recent three calculation periods with the long-term average value that takes into account the business cycle. The average of the three most recent calculation periods is calculated after reviewing the current situation, future forecasts, and other necessary adjustments.

All loans are assessed by the branches and the operating divisions based on the Bank’s internal rules for self-assessment of assets. The risk management sector, which is independent from the branches and the operating divisions, subsequently verifies the appropriateness of self-assessment results, write-offs and allowances.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, which is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥9,235 million (\$75,455 thousand) and ¥9,584 million as of March 31, 2022 and 2021, respectively.

Allowance for loan losses of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific claims.

**(l) Retirement and Pension Plans**

The Bank has a contributory funded pension plan and lump-sum severance payment plan. Consolidated subsidiaries have unfunded lump-sum severance payment plans.

The projected benefit obligations are attributed to periods on a benefit formula basis. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period from the fiscal year following the respective fiscal year in which the difference is recognized.

Consolidated subsidiaries adopt a simplified method where the amount to be required for voluntary termination at the fiscal year end is recorded as projected benefit obligations in the calculation of their liability for retirement benefits and retirement benefit costs.

**(m) Liability for retirement of directors and Audit & Supervisory Board Members**

Consolidated subsidiaries provide Liability for retirement benefits of directors and Audit & Supervisory Board Members at the amount required if they all retired at the fiscal yearend, which is calculated based on the internal rules of the Group.

**(n) Liability for reimbursement of deposits**

Liability for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for losses on the future claims of withdrawal based on historical reimbursement experience.

**(o) Allowance for repayment of excess interest**

Allowance for repayment of excess interest is provided at the estimated amount based on payment experience that the Bank's consolidated subsidiaries may be required to refund upon customers' claims.

**(p) Reserve for other contingent losses**

The Bank provides reserves for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

**(q) Foreign currency transactions**

Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

**(r) Accounting for leases**

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

***i. As lessee***

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

***ii. As lessor***

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

Lease revenue and lease costs are recognized over the lease period.

**(s) Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax rates to the temporary differences.

**(t) Appropriations of retained earnings**

The consolidated statements of changes in equity reflect the appropriation resolved by the general shareholders' meeting when duly resolved and paid.

**(u) Per share information**

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

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

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

**(v) Significant accounting estimates**

Items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

**Allowance for loan losses****(1) Amounts recorded in the consolidated financial statements**

Allowance for loan losses was ¥32,815 million (\$268,118 thousand) and ¥33,692 million at March 31, 2022 and 2021, respectively.

**(2) Information that contributes to an understanding of the content of significant accounting estimates for identified items****i. Calculation method**

The method of calculating the allowance for loan losses is described in “(k) Allowance for loan losses” in “2. Summary of significant accounting policies.” In addition, the Bank has recorded an allowance for loan losses by revising the debtor classifications based on the current deterioration in business performance and estimates related to impacts that are not yet reflected in financial information in order to prepare for expected losses due to such impacts based on the following assumptions. For certain borrowers in specific industries that have been materially impacted by the spread of the novel coronavirus infection, an additional allowance for loan losses is provided based on the expected loss ratio, with necessary adjustments to the loan loss ratio, in consideration of the expected deterioration in their business performance.

**ii. Major assumptions**

The major assumption is the “future forecasts of business environments of the borrower in determining the debtor classifications.” It is set based on the individual evaluation of each debtor's ability to earn income. In addition, assumptions regarding the impact of the novel coronavirus infection that may have a significant impact on the “future forecasts of business environments of the borrower in determining the debtor classifications” are as follows.

**Assumptions regarding the impact of novel coronavirus infections**

Since the end of March 2021, the Group has been making accounting estimates for the allowance for loan losses, etc. based on the assumption that the spread of the novel coronavirus infection would continue to be a constraint on various economic activities and that the economy would only enter a full-scale recovery phase in April 2022 or later.

However, based on the recognition that the spread of the novel coronavirus infection was not yet under control as of the end of March 2022, the Group has revised its assumptions regarding the impact of the novel coronavirus infection as follows.

Assumptions regarding the impact of novel coronavirus infections as of the end of March 2022

The spread of the novel coronavirus infection continues to be a constraint on various economic activities, and its impact will continue until at least March 2023.

In addition, it is assumed that the credit risk inherent in loans to certain borrowers in specific industries affected by the spread of the novel coronavirus infection has increased.

iii. Impacts on the consolidated financial statements for the following fiscal year

The Group conducts strict self-assessment and takes measures such as setting aside an allowance for loan losses as deemed necessary. However, due to the high degree of uncertainty in the above assumptions, changes in the assumptions used for the initial estimates due to changes in the performance of individual borrowers or other factors, as well as the future spread of the novel coronavirus infection and its impact on the economy, may have a significant impact on the allowance for loan losses in the consolidated financial statements for the following fiscal year (ending March 31, 2023) and thereafter.

In addition, the uncertainty may grow even greater when the determination of the debtor classifications depends on future forecasts of business environments, such as the business improvement plan of the borrower.

#### **(w) Changes in accounting policies**

(Application of Accounting Standard for Revenue Recognition, etc.)

The Bank has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Bank recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for the good or service.

The Bank applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. There is no effect on retained earnings at the beginning of the current fiscal year.

The application of the accounting standards has also no impact on profit/loss or per share information. In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous period are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Bank has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year. In accordance with Paragraph 8 of the Fair Value Measurement Standard, the Bank has revised its method of adjusting the fair value of derivatives to a method that uses observable inputs estimated from derivatives and other instruments traded in the market to the greatest extent possible.

This revision is due to the application of the Fair Value Measurement Standard, etc. In accordance with the transitional treatment provided for in the additional clause in Paragraph 20 of the Fair Value Measurement Standard, the cumulative impact of retrospectively applying the new accounting policies to periods prior to the beginning of the current fiscal year is adjusted to retained earnings at the beginning of the current fiscal year.

As a result, retained earnings at the beginning of the current fiscal year decreased by ¥97 million (\$792 thousand), other assets decreased by ¥183 million (\$1,495 thousand), other liabilities decreased by ¥44 million (\$359 thousand), deferred tax liabilities decreased by ¥42 million (\$343 thousand) and net assets per share decreased by ¥1.95 (\$0.01).

In addition, the Bank has decided to include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes on fair value information by level within the fair value hierarchy pertaining to the previous period are not presented.

#### **(x) New accounting pronouncements**

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021)

##### **(1) Summary**

The treatment of calculation of fair value of investment trusts and related notes and the treatment of notes to fair value of investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded

on the balance sheet are established.

(2) Effective date

The Group expects to apply the new guidance effective from the beginning of the year ending March 31, 2023.

(3) Effects of application of the standards and guidance

The impact of the application of the guidance is currently being evaluated.

**(y) Changes in presentation**

**(Consolidated Statement of Income)**

Previously, gains on investment in investment partnership and others were included in “other income” and losses on investment in investment partnership and others were included in “other expenses” for each individual partnership. However, investment in investment partnership and others is strongly characterized as the core business for a regional financial institution since it is growth investment in regional companies mainly in Shiga Prefecture in which the Bank is based. After performing a review from this perspective, the Bank decided to include them in “interest and dividends on securities” in “interest income” from the current fiscal year in order to present its operating results more appropriately.

To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the gain on investment in investment partnership and others of ¥746 million included in “other income” and the loss on investment in investment partnership and others of ¥369 million included in “other expenses” in the consolidated statement of income for the previous fiscal year have been reclassified as “interest and dividends on securities” of ¥377 million (net) in “interest income.”

### 3. Cash and cash equivalents

The reconciliation of “Cash and cash equivalents” and “Cash and due from banks” in the consolidated balance sheets at March 31, 2022 and 2021, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks .....	¥ 1,751,539	¥ 2,013,251	\$ 14,311,128
Other due from banks .....	(862)	(956)	(7,043)
<b>Cash and cash equivalents .....</b>	<b>¥ 1,750,676</b>	<b>¥ 2,012,295</b>	<b>\$ 14,304,077</b>

### 4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japanese government bonds .....	¥ 334,714	¥ 319,781	\$ 2,734,814
Japanese local government bonds.....	198,178	255,705	1,619,233
Japanese corporate bonds .....	307,851	348,263	2,515,328
Corporate stocks .....	315,263	350,016	2,575,888
Other securities.....	355,857	312,738	2,907,565
<b>Total.....</b>	<b>¥ 1,511,864</b>	<b>¥ 1,586,506</b>	<b>\$ 12,352,839</b>

Securities lent under unsecured loan (bond lending transactions) amounted to ¥53,103 million (\$433,883 thousand) and ¥16,159 million are included in Japanese government bonds of securities at March 31, 2022 and 2021, respectively.

Fair value and other information on securities at March 31, 2022 and 2021 were as follows. Securities include “Trading securities” and trust beneficiary right under “Debt purchased,” in addition to “Investment securities,” which are presented on the consolidated balance sheet.



## Securities

### (1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	Losses included in loss during the fiscal year		
Trading securities .....	¥ (1)	¥ (0)	\$ (8)

### (2) Held-to-maturity securities

Held-to-maturity securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	2022		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds .....	¥ 4,816	¥ 4,826	¥ 10
Japanese local government bonds .....	—	—	—
Japanese corporate bonds .....	—	—	—
Others .....	—	—	—
<b>Subtotal .....</b>	<b>¥ 4,816</b>	<b>¥ 4,826</b>	<b>¥ 10</b>
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds .....	¥ 55,130	¥ 52,953	¥ (2,177)
Japanese local government bonds .....	—	—	—
Japanese corporate bonds .....	—	—	—
Others .....	—	—	—
<b>Subtotal .....</b>	<b>¥ 55,130</b>	<b>¥ 52,953</b>	<b>¥ (2,177)</b>
<b>Total .....</b>	<b>¥ 59,946</b>	<b>¥ 57,779</b>	<b>¥ (2,166)</b>

  

	Millions of yen		
	2021		
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds .....	¥ 6,000	¥ 6,027	¥ 26
Japanese local government bonds .....	—	—	—
Japanese corporate bonds .....	—	—	—
Others .....	—	—	—
<b>Subtotal .....</b>	<b>¥ 6,000</b>	<b>¥ 6,027</b>	<b>¥ 26</b>
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds .....	¥ 14,011	¥ 13,815	¥ (195)
Japanese local government bonds .....	—	—	—
Japanese corporate bonds .....	—	—	—
Others .....	—	—	—
<b>Subtotal .....</b>	<b>¥ 14,011</b>	<b>¥ 13,815</b>	<b>¥ (195)</b>
<b>Total .....</b>	<b>¥ 20,011</b>	<b>¥ 19,842</b>	<b>¥ (168)</b>

Thousands of U.S. dollars			
2022			
	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Japanese government bonds .....	\$ 39,349	\$ 39,431	\$ 81
Japanese local government bonds .....	—	—	—
Japanese corporate bonds .....	—	—	—
Others .....	—	—	—
<b>Subtotal .....</b>	<b>\$ 39,349</b>	<b>\$ 39,431</b>	<b>\$ 81</b>
Fair value not exceeding consolidated balance sheet amount:			
Japanese government bonds .....	\$ 450,445	\$ 432,657	\$ (17,787)
Japanese local government bonds .....	—	—	—
Japanese corporate bonds .....	—	—	—
Others .....	—	—	—
<b>Subtotal .....</b>	<b>450,445</b>	<b>432,657</b>	<b>(17,787)</b>
<b>Total .....</b>	<b>\$ 489,794</b>	<b>\$ 472,089</b>	<b>\$ (17,697)</b>

### (3) Available-for-sale securities

Available-for-sale securities as of March 31, 2022 and 2021 were as follows:

Millions of yen				
2022				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	
Consolidated balance sheet amount exceeding cost:				
Stocks .....	¥ 301,821	¥ 79,211	¥ 222,609	
Bonds: .....	307,718	305,449	2,269	
Japanese government bonds .....	119,049	118,626	422	
Japanese local government bonds .....	61,590	61,190	399	
Japanese corporate bonds .....	127,078	125,631	1,446	
Others .....	104,200	101,487	2,713	
<b>Subtotal .....</b>	<b>¥ 713,740</b>	<b>¥ 486,147</b>	<b>¥ 227,592</b>	
Consolidated balance sheet amount not exceeding cost:				
Stocks .....	¥ 9,564	¥ 9,961	¥ (396)	
Bonds: .....	473,078	479,149	(6,071)	
Japanese government bonds .....	155,718	159,323	(3,605)	
Japanese local government bonds .....	136,588	137,612	(1,024)	
Japanese corporate bonds .....	180,772	182,213	(1,441)	
Others .....	244,062	255,439	(11,377)	
<b>Subtotal .....</b>	<b>726,705</b>	<b>744,550</b>	<b>(17,845)</b>	
<b>Total .....</b>	<b>¥ 1,440,446</b>	<b>¥ 1,230,698</b>	<b>¥ 209,747</b>	
Millions of yen				
2021				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	
Consolidated balance sheet amount exceeding cost:				
Stocks .....	¥ 337,422	¥ 62,427	¥ 274,994	
Bonds: .....	534,519	527,462	7,056	
Japanese government bonds .....	155,255	151,698	3,556	
Japanese local government bonds .....	142,816	141,823	993	
Japanese corporate bonds .....	236,447	233,940	2,507	
Others .....	171,664	166,305	5,359	
<b>Subtotal .....</b>	<b>¥ 1,043,606</b>	<b>¥ 756,195</b>	<b>¥ 287,410</b>	
Consolidated balance sheet amount not exceeding cost:				
Stocks .....	¥ 8,830	¥ 9,372	¥ (541)	
Bonds: .....	369,220	373,157	(3,937)	
Japanese government bonds .....	144,515	147,430	(2,915)	
Japanese local government bonds .....	112,889	113,326	(437)	
Japanese corporate bonds .....	111,815	112,399	(584)	
Others .....	137,330	143,974	(6,644)	
<b>Subtotal .....</b>	<b>515,381</b>	<b>526,504</b>	<b>(11,123)</b>	
<b>Total .....</b>	<b>¥ 1,558,987</b>	<b>¥ 1,282,700</b>	<b>¥ 276,287</b>	

Thousands of U.S. dollars			
2022			
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)
Consolidated balance sheet amount exceeding cost:			
Stocks .....	\$ 2,466,059	\$ 647,201	\$ 1,818,849
Bonds: .....	2,514,241	2,495,702	18,539
Japanese government bonds .....	972,702	969,245	3,447
Japanese local government bonds .....	503,227	499,959	3,260
Japanese corporate bonds .....	1,038,303	1,026,480	11,814
Others .....	851,376	829,209	22,166
<b>Subtotal .....</b>	<b>\$ 5,831,685</b>	<b>\$ 3,972,113</b>	<b>\$ 1,859,563</b>
Consolidated balance sheet amount not exceeding cost:			
Stocks .....	\$ 78,143	\$ 81,387	\$ (3,235)
Bonds: .....	3,865,332	3,914,935	(49,603)
Japanese government bonds .....	1,272,309	1,301,764	(29,455)
Japanese local government bonds .....	1,116,006	1,124,372	(8,366)
Japanese corporate bonds .....	1,477,016	1,488,789	(11,773)
Others .....	1,994,133	2,087,090	(92,956)
<b>Subtotal .....</b>	<b>5,937,617</b>	<b>6,083,421</b>	<b>(145,804)</b>
<b>Total .....</b>	<b>\$ 11,769,311</b>	<b>\$ 10,055,543</b>	<b>\$ 1,713,759</b>

(4) Bonds classified as held to maturity were not sold for the years ended March 31, 2022 and 2021.

**(5) Available-for-sale securities sold**

Millions of yen			
2022			
	Sales amount	Gains on sales	Losses on sales
Stocks .....	¥ 41,071	¥ 13,560	¥ 2,652
Bonds: .....	596,745	958	2,469
Japanese government bonds .....	548,481	780	2,459
Japanese local government bonds .....	45,087	131	9
Japanese corporate bonds .....	3,176	46	—
Others .....	223,406	3,131	4,126
<b>Total .....</b>	<b>¥ 861,223</b>	<b>¥ 17,650</b>	<b>¥ 9,248</b>
Millions of yen			
2021			
	Sales amount	Gains on sales	Losses on sales
Stocks .....	¥ 21,189	¥ 5,375	¥ 277
Bonds: .....	383,233	536	460
Japanese government bonds .....	365,295	338	364
Japanese local government bonds .....	10,024	25	—
Japanese corporate bonds .....	7,913	172	95
Others .....	126,636	2,213	3,671
<b>Total .....</b>	<b>¥ 531,059</b>	<b>¥ 8,125</b>	<b>¥ 4,409</b>
Thousands of U.S. dollars			
2022			
	Sales amount	Gains on sales	Losses on sales
Stocks .....	\$ 335,574	\$ 110,793	\$ 21,668
Bonds: .....	4,875,765	7,827	20,173
Japanese government bonds .....	4,481,420	6,373	20,091
Japanese local government bonds .....	368,387	1,070	73
Japanese corporate bonds .....	25,949	375	—
Others .....	1,825,361	25,582	33,711
<b>Total .....</b>	<b>\$ 7,036,710</b>	<b>\$ 144,211</b>	<b>\$ 75,561</b>

## (6) Reclassification of investment securities due to change in intent of holding

There were no reclassifications of investment securities due to change in intent of holding for the years ended March 31, 2022 and 2021.

## (7) Impairment losses on securities

For available-for-sale securities with market quotations (other than shares, etc. that do not have a market price and investment in capital of investment partnership and others), in cases where the fair value has fallen substantially from the acquisition cost and there is believed to be little likelihood of a recovery in the acquisition cost level, said securities are shown on the balance sheets at fair value and the difference between the fair value and the acquisition cost is posted as a loss (hereinafter “impairment loss”).

Impairment losses amounted to ¥83 million (\$678 thousand) which consisted of stocks of ¥82 million (\$669 thousand) and bonds of ¥1 million (\$8 thousand); and ¥1,580 million which consisted of stocks of ¥1,574 million and bonds of ¥5 million; as of March 31, 2022 and 2021, respectively.

In addition, the Bank recognizes that fair value has fallen significantly based on standards that have been set out in the self-assessment standards for assets by the issuing companies of securities. The details are as follows:

The Bank recognizes that the fair value of available-for-sale securities of legally bankrupt debtors, virtually bankrupt debtors, or debtors who are likely to go bankrupt, has fallen significantly when the fair value of such instruments as of the consolidated balance sheet date has decreased from the acquisition cost. For debtors on close watch, the Bank recognizes that the fair value has fallen significantly when the fair value as of the consolidated balance sheet date has decreased 30% or more from the acquisition cost. For normal debtors, it recognizes this when the fair value as of the consolidated balance sheet date has fallen 50% or more from the acquisition cost or when the fair value as of the consolidated balance sheet date has fallen 30% or more from the acquisition cost and the market prices remain below certain levels.

Debtors on close watch are defined as those who will require close monitoring in the future and normal debtors are defined as those other than legally bankrupt debtors, virtually bankrupt debtors, debtors who are likely to go bankrupt, or debtors on close watch.

## 5. Money held in trust

### (1) Money held in trust classified as trading

	Millions of yen			
	2022		2021	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading .....	¥ 14,630	¥ 49	¥ 14,476	¥ (78)

	Thousands of U.S. dollars	
	2022	
	Consolidated balance sheet amount	Gains (losses) included in profit (loss) during the fiscal year
Money held in trust classified as trading .....	\$ 119,535	\$ 400

(2) No money held in trust was classified as held to maturity.

(3) Other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity).

	Millions of yen				
	2022				
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	¥ 729	¥ 729	—	—	—

Thousands of U.S. dollars					
2022					
	Consolidated balance sheet amount	Cost	Unrealized gains (losses)	Consolidated balance sheet amount exceeding cost	Consolidated balance sheet amount not exceeding cost
Other money held in trust	\$ 5,956	\$ 5,956	—	—	—
(Note) “Consolidated balance sheet amount exceeding cost” and “consolidated balance sheet amount not exceeding cost” are components of unrealized gains (losses).					

No other money held in trust (other than money held in trust for trading purposes and money in trust held to maturity) as of March 31, 2021.

## 6. Net unrealized gains/losses on available-for-sale securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2022</b>	2021	<b>2022</b>
Net unrealized gains on investment securities .....	¥ 209,459	¥ 275,998	\$ 1,711,406
Deferred tax liabilities .....	(60,503)	(80,824)	(494,345)
Noncontrolling interests .....	—	—	—
Net unrealized gains on available-for-sale securities .....	<b>¥ 148,955</b>	<b>¥ 195,174</b>	<b>\$ 1,217,052</b>

## 7. Loans and bills discounted

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

	Millions of yen		Thousands of U.S. dollars
	<b>2022</b>	2021	<b>2022</b>
Bills discounted .....	¥ 7,522	¥ 6,689	\$ 61,459
Loans on bills .....	73,481	80,025	600,384
Loans on deeds .....	3,603,514	3,570,766	29,442,879
Overdrafts .....	380,163	344,217	3,106,160
<b>Total</b> .....	<b>¥ 4,064,683</b>	<b>¥ 4,001,698</b>	<b>\$33,210,907</b>

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims include corporate bonds in “investment securities” in the consolidated balance sheets (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part, and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange assets, accrued interest and suspense payments in “other assets,” customers’ liabilities for acceptances and guarantees and the securities in the case of a loan of securities (limited to those under a loan-for-use or lease agreement) that is indicated in the notes.

	Millions of yen		Thousands of U.S. dollars
	<b>2022</b>	2021	<b>2022</b>
Claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto .....	¥ 1,916	¥ 2,020	\$ 15,654
Claims with risks .....	45,107	44,049	368,551
Loans overdue for three months or more .....	57	136	465
Restructured loans .....	36,429	25,553	297,646
<b>Total</b> .....	<b>¥ 83,510</b>	<b>¥ 71,759</b>	<b>\$ 682,326</b>

Claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto mean the claim held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement

of rehabilitation proceedings, and any other type of claims equivalent thereto.

Claims with risks mean the claims whose debtor is not yet in the status of failure in business although such debtor's financial conditions and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto.

Loans overdue for three months or more mean loans for which payment of principal or interest has been delayed for three months or more from the date following the agreed payment date, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto and the claims with risks.

Restructured loans mean loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payments, extension of maturity dates, waiver of the face amount, or other concessive measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors, excluding the claims subject to legal bankruptcy proceedings and reorganization proceedings and any other type of claims equivalent thereto, the claims with risks and the loans overdue for three months or more.

(Changes in presentation)

Following the enforcement of the "Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, etc." (Cabinet Office Regulation No. 3 issued on January 24, 2020) on March 31, 2022, the classification of "Risk-monitored loans" under the Banking Act is presented in accordance with the classification of disclosed claims under the Act on Emergency Measures for the Revitalization of the Financial Functions.

The total face value of bills discounted at March 31, 2022 and 2021 was ¥7,664 million (\$62,619 thousand) and ¥6,750 million, respectively.

## 8. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
<b>Assets:</b>			
Due from foreign correspondents .....	¥ 6,589	¥ 7,715	\$ 53,836
Foreign bills of exchange purchased .....	2	0	16
Foreign bills of exchange receivable .....	470	618	3,840
<b>Total</b> .....	<b>¥ 7,063</b>	<b>¥ 8,334</b>	<b>\$ 57,708</b>
<b>Liabilities:</b>			
Foreign bills of exchange sold .....	¥ 107	¥ 142	\$ 874
Accrued foreign bills of exchange .....	138	160	1,127
<b>Total</b> .....	<b>¥ 246</b>	<b>¥ 303</b>	<b>\$ 2,009</b>

## 9. Other assets

Other assets at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prepaid expenses .....	¥ 282	¥ 151	\$ 2,304
Accrued income .....	3,961	3,666	32,363
Derivatives .....	12,829	9,171	104,820
Other (Note 12) .....	92,669	85,032	757,161
<b>Total</b> .....	<b>¥ 109,742</b>	<b>¥ 98,021</b>	<b>\$ 896,658</b>

## 10. Tangible fixed assets

Tangible fixed assets at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings .....	¥ 13,241	¥ 14,019	\$ 108,186
Land .....	32,196	31,665	263,060
Construction in progress.....	2,614	—	21,357
Other.....	2,061	1,983	16,839
<b>Total.....</b>	<b>¥ 50,114</b>	<b>¥ 47,667</b>	<b>\$ 409,461</b>

Accumulated depreciation on tangible fixed assets at March 31, 2022 and 2021 amounted to ¥47,166 million (\$385,374 thousand) and ¥46,516 million, respectively.

## 11. Long-lived assets

The Group recognized impairment losses for the years ended March 31, 2022 and 2021, as follows:

The Bank groups assets by the methods described in the “Overview of asset groups and grouping method” below. Subsidiaries group their assets by unit, which periodically manages profit and loss. The Bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥509 million (\$4,158 thousand) and ¥316 million for the years ended March 31, 2022 and 2021, respectively since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows.

The recoverable amounts of these assets were the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The discount rate used for computation of the present value of future cash flows was 5% and the net selling price was determined by quotations from real estate appraisal information, less estimated costs to dispose.

Location	Description	Classification	Impairment losses		
			Millions of yen		Thousands of U.S. dollars
			2022	2021	2022
Shiga Prefecture	Business assets	Land, buildings and equipment.....	¥ 509	¥ 316	\$ 4,158
<b>Total.....</b>			<b>¥ 509</b>	<b>¥ 316</b>	<b>\$ 4,158</b>

Impairment losses are included in other expenses (Note 26).

### Overview of asset groups and grouping method

#### (1) Outline of asset groups

##### i. Idle assets

Stores, former company housing sites, etc.

##### ii. Operating assets

Assets used for business purposes

##### iii. Common assets

Assets related to the entire bank (headquarters, office centers, dormitories, company housing, etc.)

#### (2) Methods of grouping

##### i. Idle assets

Grouping as independent assets.

##### ii. Operating assets

Grouping is done by store groups or store units that constitute full-banking functions.

##### iii. Common assets

Grouping of the entire bank as a whole.



## 12. Assets pledged

Assets pledged as collateral and related liabilities at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities .....	¥ 546,776	¥ 696,661	\$ 4,467,489
Loans and bills discounted .....	880,282	889,093	7,192,434
Other assets (investments in leases) .....	226	412	1,846

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Related liabilities			
Deposits .....	¥ 26,917	¥ 25,048	\$ 219,928
Payables under securities lending transactions .....	185,680	272,654	1,517,117
Borrowed money .....	931,599	893,235	7,611,724

In addition, other assets (deposits to central counterparty) of ¥35,653 million (\$291,306 thousand) and ¥34,332 million at March 31, 2022 and 2021, respectively.

Other assets include guarantee deposits of ¥385 million (\$3,145 thousand) and ¥394 million at March 31, 2022 and 2021, respectively.

## 13. Overdrafts and commitment lines

Overdraft agreements and commitment line agreements are agreements that oblige the Group to lend funds up to a certain limit agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2022 and 2021 amounted to ¥1,036,014 million (\$8,464,858 thousand) and ¥1,069,313 million, respectively, and the amounts of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time were ¥940,660 million (\$7,685,758 thousand) and ¥973,892 million at March 31, 2022 and 2021, respectively. In many cases, the term of the agreement expires without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Group's established internal procedures, confirming the obligor's financial condition, etc. at regular intervals.

## 14. Land revaluation

Under the "Act of Land Revaluation," promulgated on March 31, 1998 (final revision on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2022 and 2021, the carrying amount of the land after the above one-time revaluation exceeded the fair value by ¥3,660 million (\$29,904 thousand) and ¥8,242 million, respectively.

### Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-3 of the Enforcement Ordinance of the Act of Land Revaluation effective March 31, 1998.

## 15. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits.....	¥ 255,260	¥ 230,158	\$ 2,085,627
Ordinary deposits .....	3,189,277	2,966,522	26,058,313
Deposits at notice .....	69,400	68,359	567,039
Time deposits .....	1,994,866	2,016,827	16,299,256
Other deposits.....	102,279	116,984	835,681
<b>Total.....</b>	<b>¥ 5,611,084</b>	<b>¥ 5,398,851</b>	<b>\$ 45,845,935</b>

## 16. Borrowed money

At March 31, 2022 and 2021, the weighted-average interest rates applicable to borrowed money were 0.06% and 0.03%, respectively.

Borrowed money at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Borrowing from banks and other.....	¥ 936,840	¥ 899,055	\$ 7,654,546
<b>Total.....</b>	<b>¥ 936,840</b>	<b>¥ 899,055</b>	<b>\$ 7,654,546</b>

Annual maturities of borrowed money at March 31, 2022 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023.....	¥ 826,148	\$ 6,750,126
2024.....	35,409	289,312
2025.....	31,278	255,560
2026.....	40,095	327,600
2027.....	52	424
2028 and thereafter.....	3,855	31,497
<b>Total.....</b>	<b>¥ 936,840</b>	<b>\$ 7,654,546</b>

## 17. Borrowed money from trust account

Principal amounts of trusts with a principal compensation agreement at March 31, 2022 and 2021 were ¥214 million (\$1,748 thousand) and ¥166 million, respectively.

## 18. Other liabilities

Other liabilities at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accrued income taxes .....	¥ 2,721	¥ 3,677	\$ 22,232
Accrued expenses .....	3,414	3,519	27,894
Unearned income.....	8,788	8,881	71,803
Derivatives .....	11,638	10,561	95,089
Other.....	32,663	27,005	266,876
<b>Total.....</b>	<b>¥ 59,226</b>	<b>¥ 53,645</b>	<b>\$ 483,912</b>

## **19. Acceptances and guarantees**

---

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ liabilities for acceptances and guarantees,” is shown as an asset representing the Bank’s right of indemnity from the applicants.

The amounts of “Acceptances and guarantees” and “Customers’ liabilities for acceptances and guarantees” amounting to ¥15,913 million (\$130,018 thousand) and ¥23,516 million as of March 31, 2022 and 2021, respectively, were set off because those that were relevant to corporate bonds and the guaranteed bonds were held by the Bank itself.

## **20. Equity**

---

### **(1) Capital stock and capital surplus**

The Bank implemented a 1-for-5 reverse stock split on October 1, 2018. As a result, the number of shares of common stock issued decreased from 265,450 thousand shares to 53,090 thousand shares. The numbers of shares in the consolidated statement of changes in equity are calculated on the assumption that the reverse stock split was implemented on April 1, 2017.

### **(2) Companies Act**

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

#### ***(a) Dividends***

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as: (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 is prescribed as one year rather than two years of normal 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. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

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

#### ***(b) Increases/decreases and transfer of common stock, reserve and surplus***

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Act) 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 legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Act) 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 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 that 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.

### (3) Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2022 was proposed at the Bank's ordinary general shareholders' meeting held on June 24, 2022.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (dividend amount per share: ¥62.5 (\$0.511)) .....	¥ 3,036	\$ 24,805

## 21. Stock options

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

Description	Persons granted	Number of options granted (*)	Date of grant	Exercise price	Exercise period
2013 Stock Option	2 directors	1,980 shares	August 20, 2013	¥ 1 (\$ 0.01)	From August 21, 2013 to August 20, 2043
2014 Stock Option	3 directors	2,660 shares	August 20, 2014	¥ 1 (\$ 0.01)	From August 21, 2014 to August 20, 2044
2015 Stock Option	3 directors	2,620 shares	August 20, 2015	¥ 1 (\$ 0.01)	From August 21, 2015 to August 20, 2045
2016 Stock Option	3 directors	4,240 shares	August 19, 2016	¥ 1 (\$ 0.01)	From August 20, 2016 to August 19, 2046
2017 Stock Option	4 directors	4,460 shares	August 18, 2017	¥ 1 (\$ 0.01)	From August 19, 2017 to August 18, 2047
2018 Stock Option	4 directors	4,580 shares	August 20, 2018	¥ 1 (\$ 0.01)	From August 21, 2018 to August 20, 2048
2019 Stock Option	5 directors	6,400 shares	August 20, 2019	¥ 1 (\$ 0.01)	From August 21, 2019 to August 20, 2049
2020 Stock Option	6 directors	7,900 shares	August 20, 2020	¥ 1 (\$ 0.01)	From August 21, 2020 to August 20, 2050
2021 Stock Option	6 directors	10,760 shares	August 20, 2021	¥ 1 (\$ 0.01)	From August 21, 2021 to August 20, 2051

(\*) The number of options granted has been restated, as appropriate, to reflect a 1-for-5 reverse stock split on October 1, 2018.

The stock option activity is as follows:

	2013 Stock Option	2014 Stock Option	2015 Stock Option
<u>Year Ended March 31, 2022</u>			
<u>Non-vested</u>			
April 1, 2021—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2022—Outstanding	—	—	—
<u>Vested</u>			
April 1, 2021—Outstanding	1,980	2,660	2,620
Vested	—	—	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2022—Outstanding	1,980	2,660	2,620
	2016 Stock Option	2017 Stock Option	2018 Stock Option
<u>Year Ended March 31, 2022</u>			
<u>Non-vested</u>			
April 1, 2021—Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2022—Outstanding	—	—	—
<u>Vested</u>			
April 1, 2021—Outstanding	4,240	4,460	4,580
Vested	—	—	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2022—Outstanding	4,240	4,460	4,580
	2019 Stock Option	2020 Stock Option	2021 Stock Option
<u>Year Ended March 31, 2022</u>			
<u>Non-vested</u>			
April 1, 2021—Outstanding	—	1,975	—
Granted	—	—	10,760
Canceled	—	—	—
Vested	—	1,975	8,070
March 31, 2022—Outstanding	—	—	2,690
<u>Vested</u>			
April 1, 2021—Outstanding	6,400	5,925	—
Vested	—	1,975	8,070
Exercised	—	—	—
Canceled	—	—	—
March 31, 2022—Outstanding	6,400	7,900	8,070

	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥— (\$—)	¥— (\$—)	¥— (\$—)
Fair value price at grant date (*)	¥2,640 (\$21.57)	¥2,945 (\$24.06)	¥3,170 (\$25.90)

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥— (\$—)	¥— (\$—)	¥— (\$—)
Fair value price at grant date (*)	¥2,365 (\$19.32)	¥2,785 (\$22.76)	¥2,800 (\$22.88)

	2019 Stock Option	2020 Stock Option	2021 Stock Option
Exercise price	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$0.01)
Average stock price at exercise (*)	¥— (\$—)	¥— (\$—)	¥— (\$—)
Fair value price at grant date (*)	¥2,204 (\$18.01)	¥2,359 (\$19.27)	¥1,732 (\$14.15)

(\*) Average stock price at exercise and fair value price at grant date have been restated, as appropriate, to reflect a 1-for-5 reverse stock split on October 1, 2018.

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

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	30.439%
Estimated remaining outstanding period:	2 years and 6 months
Estimated dividend:	¥40.00 (\$0.32) per share
Risk free interest rate:	0.145% negative

## 22. Revenue recognition

---

### Disaggregation of revenue from contracts with customers

Category	Millions of yen	Thousands of U.S. dollars
	2022	2022
Income .....	¥ 98,306	\$ 803,219
Of which, fees and commissions.....	17,366	141,890
Deposit and loan services.....	3,769	30,794
Foreign exchange services.....	2,915	23,817
Trust related services .....	105	857
Securities related services .....	443	3,619
Agency services.....	318	2,598
Safe-deposit and safe-deposit box services .....	117	955
Guarantee services.....	1,037	8,472
Credit card services.....	3,015	24,634
Investment trust and insurance sales .....	3,972	32,453
Others .....	1,670	13,644
Of which, trust fees .....	0	0

The above table also includes income based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

## 23. Other operating income

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

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
			2022
Gains on foreign exchange transactions-net .....	¥ 914	¥ 701	\$ 7,467
Gains on sales of bonds .....	3,907	2,603	31,922
Gains on redemption of bonds .....	—	50	—
Gains on derivative financial instruments .....	1,211	250	9,894
Other .....	10,166	11,604	83,062
<b>Total .....</b>	<b>¥ 16,198</b>	<b>¥ 15,210</b>	<b>\$ 132,347</b>

## 24. Other income

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

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
			2022
Gains on sales of stocks and other securities .....	¥ 13,753	¥ 5,542	\$ 112,370
Recovery of claims previously charged-off .....	498	366	4,068
Other .....	761	3,051	6,217
<b>Total .....</b>	<b>¥ 15,013</b>	<b>¥ 8,960</b>	<b>\$ 122,665</b>

## 25. Other operating expenses

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

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
			2022
Losses on sales of government bonds .....	¥ 6,531	¥ 3,617	\$ 53,362
Amortization of bonds .....	1	5	8
Expenses on derivatives other than for hedging .....	—	—	—
Other .....	9,284	10,634	75,855
<b>Total .....</b>	<b>¥ 15,818</b>	<b>¥ 14,257</b>	<b>\$ 129,242</b>

## 26. R&D expenses

R&D expenses included in General and administrative expenses for the years ended March 31, 2022 and 2021 were ¥7,832 million (\$63,992 thousand) and ¥1,357 million, respectively.

(Change in presentation)

R&D expenses are presented as a separate item from the current fiscal year due to increased monetary significance. The previous year's amount is also presented to reflect this change in presentation.



## 27. Other expenses

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

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Provision of allowance for loan losses .....	¥ 1,607	¥ 7,459	\$ 13,130
Losses on sales of stocks and other securities .....	2,734	823	22,338
Charge-off of loans and bills discounted .....	500	660	4,085
Losses on devaluation of stocks and other securities.....	83	1,575	678
Losses on disposal of fixed assets .....	82	113	669
Losses on impairment of long-lived assets .....	509	316	4,158
Other.....	139	351	1,135
<b>Total.....</b>	<b>¥ 5,657</b>	<b>¥ 11,299</b>	<b>\$ 46,221</b>

## 28. Gains (losses) related to bonds

Gains (losses) related to bonds for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
<b>Gains (losses) related to bonds including Japanese government bonds:</b>			
Gains on sales of bonds .....	¥ 3,907	¥ 2,603	\$ 31,922
Gains on redemption of bonds.....	—	50	—
Losses on sales of bonds.....	(6,531)	(3,617)	(53,362)
Losses on devaluation of bonds .....	(1)	(5)	(8)
<b>Total.....</b>	<b>¥ (2,626)</b>	<b>¥ (968)</b>	<b>\$ (21,456)</b>
<b>Gains (losses) on derivatives:</b>	<b>¥ 1,211</b>	<b>¥ 250</b>	<b>\$ 9,894</b>
<b>Gains (losses) related to bonds .....</b>	<b>¥ (1,415)</b>	<b>¥ (718)</b>	<b>\$ (11,561)</b>

## 29. Gains (losses) related to stocks and other securities

Gains (losses) related to stocks and other securities for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
<b>Gains (losses) related to stocks and other securities:</b>			
Gains on sales of stocks and other securities .....	¥ 13,753	¥ 5,542	\$ 112,370
Losses on sales of stocks and other securities .....	(2,734)	(823)	(22,338)
Losses on devaluation of stocks and other securities.....	(83)	(1,575)	(678)
<b>Gains related to stocks and other securities .....</b>	<b>¥ 10,935</b>	<b>¥ 3,143</b>	<b>\$ 89,345</b>

### 30. Leases

#### Lessor

One subsidiary lease certain equipment and other assets.

As stated in Note 2 (r) ii, finance lease transactions other than those in which ownership is fully transferred to the lessee are accounted for in a similar manner to ordinary sales and transactions, effective from the year ended March 31, 2009.

Investments in leases included in other assets on the balance sheets as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gross lease receivables.....	¥ 15,581	¥ 15,936	\$ 127,306
Unguaranteed residual values.....	417	428	3,407
Unearned interest income.....	(1,294)	(1,355)	(10,572)
Investments in leases.....	¥ 14,705	¥ 15,008	\$ 120,148

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as of March 31, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
2023.....	¥ 463	\$ 3,782
2024.....	351	2,867
2025.....	157	1,282
2026.....	134	1,094
2027.....	46	375
2028 and thereafter.....	1	8

Maturities of gross lease receivables related to investments in leases as of March 31, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
2023.....	¥ 4,990	\$ 40,771
2024.....	3,973	32,461
2025.....	2,972	24,283
2026.....	1,929	15,761
2027.....	1,094	8,938
2028 and thereafter.....	620	5,065

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year .....	¥ 6	¥ 3	\$ 49
Due after one year .....	17	6	138
<b>Total</b> .....	¥ 24	¥ 9	\$ 196

### 31. Retirement benefit plans

The Bank and consolidated subsidiaries have either funded or unfunded defined benefit plans. The Bank's funded defined benefit corporate pension plan (contract type) provides lump-sum or annuity payments, the amounts of which are determined based on the length of service and certain other factors. The Bank's lump-sum severance payment plan, which became a funded plan as a result of setting a retirement benefits trust, provides lump-sum payments determined based on the length of service, position, and certain other factors. As of October 1, 2017, the Bank has transferred a part of its funded defined benefit corporate pension plan to a defined contribution plan. The consolidated subsidiaries' unfunded lump-sum severance payment plans are based on a simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

#### 1. Defined benefit plan (except for the plan adopting the simplified method)

(1) The changes in defined benefit obligation 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 .....	¥ 47,605	¥ 47,358	\$ 388,961
Current service cost .....	1,725	1,720	14,094
Interest cost .....	204	203	1,666
Actuarial losses.....	311	1,268	2,541
Benefits paid.....	(2,630)	(2,945)	(21,488)
Prior service cost .....	—	—	—
Balance at end of year .....	¥ 47,217	¥ 47,605	\$ 385,791

(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 .....	¥ 60,575	¥ 45,648	\$ 494,934
Expected return on plan assets.....	1,141	737	9,322
Actuarial gains (losses).....	(1,575)	13,782	(12,868)
Contribution from the employer .....	1,748	1,750	14,282
Benefits paid.....	(1,350)	(1,342)	(11,030)
Balance at end of year .....	¥ 60,540	¥ 60,575	\$ 494,648

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded defined benefit obligation.....	¥ 47,217	¥ 47,605	\$ 385,791
Plan assets .....	(60,540)	(60,575)	(494,648)
Net asset arising from the balance sheet.....	¥ (13,323)	¥ (12,969)	\$ (108,856)

  

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits.....	¥ —	¥ —	\$ —
Asset for retirement benefits .....	13,323	12,969	108,856
Net asset arising from the balance sheet.....	¥ (13,323)	¥ (12,969)	\$ (108,856)

**(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 .....	¥ 1,725	¥ 1,720	\$ 14,094
Interest cost .....	204	203	1,666
Expected return on plan assets.....	(1,141)	(737)	(9,322)
Recognized actuarial gains .....	(1,852)	(488)	(15,131)
Amortization of prior service cost .....	—	—	—
Net periodic benefit costs .....	¥ (1,064)	¥ 697	\$ (8,693)

**(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
Prior service cost .....	¥ —	¥ —	\$ —
Actuarial losses (gains) .....	3,739	(12,024)	30,549
Total .....	¥ 3,739	¥ (12,024)	\$ 30,549

**(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 prior service cost .....	¥ —	¥ —	\$ —
Unrecognized actuarial gains .....	(9,570)	(13,310)	(78,192)
Total .....	¥ (9,570)	¥ (13,310)	\$ (78,192)

**(7) Plan assets:**

**a. Components of plan assets**

	2022	2021
Bonds .....	13%	13%
Stocks .....	61	62
Cash and cash equivalents .....	8	8
General accounts .....	18	17
Total .....	100%	100%

(Note) Total plan assets included retirement benefits trust of 51% and 53%, for the years ended March 31, 2022 and 2021, respectively, mainly consisting of 5 stocks, which were set for a corporate pension plan and a lump-sum payment plan.

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

The expected rate of return on plan assets is determined considering the allocation of plan assets and 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 .....	0.43%	0.43%
Expected rate of return on plan assets		
Plan assets (except for retirement benefits trust) .....	4.08%	2.96%
Plan assets (retirement benefits trust) .....	0.00%	0.00%
Estimated rate of salary increase .....	4.10%	4.10%

## 2. Defined benefit plan adopting the simplified method

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year .....	¥ 143	¥ 130	\$ 1,168
Net periodic benefit costs .....	22	21	179
Benefits paid.....	(7)	(8)	(57)
Contribution to the plan.....	—	—	—
Balance at end of year .....	¥ 157	¥ 143	\$ 1,282

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unfunded defined benefit obligation .....	¥ 157	¥ 143	\$ 1,282
Net liability arising from the balance sheet .....	¥ 157	¥ 143	\$ 1,282

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits.....	¥ 157	¥ 143	\$ 1,282
Net liability arising from the balance sheet .....	¥ 157	¥ 143	\$ 1,282

(3) Net periodic benefit costs recognized in the simplified method for the years ended March 31, 2022 and 2021, were ¥22 million (\$179 thousand) and ¥21 million, respectively.

## 3. Defined contribution plan

The Bank's required contribution to the defined contribution plan for the years ended March 31, 2022 and 2021 were ¥334 million (\$2,728 thousand) and ¥329 million, respectively.

### 32. Income taxes

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses.....	¥ 11,381	¥ 11,763	\$ 92,989
Devaluation of stocks and other securities .....	4,774	5,178	39,006
Liability for retirement benefits.....	1,341	2,495	10,956
Depreciation .....	4,150	1,837	33,907
Accrued enterprise tax .....	273	272	2,230
Other.....	2,076	1,984	16,962
Less valuation allowance.....	(11,673)	(11,659)	(95,375)
<b>Total .....</b>	<b>¥ 12,325</b>	<b>¥ 11,871</b>	<b>\$ 100,702</b>
Deferred tax liabilities:			
Reserve for advance depreciation of fixed assets .....	(175)	(175)	(1,429)
Net unrealized gains on available-for-sale securities.....	(60,503)	(80,824)	(494,345)
Defined retirement benefit plans .....	(2,914)	(4,052)	(23,809)
Deferred gains on derivatives under hedge accounting .....	(2,646)	(715)	(21,619)
<b>Total .....</b>	<b>(66,239)</b>	<b>(85,767)</b>	<b>(541,212)</b>
<b>Net deferred tax liabilities.....</b>	<b>¥ (53,914)</b>	<b>¥ (73,896)</b>	<b>\$ (440,509)</b>

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statement of income to the statutory tax rate for the years ended March 31, 2022 and 2021, were as follows:

	2022	2021
Statutory tax rate .....	30.4%	30.4%
(Reconciliation)		
Permanent differences excluded from taxable income such as dividend income.....	(1.3)%	(1.9)%
Tax credit for experimentation and research expenses, etc.	(4.6)%	—%
Changes in valuation allowance .....	0.0%	(16.2)%
Others .....	(0.2)%	(0.1)%
Effective income tax rate .....	24.3%	12.2%

### 33. Financial instruments and related disclosures

#### 1. Overall situation concerning financial instruments

##### (1) Basic policy for financial instruments

As a regional financial institution with its main business base in Shiga Prefecture, the Group provides financial services centered on banking operations.

The Group's main operations are to extend loans to customers in its business area, and make investments in securities by mainly using funds that are received as deposits from customers and those that are obtained through the financial market.

To carry out these operations, the Group has financial assets and financial liabilities that are largely subject to interest rate volatility. To prevent adverse effects from such interest rate volatility, the Group conducts Asset Liability Management (ALM), the comprehensive management of assets and liabilities.

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

The financial assets held by the Group are primarily loans to customers within its business area and are subject to credit risk of incurring losses when the value of such assets declines or disappears due to deterioration in the financial condition of its customers. The Group's domestic loan portfolio attempts to distribute risk by industry sector to eliminate its exposure to credit risk caused by changes in the business environment in certain industries.

The Group holds investment securities, primarily comprised of bonds, corporate stocks and investment trusts, for the following purposes: to sell them to customers, for purely investment purposes, and for strategic investment. These are subject to market risk of incurring potential losses due to fluctuations of interest rates, foreign exchange rates, stock markets and others, and the credit risk of the issuers.

Foreign currency-denominated loans and securities are subject to foreign exchange risk in addition to the risks as described above. They are managed to reduce foreign exchange risk by procuring foreign currency funds through currency swaps, repurchase transactions, or call transactions.

Financial liabilities are primarily deposits from customers and borrowed money. Borrowed money is — under certain conditions, such as when the Group is unable to access the market — subject to risks that losses are incurred due to an inability to secure required funds or being forced to raise funds at significantly higher than normal interest rates. Moreover, some of the Group's borrowings are made at variable interest rates and are subject to risks of losses from increasing fund procurement costs associated with rising interest rates.

To respond to customer needs and hedge market risks for assets and liabilities, the Group uses derivative transactions, including interest rate swaps, currency swaps, currency options, and forward exchange contracts. For some of these transactions, the Group applies hedge accounting based on internal regulations that comply with the "JICPA Practical Guidelines for Financial Instruments" and the Group's own hedging policies.

To obtain short-swing profits, the Group transacts bond futures contracts, bond options, and stock price index futures trading after setting position limit and loss limits amounts.

These derivative transactions include market risk as well as credit risk.

### **(3) Risk management for financial instruments**

#### ***(i) Credit risk management***

Recognizing credit risk as the most important risk to business management from the standpoint of its impact, the Group has established regulations and standards pertaining to such risk. It has also developed a debtor rating system based on a Foundation Internal Ratings-based approach and has built a credit risk management system appropriate to its needs.

Notably, the Group has developed a rating system that involves asset self-assessments. Under this system, for example, the Business Management Department reports the results of its own asset ratings at meetings such as the Meeting of Managing Directors.

With respect to individual credit management, the Group has instituted its "Basic Rules of Loan Business," in which it has clearly defined the way of thinking and a code of conduct to which all employees involved in the loan business should adhere. It has also established basic procedures to follow when making credit decisions or managing credit, along with putting in place a system that enables executives and employees to make credit decisions in accordance with the principles of public benefit, security, profitability, liquidity, and growth potential. More specifically, the Group has developed and is operating a credit management system that handles credit assessment, credit limits, credit information management, and internal ratings; sets guarantees and collateral; and deals with problem debts of companies (or corporate groups) or individual projects. This credit management system is being implemented in every bank branch and the Credit Supervision Department.

With respect to extending credit to overseas debtors, the Group manages it by setting a credit limit for each country at the Meeting of Managing Directors each fiscal year, after taking into account the foreign currency conditions and the political and economic situation of the country in which the debtor resides.

With respect to conducting market transactions for securities or other instruments, a limit is set semiannually at the Meeting of Managing Directors for bond issuer credit risk and counterparty risk for derivative and financial transactions, and the credit status and the market prices are managed on a daily basis. The Group has established a system in which reports about those risks are routinely given to the Meeting of Managing Directors.

#### ***(ii) Market risk management***

The Group has compiled a set of Market Risk Management Rules with the goal of upgrading market risk management, strengthening internal controls, and ensuring sound management. To achieve stable profits, the Group institutes a financial plan and risk management policy semiannually and is working to build an appropriate risk management system.

##### ***1) Interest rate risk management***

As interest rate risk inevitably arises in banking business operations, the Group manages all assets and liabilities (including off-balance transactions), such as deposits, loans, and securities, in a comprehensive manner through ALM.

Along with the aforementioned Market Risk Management Rules, the Group has established standards for risk management methods and reporting procedures. The Group conducts monitoring through such models as Value at Risk (VaR) and the maturity ladder approach, and reports to the ALM Committee on a regular basis.

##### ***2) Exchange rate risk management***

For exchange rate volatility risk, the Group sets position limits at the Meeting of Managing Directors to manage positions that are subject to exchange rate risk. The Group controls positions by using derivative transactions,

including foreign currency transactions and currency swaps.

The Group establishes an acceptable level of risk using VaR and manages the level of risk on a daily basis so that it stays within an acceptable range.

### **3) Price volatility risk management**

To rigorously manage price volatility risk for transactions, including securities, the Group has divided the organization into a market transaction sector, business management sector, and risk management sector.

For market transactions including securities, the Group takes into account overall Group risk and return, based on a financial plan and a risk management policy, and formulates a business management plan in the market sector.

When making investments, the Group calculates position amounts, gains, and losses as well as VaR and Basis Point Value (BPV) based on the abovementioned policy and plan. The extent to which the Group complies with the established acceptable risk limit and other risk limits is monitored on a daily basis and is reported to management.

### **4) Derivative transaction management**

With respect to derivative transactions, the divisions concerned with the execution of transactions, the evaluation of hedge effectiveness, and business management have been separated, and an internal checking system has been established. Because a majority of the Group's derivative transactions are performed for the purposes of hedging and cover transactions to customer transactions, the Group manages them so that asset and liability risks and market risks are offset with each other.

### **5) Quantitative information regarding market risks**

Regarding market risks, the Group measures the quantitative risk of interest rate risks and stock price volatility risks through VaR, a statistical method. Principally by reporting these risks to the ALM Committee and other organizations on a regular basis, the Group ensures appropriate monitoring and management. In calculating the risk amounts, the Group adopts a historical simulation method (a holding period of one year, a confidence level of 99%, and an observing period of two years).

#### **Interest rate risks**

The Group measures interest rate risks of all its assets and liabilities, including loans, securities and deposits, and derivative transactions.

The Group's interest rate risk amounts stood at ¥11,629 million (\$95,015 thousand) as of March 31, 2022 and ¥19,765 million as of March 31, 2021.

Regarding liquid deposits, such as ordinary deposits, the Group handles some as deposits that remain with the Group for an extended period and manages them by allocating them to each period category based on an internal model.

#### **Stock price volatility risks**

The Group holds certain shares for strategic investment and purely investment purposes. The volatility risk amounts of the prices of such shares stood at ¥110,995 million (\$906,895 thousand) as of March 31, 2022, and ¥79,335 million as of March 31, 2021.

#### **Backtesting**

To verify the appropriateness of the risk amounts that are measured through VaR, the Group carries out backtesting in which VaR is compared with gains and losses. In this way, the Group analyzes the effectiveness of the risk measurement method. However, because VaR statistically measures the amounts based on the historical market volatility, results may vary due to assumptions, measuring methods, and other factors. In addition, risks may not be able to be appropriately captured when the market environment changes drastically.

Interest rate risks and stock price volatility risks that are held by the Bank's consolidated subsidiaries are excluded from the calculation of the market risk amount as the impact from such risks on the Group is limited.

### **(iii) Liquidity risk management related to financing**

The Group has compiled a set of Liquidity Risk Management Rules under a basic policy of clearly understanding its cash position and ensuring stable financing. In this way, it strives to establish an appropriate risk management system.

With respect to daily financing, the Group monitors and manages the financial environment, the balance of realizable current assets, the expected amount of cash outflows, and other such factors. The Group reports the financing situation and other related matters to the ALM Committee on a regular basis.



## 2. Fair value of financial instruments

Fair value and the consolidated balance sheet amount as of March 31, 2022 and 2021, are shown below. Shares, etc. that do not have a market price and investment in capital of partnership are not included in the table below (see Note 1).

Cash and due from banks, call loans and bills bought, foreign exchange (assets and liabilities), call money and bills sold, and payables under securities lending transactions are settled in a short period of time and their book value approximates fair value, therefore, notes are omitted. Financial instruments that are immaterial have been omitted.

Millions of yen				
2022				
	Consolidated balance sheet amount	Fair value	Difference	
Investment securities				
Held-to-maturity securities .....	¥ 59,946	¥ 57,779	¥	(2,166)
Available-for-sale securities .....	1,439,179	1,439,179		—
Loans and bills discounted .....	4,064,683	—		—
Allowance for loan losses (*1) .....	(32,150)	—		—
	4,032,533	4,049,164		16,631
Assets total .....	5,531,658	5,546,123		14,464
Deposits .....	5,611,084	5,611,258		174
Negotiable certificates of deposit .....	41,880	41,882		1
Borrowed money .....	936,840	936,718		(121)
Liabilities total .....	6,589,805	6,589,859		54
Derivative transactions (*2)				
Deferred hedge accounting is not applied .....	(7,501)	(7,501)		—
Deferred hedge accounting is applied (*3) .....	8,692	8,692		—
Derivative transactions total .....	¥ (1,190)	¥ (1,190)	¥	—
Millions of yen				
2021				
	Consolidated balance sheet amount	Fair value	Difference	
Investment securities				
Held-to-maturity securities .....	¥ 20,011	¥ 19,842	¥	(168)
Available-for-sale securities .....	1,556,937	1,556,937		—
Loans and bills discounted .....	4,001,698	—		—
Allowance for loan losses (*1) .....	(32,909)	—		—
	3,968,789	3,992,558		23,769
Assets total .....	5,545,737	5,569,338		23,600
Deposits .....	5,398,851	5,399,054		203
Negotiable certificates of deposit .....	49,560	49,562		2
Borrowed money .....	899,055	899,095		40
Liabilities total .....	6,347,466	6,347,712		245
Derivative transactions (*2)				
Deferred hedge accounting is not applied .....	(3,739)	(3,739)		—
Deferred hedge accounting is applied (*3) .....	2,350	2,350		—
Derivative transactions total .....	¥ (1,389)	¥ (1,389)	¥	—

Thousands of U.S. dollars			
<b>2022</b>			
	Consolidated balance sheet amount	Fair value	Difference
Investment securities			
Held-to-maturity securities .....	\$ 489,794	\$ 472,089	\$ (17,697)
Available-for-sale securities .....	11,758,959	11,758,959	—
Loans and bills discounted .....	33,210,907	—	—
Allowance for loan losses (*1) .....	(262,684)	—	—
	<b>32,948,222</b>	<b>33,084,108</b>	<b>135,885</b>
Assets total .....	<b>45,196,976</b>	<b>45,315,164</b>	<b>118,179</b>
Deposits .....	45,845,935	45,847,356	1,421
Negotiable certificates of deposit .....	342,184	342,201	8
Borrowed money .....	7,654,546	7,653,550	(988)
Liabilities total .....	<b>53,842,675</b>	<b>53,843,116</b>	<b>441</b>
Derivative transactions (*2)			
Deferred hedge accounting is not applied .....	(61,287)	(61,287)	—
Deferred hedge accounting is applied (*3) .....	71,018	71,018	—
Derivative transactions total .....	<b>\$ (9,723)</b>	<b>\$ (9,723)</b>	<b>\$ —</b>

(\*1) General allowance for loan losses and specific allowance for loan losses provided to “Loans and bills discounted” are separately presented in the above table.

(\*2) Derivative transactions recorded in “Other assets” and “Other liabilities” are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(\*3) Interest rate swaps designated as hedging instruments to offset market fluctuations in foreign securities, which are hedged items, are accounted for as deferred hedges. “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Revised Practical Solution No.40 issued on March 17, 2022) is applied to these hedging relationships.

### (Note 1) Shares, etc. that do not have a market price and investment in capital of partnership

The consolidated balance sheet amounts of shares, etc. that do not have a market price and investment in capital of partnership are as follows. These are not included in “available-for-sale securities” under “investment securities” in the tables above.

Consolidated balance sheet amount			
	Millions of yen		Thousands of U.S. dollars
	<b>2022</b>	2021	<b>2022</b>
Unlisted stocks (*1) (*2) .....	¥ 3,878	¥ 3,765	\$ 31,685
Investment in capital of partnership and others (*3) .....	<b>8,860</b>	5,792	<b>72,391</b>

(\*1) Unlisted stocks are excluded from fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020).

(\*2) Impairment losses for unlisted stocks amounted to ¥1 million (\$8 thousand) and ¥0 million for the years ended March 31, 2022 and 2021, respectively.

(\*3) Investment in capital of partnership and others are excluded from fair value disclosure in accordance with Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on July 4, 2019).

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

	Millions of yen					
	2022					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks .....	¥ 1,713,259	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities .....	72,907	129,781	107,436	84,225	204,617	580,828
Held-to-maturity securities .....	—	—	—	—	—	60,000
Japanese government bonds .....	—	—	—	—	—	60,000
Available-for-sale securities .....	72,907	129,781	107,436	84,225	204,617	520,828
Japanese government bonds .....	—	16,000	—	—	40,000	220,000
Japanese local government bonds .....	20,779	24,302	24,262	42,813	72,056	14,141
Japanese corporate bonds .....	25,815	30,462	40,868	9,827	14,300	186,299
Others .....	26,313	59,016	42,305	31,584	78,261	100,387
Loans and bills discounted (*) .....	913,119	796,205	597,772	378,223	442,337	866,749
<b>Total .....</b>	<b>¥ 2,699,286</b>	<b>¥ 925,986</b>	<b>¥ 705,208</b>	<b>¥ 462,449</b>	<b>¥ 646,954</b>	<b>¥ 1,447,577</b>

	Millions of yen					
	2021					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks .....	¥ 1,973,224	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities .....	89,331	142,386	114,864	71,452	262,438	519,743
Held-to-maturity securities .....	—	—	—	—	—	20,000
Japanese government bonds .....	—	—	—	—	—	20,000
Available-for-sale securities .....	89,331	142,386	114,864	71,452	262,438	499,743
Japanese government bonds .....	—	4,000	12,000	—	40,000	238,000
Japanese local government bonds .....	12,609	33,596	25,393	34,714	132,966	15,237
Japanese corporate bonds .....	44,100	42,174	35,486	23,443	17,600	183,220
Others .....	32,620	62,615	41,984	13,295	71,871	63,284
Loans and bills discounted (*) .....	870,617	793,717	601,858	408,177	412,527	844,164
<b>Total .....</b>	<b>¥ 2,933,173</b>	<b>¥ 936,104</b>	<b>¥ 716,723</b>	<b>¥ 479,630</b>	<b>¥ 674,966</b>	<b>¥ 1,363,907</b>

	Thousands of U.S. dollars					
	2022					
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks .....	\$ 13,998,357	\$ —	\$ —	\$ —	\$ —	\$ —
Investment securities .....	595,694	1,060,388	877,816	688,168	1,671,844	4,745,714
Held-to-maturity securities .....	—	—	—	—	—	490,236
Japanese government bonds .....	—	—	—	—	—	490,236
Available-for-sale securities .....	595,694	1,060,388	877,816	688,168	1,671,844	4,255,478
Japanese government bonds .....	—	130,729	—	—	326,824	1,797,532
Japanese local government bonds .....	169,776	198,561	198,235	349,807	588,740	115,540
Japanese corporate bonds .....	210,924	248,892	333,916	80,292	116,839	1,522,175
Others .....	214,993	482,196	345,657	258,060	639,439	820,222
Loans and bills discounted (*) .....	7,460,732	6,505,474	4,884,157	3,090,309	3,614,159	7,081,861
<b>Total .....</b>	<b>\$ 22,054,792</b>	<b>\$ 7,565,863</b>	<b>\$ 5,761,974</b>	<b>\$ 3,778,486</b>	<b>\$ 5,286,003</b>	<b>\$ 11,827,575</b>

(\*) Loans in legal bankruptcy, virtual bankruptcy, and potential bankruptcy amounting to ¥46,596 million (\$380,717 thousand) and ¥45,746 million, and, loans and bills discounted without contractual maturities amounting to ¥23,679 million (\$193,471 thousand) and ¥24,889 million are excluded from the table above as of March 31, 2022 and 2021.

**(Note 3) Maturity analysis for bonds, borrowed money, and other interest-bearing liabilities**

Millions of yen						
2022						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥ 5,283,539	¥ 312,087	¥ 15,456	¥ —	¥ —	¥ —
Negotiable certificates of deposit	41,880	—	—	—	—	—
Call money and bills sold	145,809	—	—	—	—	—
Payables under securities lending transactions	185,680	—	—	—	—	—
Borrowed money	826,148	66,687	40,148	104	3,750	—
<b>Total</b>	<b>¥ 6,483,059</b>	<b>¥ 378,775</b>	<b>¥ 55,605</b>	<b>¥ 104</b>	<b>¥ 3,750</b>	<b>¥ —</b>

Millions of yen						
2021						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	¥ 5,073,145	¥ 306,591	¥ 19,114	¥ —	¥ —	¥ —
Negotiable certificates of deposit	49,560	—	—	—	—	—
Call money and bills sold	516,077	—	—	—	—	—
Payables under securities lending transactions	272,654	—	—	—	—	—
Borrowed money	786,116	77,043	32,360	94	3,440	—
<b>Total</b>	<b>¥ 6,697,554</b>	<b>¥ 383,634</b>	<b>¥ 51,475</b>	<b>¥ 94</b>	<b>¥ 3,440</b>	<b>¥ —</b>

Thousands of U.S. dollars						
2022						
	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (*)	\$ 43,169,695	\$ 2,549,938	\$ 126,284	\$ —	\$ —	\$ —
Negotiable certificates of deposit	342,184	—	—	—	—	—
Call money and bills sold	1,191,347	—	—	—	—	—
Payables under securities lending transactions	1,517,117	—	—	—	—	—
Borrowed money	6,750,126	544,872	328,033	849	30,639	—
<b>Total</b>	<b>\$ 52,970,495</b>	<b>\$ 3,094,819</b>	<b>\$ 454,326</b>	<b>\$ 849</b>	<b>\$ 30,639</b>	<b>\$ —</b>

(\*) Demand deposits are included in “1 year or less.”

### 3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

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

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Notes regarding securities by purpose of holding are described in 4. Securities.

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

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc. ....	¥ 257,773	¥ 215,173	¥ —	¥ 472,946
Japanese corporate bonds.....	—	153,508	17,858	171,366
Residential mortgage-backed security.....	—	136,484	—	136,484
Stocks.....	309,354	2,031	—	311,385
Other.....	149,423	131,934	17,467	298,825
Derivative transactions				
Interest rate related.....	—	9,642	—	9,642
Currency related.....	—	3,187	—	3,187
Total assets	716,551	651,960	35,326	1,403,838
Derivative transactions				
Interest rate related.....	—	894	—	894
Currency related.....	—	10,744	—	10,744
Total liabilities	¥ —	¥ 11,638	¥ —	¥ 11,638

Category	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Japanese government bonds, local government bonds, etc. ....	\$ 2,106,160	\$ 1,758,092	\$ —	\$ 3,864,253
Japanese corporate bonds.....	—	1,254,252	145,910	1,400,163
Residential mortgage-backed security.....	—	1,115,156	—	1,115,156
Stocks.....	2,527,608	16,594	—	2,544,202
Other.....	1,220,875	1,077,980	142,715	2,441,580
Derivative transactions				
Interest rate related.....	—	78,780	—	78,780
Currency related.....	—	26,039	—	26,039
Total assets	5,854,653	5,326,905	288,634	11,470,201
Derivative transactions				
Interest rate related.....	—	7,304	—	7,304
Currency related.....	—	87,784	—	87,784
Total liabilities	\$ —	\$ 95,089	\$ —	\$ 95,089

(\*) Fair value of investment trusts are not included in the above. The consolidated balance sheet amount of investment trusts is ¥48,170 million (\$393,577 thousand).

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

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc. ....	¥ 57,779	¥ —	¥ —	¥ 57,779
Loans and bills discounted.....	—	—	4,049,164	4,049,164
Total assets	57,779	—	4,049,164	4,106,944
Deposits .....	—	5,611,258	—	5,611,258
Negotiable certificates of deposit.....	—	41,882	—	41,882
Borrowed money.....	—	936,718	—	936,718
Total liabilities	¥ —	¥ 6,589,859	¥ —	¥ 6,589,859

Category	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Japanese government bonds, local government bonds, etc. ....	\$ 472,089	\$ —	\$ —	\$ 472,089
Loans and bills discounted.....	—	—	33,084,108	33,084,108
Total assets	472,089	—	33,084,108	33,556,205
Deposits .....	—	45,847,356	—	45,847,356
Negotiable certificates of deposit.....	—	342,201	—	342,201
Borrowed money.....	—	7,653,550	—	7,653,550
Total liabilities	\$ —	\$ 53,843,116	\$ —	\$ 53,843,116

### (Note 1) A description of the valuation techniques and inputs used in the fair value measurements

#### Assets

##### Securities

Securities for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value. This mainly includes listed stocks and Japanese government bonds. Securities for which published quoted prices are available but the market is not active are classified as Level 2 fair value. This mainly includes Japanese local government bonds and Japanese corporate bonds.

When quoted prices are not available, fair value is determined using valuation techniques such as the present value of future cash flows. In making valuations, the Bank uses observable inputs to the greatest extent possible. Such inputs include TIBOR, government bond yields, prepayment rates, credit spreads, probability of bankruptcy, and loss rates in the event of bankruptcy. When significant unobservable inputs are used in the valuation, the fair value is classified as Level 3 fair value.

##### Loans and bills discounted

For loans and bills discounted, the fair value is calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk, etc., for each category based on the type of loan, internal rating and term. Those with floating interest rates reflect the market rate in the short term. Consequently, in cases where the credit conditions of borrowers have not significantly changed after the execution of the loans, the book value of the loans is presented as the fair value, as the fair value approximates the book value. With respect to claims against legally bankrupt debtors, virtually bankrupt debtors and debtors who are likely to go bankrupt (potentially bankrupt debtors), fair value is calculated using the estimated future cash flows and the estimated amounts that the Group would be able to collect from collateral and guarantees. For loans that are subject to special accounting treatment for interest rate swaps or designated hedge accounting for forward exchange contracts, etc., the fair value of the interest rate swaps or forward exchange contracts, etc. is reflected. If the effect of unobservable inputs on fair value is significant, the fair value is classified as Level 3 fair value; otherwise, the fair value is classified as Level 2 fair value.

## Liabilities

### Deposits and Negotiable certificates of deposit

For demand deposits that are payable immediately on demand on the consolidated balance sheet date, the amount of the demand deposit is used as the fair value. For time deposits and negotiable certificates of deposit, the fair value is calculated based on the discounted present value of the future cash flows, classified by a certain period of time. The discount rate is based on market interest rates. The fair value of those with short deposit terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

### Borrowed money

The present value of borrowed money is calculated by discounting the total principal and interest of the relevant borrowed money, classified by a certain period of time, at an interest rate that takes into account the remaining period of the borrowed money and credit risk. The book value of floating rate borrowings is presented as the fair value, because the fair value approximates book value. This is because the floating rate borrowings reflect the market interest rate in a short period and there has been no significant change in our credit conditions or in the credit conditions of our consolidated subsidiaries before or after the borrowings were made. The fair value of those with short contractual terms (i.e., less than one year) approximates the book value, and the Group deems the book value to be the fair value. Such fair value is classified as Level 2 fair value.

### Derivative transactions

Derivative transactions for which unadjusted quoted prices in active markets are available are classified as Level 1 fair value, which primarily include bond and interest rate futures transactions.

However, since most derivative transactions are over-the-counter transactions and there are no published quoted prices, fair values are calculated using valuation techniques such as the present value technique and the Black-Scholes model, depending on the type of transaction and the period to maturity. The main inputs used in those valuation techniques include interest rates, exchange rates, and volatility. Price adjustments are made based on the credit risk of the counterparty and the Bank's own credit risk. When unobservable inputs are not used or their effect is not material, they are classified as Level 2 fair value and include plain vanilla interest rate swap transactions, forward exchange contracts, etc. If significant unobservable inputs are used, they are classified as Level 3 fair value and include bond over-the-counter option transactions, etc.

## **(Note 2) Information about Level 3 fair value of financial instruments carried at fair value in the consolidated balance sheet**

### **(1) Quantitative information on significant unobservable inputs**

Category	2022			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Japanese corporate bonds				
Private placement bonds	Present value technique	Discount rate	0.2% to 8.1%	0.4%

**(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period**

	Millions of yen	
	2022	
	Securities	
	Available-for-sale securities	
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	¥ 27,163	¥ 23,971
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1) .....	4	4
Recorded in other comprehensive income (*2) .....	(17)	(58)
Purchases, sales, issuances, and settlements (net) .....	(9,291)	(2,164)
Transfer into Level 3 .....	—	—
Transfer out of Level 3 (*3) .....	—	(4,287)
Ending balance.....	¥ 17,858	¥ 17,467
Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period (*1)	¥ —	¥ —

  

	Thousands of U.S. dollars	
	2022	
	Securities	
	Available-for-sale securities	
	Japanese corporate bonds	Foreign bonds
Beginning balance.....	\$ 221,938	\$ 195,857
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1) .....	32	32
Recorded in other comprehensive income (*2) .....	(138)	(473)
Purchases, sales, issuances, and settlements (net) .....	(75,913)	(17,681)
Transfer into Level 3 .....	—	—
Transfer out of Level 3 (*3) .....	—	(35,027)
Ending balance.....	\$ 145,910	\$ 142,715
Gains or losses on valuation of financial assets and financial liabilities held at the end of the current fiscal year included in profit or loss for the period (*1)	\$ —	\$ —

(\*1) Included in “other operating income” and “other operating expenses” in the consolidated statement of income.

(\*2) Included in “net unrealized gains (losses) on available-for-sale securities” under “other comprehensive income” in the consolidated statement of comprehensive income.

(\*3) Transferred out of Level 3 fair value into Level 2 fair value because observable market data became available mainly for foreign bonds. The transfer was made at the end of the current fiscal year.

**(3) A description of valuation processes used for fair value measurements**

The risk management sector of the Group establishes policies and procedures for fair value measurement, and the business management sector formulates a fair value valuation model in accordance with such policies and procedures. The risk management sector verifies appropriateness as to whether the model, the inputs used, and the fair value as a result of the calculation are in accordance with the policies and procedures. Based on the results of the verification, the risk management sector makes decisions regarding the classification of fair value levels. When quoted prices obtained from third parties are used as fair value, the Bank verifies appropriateness of the prices through appropriate methods, including confirmation of the valuation techniques and inputs used and comparison with the fair value of similar financial instruments.

**(4) A description of sensitivity of the fair value measurement to changes in significant unobservable inputs**

The discount rate is an adjustment to the base market interest rate, such as the risk-free rate or swap rate, and consists of a risk premium, which is the amount of compensation required by market participants for the uncertainty of the cash flows of financial instruments arising primarily from credit risk. Generally, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.



### 34. Fair value information on derivative transactions

#### Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2022 and 2021.

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to market risk.

#### (1) Interest-rate-related transactions

Millions of yen					
2022					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Interest rate swap					
Receivable fixed rate/pay floating rate .....	¥ 12,042	¥ 12,042	¥ 31	¥	31
Receivable floating rate /pay fixed rate .....	13,021	11,920	24		24
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 55</b>	<b>¥</b>	<b>55</b>

Millions of yen					
2021					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Interest rate swap					
Receivable fixed rate/pay floating rate .....	¥ 8,481	¥ 8,370	¥ 26	¥	26
Receivable floating rate /pay fixed rate .....	9,256	9,256	(41)		(41)
<b>Total .....</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ (14)</b>	<b>¥</b>	<b>(14)</b>

Thousands of U.S. dollars					
2022					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Interest rate swap					
Receivable fixed rate/pay floating rate .....	\$ 98,390	\$ 98,390	\$ 253	\$	253
Receivable floating rate /pay fixed rate .....	106,389	97,393	196		196
<b>Total .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 449</b>	<b>\$</b>	<b>449</b>

Note: The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

## (2) Currency-related transactions

Millions of yen					
2022					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Currency swap .....	¥ 45,767	¥ 32,402	¥ (2,850)	¥	(2,850)
Forward exchange contracts:					
Sold .....	93,485	—	(4,997)		(4,997)
Bought .....	5,000	—	282		282
Currency options:					
Sold .....	50,924	29,372	(2,810)		(1,158)
Bought .....	50,924	29,372	2,818		1,424
<b>Total</b> .....	¥ —	¥ —	¥ (7,557)	¥	(7,299)

Millions of yen					
2021					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Currency swap .....	¥ 29,632	¥ 25,473	¥ (96)	¥	(96)
Forward exchange contracts:					
Sold .....	110,070	—	(4,026)		(4,026)
Bought .....	5,289	—	284		284
Currency options:					
Sold .....	99,602	62,977	(3,320)		(309)
Bought .....	99,602	62,977	3,434		1,017
<b>Total</b> .....	¥ —	¥ —	¥ (3,724)	¥	(3,130)

Thousands of U.S. dollars					
2022					
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	
Over-the-counter:					
Currency swap .....	\$ 373,943	\$ 264,743	\$ (23,286)	\$	(23,286)
Forward exchange contracts:					
Sold .....	763,828	—	(40,828)		(40,828)
Bought .....	40,853	—	2,304		2,304
Currency options:					
Sold .....	416,079	239,986	(22,959)		(9,461)
Bought .....	416,079	239,986	23,024		11,634
<b>Total</b> .....	\$ —	\$ —	\$ (61,745)	\$	(59,637)

Note: The above transactions were revalued at the end of each of the years and the related gains and losses are reflected in the accompanying consolidated statements of income.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

## Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2022 and 2021.

The contract amounts do not necessarily measure the Bank's exposure to market risk:

### (1) Interest-rate-related transactions

Millions of yen				
2022				
Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment				
Interest rate swap:	Available-for-sale			
Receivable floating rate/pay fixed rate .....	securities (bonds)	¥ 269,344	¥ 269,344	¥ 8,692

Millions of yen				
2021				
Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment				
Interest rate swap:	Available-for-sale			
Receivable floating rate/pay fixed rate .....	securities (bonds)	¥ 272,712	¥ 272,712	¥ 2,350

Thousands of U.S. dollars				
2022				
Hedged items	Contractual value	Contractual value due after one year	Fair value	
Principle treatment				
Interest rate swap:	Available-for-sale			
Receivable floating rate/pay fixed rate .....	securities (bonds)	\$ 2,200,702	\$ 2,200,702	\$ 71,018

Note: Deferred hedge accounting is mainly applied.

(2) Currency-related transactions are not performed.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

### 35. Comprehensive income (loss)

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized gains (losses) on available-for-sale securities:			
The amount arising during the period.....	¥ (58,221)	¥ 136,490	\$ (475,700)
Reclassification adjustments to profit or loss .....	(8,318)	(2,135)	(67,963)
Before adjustments to tax effect .....	(66,539)	134,355	(543,663)
The amount of tax effect.....	20,320	(41,492)	166,026
<b>Total .....</b>	<b>¥ (46,218)</b>	<b>¥ 92,863</b>	<b>\$ (377,628)</b>
Deferred gains on derivatives under hedge accounting:			
The amount arising during the period.....	¥ 7,530	¥ 14,363	\$ 61,524
Reclassification adjustments to profit or loss .....	(1,188)	(5)	(9,706)
Before adjustments to tax effect .....	6,342	14,357	51,817
The amount of tax effect.....	(1,931)	(4,371)	(15,777)
<b>Total .....</b>	<b>¥ 4,410</b>	<b>¥ 9,985</b>	<b>\$ 36,032</b>
Defined retirement benefit plans:			
The amount arising during the period.....	¥ (1,886)	¥ 12,513	\$ (15,409)
Reclassification adjustments to profit or loss .....	(1,852)	(488)	(15,131)
Before adjustments to tax effect .....	(3,739)	12,024	(30,549)
The amount of tax effect.....	1,138	(3,661)	9,298
<b>Total .....</b>	<b>¥ (2,600)</b>	<b>¥ 8,362</b>	<b>\$ (21,243)</b>
<b>Total other comprehensive income (loss).....</b>	<b>¥ (44,408)</b>	<b>¥ 111,212</b>	<b>\$ (362,840)</b>

### 36. Net income per share

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2022 and 2021, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares	EPS	
<b>For the year ended March 31, 2022</b>				
Basic EPS:				
Net income attributable to common shareholders .....	¥ 17,715	49,278	¥ 359.50	\$ 2.937
Effect of dilutive securities:				
Warrants .....		41		
Diluted EPS:				
Net income for computation.....	¥ 17,715	49,319	¥ 359.20	\$ 2.934
<b>For the year ended March 31, 2021</b>				
Basic EPS:				
Net income attributable to common shareholders .....	¥ 11,448	50,183	¥ 228.12	
Effect of dilutive securities:				
Warrants .....		1,752		
Diluted EPS:				
Net income for computation.....	¥ 11,448	51,935	¥ 220.43	

### 37. Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings was authorized at the ordinary general shareholders’ meeting held on June 24, 2022:

	Millions of yen	Thousands of U.S. dollars
Cash dividends,		
¥62.5 (\$0.511) per share.....	¥ 3,036	\$ 24,805
<b>Total</b> .....	<b>¥ 3,036</b>	<b>\$ 24,805</b>

Acquisition of treasury stock

At a meeting of the Board of Directors held on May 13, 2022, the Bank resolved the matter related to acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act.

#### 1. Reasons for the acquisition of treasury stock

The Bank will repurchase its own shares in order to increase shareholder value through the return of profits to shareholders.

#### 2. Details of matters related to the acquisition

(1) Type of shares to be acquired: Common stock

(2) Total number of shares to be acquired: 1,000 thousand shares (upper limit)

(3) Total cost of stock acquisition: 2 billion yen (\$16,341 thousands) (upper limit)

(4) Period of acquisition of treasury stock: From May 16, 2022 to September 22, 2022

(5) Method of acquisition: Off-auction own share repurchase trading (ToSTNeT-3) and market purchase on the Tokyo Stock Exchange

### 38. Segment information

#### For the years ended March 31, 2022 and 2021

As the Group has only one segment (i.e. banking), the description is not presented.

#### Related Information

##### (1) Information about services

Millions of yen					
2022					
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers .....	¥ 33,911	¥ 32,180	¥ 17,366	¥ 14,848	¥ 98,306

  

Millions of yen					
2021					
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers .....	¥ 34,933	¥ 20,726	¥ 16,542	¥ 13,513	¥ 85,715

  

Thousands of U.S. dollars					
2022					
	Lending services	Securities investment	Fees and commissions	Other	Total
Operating income from external customers .....	\$ 277,073	\$ 262,929	\$ 141,890	\$ 121,317	\$ 803,219

##### (2) Information about geographical areas

###### (a) Operating income

Operating income from external domestic customers exceeded 90% of total operating income on the consolidated statements of income for the years ended March 31, 2022 and 2021; therefore, geographical operating income information is not presented.

###### (b) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of the total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2022 and 2021; therefore, geographical tangible fixed assets information is not presented.

##### (3) Information about major customers

Operating income to a specific customer did not reach 10% of total operating income on the consolidated statements of income for the years ended March 31, 2022 and 2021; therefore, major customer information is not presented.

### 39. Related party transactions

Transactions of the Bank with related parties for the year ended March 31, 2022, were as follows:

Related party	Category	Description of transactions	Transaction amount		Accounts name	Year-end balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
		Lending operation loan, net of collection.....	(3)	(24)	Loans.....	85	694
		Interest receipts ....	0	0	Other liabilities ...	0	0
		Commission receipts, etc. ....	0	0			
Takagi Building Co., Ltd.	Company in which director or relative has the majority of the voting rights						

Transactions of the Bank with related parties for the year ended March 31, 2021, were as follows:

Related party	Category	Description of transactions	Transaction amount	Accounts name	Year-end balance
			Millions of yen		Millions of yen
		Lending operation loan, net of collection .....	¥ (0)	Loans .....	¥ 33
		Interest receipts .....	0	Other assets.....	0
		Commission receipts, etc. ....	0		
Misao Daido	Director or relative				
		Lending operation loan, net of collection .....	(1)	Loans .....	14
		Interest receipts .....	0	Other liabilities ..	0
		Commission receipts, etc. ....	0		
Taiyo & Co.	Company in which director or relative has the majority of the voting rights				
		Lending operation loan, net of collection .....	9	Loans .....	13
		Interest receipts .....	0	Other liabilities ..	0
		Commission receipts, etc. ....	0		
Albatross Co., Ltd.	Company in which director or relative has the majority of the voting rights				
		Lending operation loan, net of collection .....	(10)	Loans .....	66
		Guarantee of payment .....	—	Other assets.....	10
		Lease income .....	1	Customers' liabilities for acceptances and guarantees .	10
		Interest receipts .....	0	Acceptances and guarantees .....	10
		Guarantee commission receipts.....	0	Other liabilities ..	0
		Commission receipts, etc. ....	0		
KUSANEN CO., LTD.	Company in which director or relative has the majority of the voting rights				
		Lending operation loan, net of collection .....	28	Loans .....	88
		Interest receipts .....	0	Other liabilities ..	0
		Commission receipts, etc. ....	0		
Takagi Building Co., Ltd.	Company in which director or relative has the majority of the voting rights				