

The Hyakugo Bank, Ltd.
Consolidated Financial Statements

March 31, 2023 and 2022

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Balance Sheets
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets:			
Cash and due from banks (Note 7)	¥ 1,351,152	¥ 1,872,987	\$ 10,118,721
Call loans and bills bought (Note 3)	10,729	5,569	80,353
Monetary claims bought (Note 3)	12,751	13,691	95,497
Trading account securities (Notes 3 and 4)	55	36	417
Money held in trust (Notes 3 and 4)	2,013	1,991	15,080
Securities (Notes 3, 4 and 7)	1,391,914	1,449,021	10,423,981
Loans and bills discounted (Notes 3, 5 and 14)	4,546,631	4,200,356	34,049,511
Foreign exchange (Note 5)	4,443	5,241	33,275
Lease receivables and lease investment assets (Note 15)	30,107	29,243	225,473
Other assets (Notes 3, 7 and 16)	89,467	88,966	670,015
Tangible fixed assets (Note 6)	43,580	44,827	326,370
Intangible fixed assets	2,996	3,396	22,444
Asset for employee retirement benefits (Note 10)	35,765	36,758	267,846
Deferred tax assets (Note 17)	790	827	5,920
Customers' liabilities for acceptances and guarantees (Note 11)	17,069	16,396	127,831
Allowance for loan losses	(21,639)	(21,002)	(162,058)
Total assets (Note 20)	¥ 7,517,829	¥ 7,748,309	\$ 56,300,676

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liabilities:			
Deposits (Notes 3, 7 and 8)	¥ 5,772,980	¥ 5,642,542	\$ 43,233,585
Negotiable certificates of deposit (Notes 3 and 8)	145,558	167,366	1,090,084
Call money and bills sold (Note 3)	365,800	285,000	2,739,459
Payables under securities lending transactions (Notes 3 and 7)	235,605	268,546	1,764,439
Borrowed money (Notes 3, 7 and 9)	472,052	846,832	3,535,182
Foreign exchange	625	162	4,686
Other liabilities (Notes 3, 9, 15, 16 and 17)	70,669	66,129	529,243
Provision for bonuses	258	242	1,933
Liability for employee retirement benefits (Note 10)	485	455	3,633
Provision for directors' retirement benefits	106	123	794
Provision for reimbursement of deposits	1,685	1,629	12,626
Provision for point card certificates	479	489	3,590
Provision for contingent loss	319	289	2,393
Reserves under special laws	2	2	18
Deferred tax liabilities (Note 17)	39,651	47,782	296,948
Deferred tax liabilities for land revaluation (Note 6)	2,443	2,470	18,298
Acceptances and guarantees (Note 11)	17,069	16,396	127,831
Total liabilities	<u>7,125,793</u>	<u>7,346,462</u>	<u>53,364,742</u>
Net assets (Notes 12, 19 and 22):			
Capital stock	20,000	20,000	149,779
Capital surplus	10,385	10,385	77,780
Retained earnings	274,258	262,680	2,053,908
Treasury stock	(174)	(173)	(1,303)
Total shareholders' equity	<u>304,470</u>	<u>292,892</u>	<u>2,280,164</u>
Valuation difference on available-for-sale securities (Note 4)	80,631	100,635	603,846
Deferred gains/losses on hedges	22	(2,414)	168
Revaluation reserve for land (Note 6)	4,166	4,166	31,203
Retirement benefit adjustments (Note 10)	2,637	6,479	19,750
Total accumulated other comprehensive income	<u>87,457</u>	<u>108,866</u>	<u>654,967</u>
Stock acquisition rights (Note 13)	107	87	803
Total net assets	<u>392,035</u>	<u>401,847</u>	<u>2,935,934</u>
Total liabilities and net assets	<u>¥ 7,517,829</u>	<u>¥ 7,748,309</u>	<u>\$ 56,300,676</u>

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income (Note 20):			
Interest income:			
Interest on loans and bills discounted	¥ 39,603	¥ 33,488	\$ 296,592
Interest and dividends on securities	18,184	19,065	136,186
Interest on call loans and bills bought	116	9	875
Other interest income	1,576	1,604	11,805
Total interest income	59,481	54,167	445,458
Fees and commissions (Note 18)	19,547	19,394	146,388
Other operating income	17,137	18,254	128,341
Other income (Note 10)	6,767	6,880	50,683
Total income	102,934	98,697	770,870
Expenses (Note 20):			
Interest expense:			
Interest on deposits	277	338	2,081
Interest on negotiable certificates of deposit	15	14	118
Interest on call money and bills sold	(60)	(58)	(455)
Interest on payables under securities lending transactions	4,107	654	30,761
Interest on borrowings and rediscounts	16	21	121
Other interest expense	2,022	1,411	15,148
Total interest expense	6,379	2,381	47,774
Fees and commissions	4,996	4,747	37,418
Other operating expenses	24,375	23,552	182,545
General and administrative expenses	41,268	42,769	309,055
Provision of allowance for loan losses	3,716	4,132	27,836
Other expenses	1,739	2,206	13,029
Total expenses	82,475	79,788	617,657
Income before income taxes (Note 20)	20,458	18,908	153,213
Income taxes (Note 17):			
Current	4,825	4,554	36,135
Deferred	1,139	951	8,533
Total income taxes (Note 20)	5,964	5,506	44,668
Net income	14,493	13,402	108,545
Net income attributable to owners of the parent (Note 22)	¥ 14,493	¥ 13,402	\$ 108,545
		Yen	U.S. dollars
Per share (Note 22):			
Net income:			
- Basic	¥ 57.15	¥ 52.81	\$ 0.43
- Diluted	57.08	52.76	0.43
Cash dividends	13.00	11.00	0.10

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥ 14,493	¥ 13,402	\$ 108,545
Other comprehensive income (loss) (Note 21):			
Valuation difference on available-for-sale securities	(20,003)	(6,283)	(149,808)
Deferred gains/losses on hedges	2,436	1,032	18,248
Retirement benefit adjustments	(3,841)	1,921	(28,772)
Total other comprehensive income (loss)	<u>(21,409)</u>	<u>(3,329)</u>	<u>(160,332)</u>
Comprehensive income (loss) for the year	<u>¥ (6,915)</u>	<u>¥ 10,072</u>	<u>\$ (51,787)</u>
Comprehensive income (loss) attributable to:			
Owners of the parent	¥ (6,915)	¥ 10,072	\$ (51,787)

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2023 and 2022

	Shareholders' equity					Accumulated other comprehensive income						Total net assets	
	Number of shares of common stock issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains/losses on hedges	Revaluation reserve for land	Retirement benefit adjustments	Total accumulated other comprehensive income		Stock acquisition rights
Balance at March 31, 2021 (April 1, 2021)	254,119,000	¥ 20,000	¥ 10,386	¥ 252,070	¥ (40)	¥ 282,416	¥ 106,918	¥ (3,447)	¥ 4,133	¥ 4,558	¥ 112,162	¥ 97	¥ 394,676
Cumulative effect of accounting change		-	-	(93)	-	(93)	-	-	-	-	-	-	(93)
Balance at April 1, 2021 (as restated)		¥ 20,000	¥ 10,386	¥ 251,976	¥ (40)	¥ 282,322	¥ 106,918	¥ (3,447)	¥ 4,133	¥ 4,558	¥ 112,162	¥ 97	¥ 394,583
Net income attributable to owners of the parent	-	-	-	13,402	-	13,402	-	-	-	-	-	-	13,402
Dividends from surplus	-	-	-	(2,664)	-	(2,664)	-	-	-	-	-	-	(2,664)
Reversal of revaluation reserve for land	-	-	-	(33)	-	(33)	-	-	-	-	-	-	(33)
Purchase of treasury stock	-	-	-	-	(160)	(160)	-	-	-	-	-	-	(160)
Disposal of treasury stock	-	-	(0)	-	27	26	-	-	-	-	-	-	26
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(6,283)	1,032	33	1,921	(3,295)	(9)	(3,305)
Balance at March 31, 2022 (April 1, 2022)	254,119,000	¥ 20,000	¥ 10,385	¥ 262,680	¥ (173)	¥ 292,892	¥ 100,635	¥ (2,414)	¥ 4,166	¥ 6,479	¥ 108,866	¥ 87	¥ 401,847
Net income attributable to owners of the parent	-	-	-	14,493	-	14,493	-	-	-	-	-	-	14,493
Dividends from surplus	-	-	-	(2,916)	-	(2,916)	-	-	-	-	-	-	(2,916)
Reversal of revaluation reserve for land	-	-	-	0	-	0	-	-	-	-	-	-	0
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(20,003)	2,436	(0)	(3,841)	(21,409)	19	(21,389)
Balance at March 31, 2023	254,119,000	¥ 20,000	¥ 10,385	¥ 274,258	¥ (174)	¥ 304,470	¥ 80,631	¥ 22	¥ 4,166	¥ 2,637	¥ 87,457	¥ 107	¥ 392,035

	Thousands of U.S. dollars (Note 1)											
Balance at April 1, 2022	\$ 149,779	\$ 77,780	\$ 1,967,201	\$ (1,301)	\$ 2,193,459	\$ 753,654	\$ (18,080)	\$ 31,204	\$ 48,522	\$ 815,300	\$ 656	\$ 3,009,415
Net income attributable to owners of the parent	-	-	108,545	-	108,545	-	-	-	-	-	-	108,545
Dividends from surplus	-	-	(21,839)	-	(21,839)	-	-	-	-	-	-	(21,839)
Reversal of revaluation reserve for land	-	-	1	-	1	-	-	-	-	-	-	1
Purchase of treasury stock	-	-	-	(2)	(2)	-	-	-	-	-	-	(2)
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	(149,808)	18,248	(1)	(28,772)	(160,333)	147	(160,186)
Balance at March 31, 2023	\$ 149,779	\$ 77,780	\$ 2,053,908	\$ (1,303)	\$ 2,280,164	\$ 603,846	\$ 168	\$ 31,203	\$ 19,750	\$ 654,967	\$ 803	\$ 2,935,934

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 20,458	¥ 18,908	\$ 153,213
Adjustments for:			
Depreciation and amortization	3,937	4,249	29,486
Impairment loss	139	202	1,045
Increase (decrease) in allowance for loan losses	637	1,602	4,774
Interest income	(59,481)	(54,167)	(445,458)
Interest expense	6,379	2,381	47,774
Gain (loss) related to securities	(542)	2,903	(4,061)
Net decrease (increase) in loans and bills discounted	(346,274)	(229,210)	(2,593,234)
Net increase (decrease) in deposits	130,437	261,443	976,843
Net increase (decrease) in negotiable certificates of deposit	(21,807)	17,161	(163,319)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(374,779)	146,048	(2,806,710)
Net decrease (increase) in call loans	(4,038)	8,866	(30,241)
Net increase (decrease) in call money	80,800	85,000	605,107
Net increase (decrease) in payables under securities lending transactions	(32,940)	(219,452)	(246,689)
Net decrease (increase) in lease receivables and investment assets	(864)	(3,392)	(6,472)
Proceeds from fund management	56,937	54,079	426,399
Payments for financing	(6,081)	(2,514)	(45,547)
Others, net	(5,787)	(32,143)	(43,342)
Subtotal	(552,871)	61,966	(4,140,432)
Income taxes paid	(3,575)	(6,013)	(26,780)
Net cash provided by (used in) operating activities	(556,447)	55,952	(4,167,212)
Cash flows from investment activities:			
Purchase of securities	(378,853)	(464,054)	(2,837,214)
Proceeds from sales of securities	219,458	493,330	1,643,515
Proceeds from redemption of securities	200,483	223,284	1,501,409
Payments for increase in money held in trust	(21)	(2)	(163)
Proceeds for decrease in money held in trust	-	5	-
Purchase of tangible fixed assets	(2,042)	(2,221)	(15,292)
Proceeds from sales of tangible fixed assets	372	181	2,792
Purchase of intangible fixed assets	(794)	(728)	(5,951)
Net cash provided by (used in) investment activities	38,603	249,797	289,096
Cash flows from financing activities:			
Cash dividends paid	(2,912)	(2,662)	(21,810)
Payment for purchases of treasury shares	(0)	(160)	(2)
Others, net	-	0	-
Net cash provided by (used in) financing activities	(2,912)	(2,822)	(21,812)
Effect of exchange rate changes on cash and cash equivalents	-	15	-
Net increase in cash and cash equivalents	(520,757)	302,943	(3,899,928)
Cash and cash equivalents at beginning of period	1,869,053	1,566,109	13,997,252
Cash and cash equivalents at end of period (Note 2(b))	¥ 1,348,295	¥ 1,869,053	\$ 10,097,324

See accompanying Notes to Consolidated Financial Statements.

The Hyakugo Bank, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Financial Statements

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (together with the Bank, the “Hyakugo Bank Group”) have been prepared on the basis of accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been compiled from the original Japanese consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan and submitted to the Director of the Kanto Finance Bureau of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements were made to the original Japanese consolidated financial statements in order to present them in a form that would be more familiar to readers outside Japan. In addition, certain reclassifications have been made in the financial statements for the year ended March 31, 2022 to conform to the classifications used in the financial statements for the year ended March 31, 2023.

The amounts in Japanese yen are presented in millions of yen, rounded down to the nearest million in accordance with applicable law. Accordingly, the total yen amounts may not be equal to the sum of the individual account balances.

(b) U.S. dollar amounts

The Hyakugo Bank Group maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and these accompanying notes represent the conversion of Japanese yen amounts to U.S. dollar amounts using the exchange rate at March 31, 2023, which was ¥133.53 to U.S. \$1.00. The inclusion of the dollar amounts is solely for the convenience of the readers and is not intended to imply that the assets and liabilities originated in yen have been, could have been or could in the future be readily converted, realized or settled in dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 11 significant subsidiaries at March 31, 2023 and 2022. These consolidated subsidiaries are primarily engaged in businesses that provide a wide range of financial services to customers. Under the concept of control, companies over which the Bank directly or indirectly exercises control in regards to operations are fully consolidated. The consolidated financial statements do not include the accounts of five subsidiaries at March 31, 2023 and 2022, because the total assets, total income, net income and retained earnings of the subsidiaries did not have any material impact on the consolidated financial statements. For the years under review, there were no affiliates over which the Bank had significant influence, and all intercompany transactions and accounts have been eliminated.

HM holdings Co., Ltd., TREE CLIMBING WORLD Co., Ltd., VISOR INC., Zenoah Environment Equipment Co., Ltd., Asahi Dietec Co., Ltd., DIA Holdings, Inc. and Diatop Corporation, each of which the Bank owns more than 50% of the voting rights, are not recognized as consolidated subsidiaries for the year ended March 31, 2023 because these companies were directly or indirectly held by the Bank’s unconsolidated subsidiary for the purpose of incubating the investees and not for the purpose of controlling the entities.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from The Bank of Japan as follows.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Cash and due from banks	¥ 1,351,152	¥ 1,872,987	\$ 10,118,721
Less due from banks other than The Bank of Japan	(2,857)	(3,934)	(21,397)
Cash and cash equivalents	¥ 1,348,295	¥ 1,869,053	\$ 10,097,324

(c) Trading account securities

Trading account securities are stated at fair value at the fiscal year-end. Related gains and losses, both realized and unrealized, are included in current earnings. Accrued interest on trading account securities is included in “other assets.”

(d) Securities

Debt securities for which the Hyakugo Bank Group has both a positive intent and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. Marketable securities other than those classified as trading or held-to-maturity securities are carried at fair value as available-for-sale securities, and net unrealized gains and losses reported as valuation differences on available-for-sale securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Available-for-sale securities that are nonmarketable are stated at moving average cost. The carrying values of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairment in value. Gains and losses on the disposal of investment securities are computed principally using the moving average method.

Accrued interest on securities is included in “other assets.” Funds entrusted to trust banks as securities for the Bank (included in “money held in trust”) are stated using the method applicable to the marketable securities described above.

(e) Derivatives and hedge accounting

The Hyakugo Bank Group uses swaps, forwards, options and other types of derivative contracts. These derivative instruments are used to meet customers’ needs for risk management, to manage the Hyakugo Bank Group’s assets and liabilities and to generate income. Derivatives are recorded at fair value if hedge accounting is not appropriate or when there is no hedge designation. Gains and losses on derivatives are recognized in current earnings.

In connection with interest rate risks arising from financial assets and liabilities, the Bank applies the deferral method of hedge accounting as prescribed in the Industry Audit Committee Practical Guidance No. 24, “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”) on March 17, 2022. The effectiveness of a fair value hedge in offsetting movements in the fair value of hedged items due to changes in interest rates is assessed by classifying the hedged items, such as deposits, loans and similar instruments, and the corresponding hedging instruments, such as interest rate swaps, and grouping those with similar risk characteristics in a maturity bucket. In addition, the effectiveness of a cash flow hedge is assessed by verifying the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

In addition, the Bank applies the portfolio hedge method or the exceptional treatment permitted for interest rate swaps to certain assets and liabilities. The Bank’s consolidated subsidiaries also apply methods similar to those of the Bank for hedge accounting.

The Bank also applies the deferral method to account for hedges of foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the standard treatment under JICPA's Industry Audit Committee Practical Guidance No. 25 of October 8, 2020, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The effectiveness of currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and that of the corresponding hedging instruments.

(f) Loans and bills discounted and allowance for loan losses

Loans and bills discounted are stated at the amount of the unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

The accounting policy of an allowance for loan losses is stated in (v) Significant accounting estimates.

(g) Tangible fixed assets and depreciation

Except for lease assets, tangible fixed assets are stated at cost, less accumulated depreciation, computed using the straight-line method over the estimated useful life of the asset. For buildings, the useful life ranges from 15 to 50 years. For other assets, the useful life ranges from 4 to 15 years.

(h) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized on a straight-line basis over the estimated useful life of five years.

(i) Leases

Under "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 on March 30, 2007), as lessee, all finance leases are capitalized, and the Bank recognizes lease assets and lease obligations in the balance sheet. In addition, as lessor, all finance leases that transfer ownership of the leased property to the lessee ("transferable finance leases") are recognized as lease receivables, and all non-transferrable finance leases are recognized as lease investment assets.

As lessor, revenue from finance lease transactions and the related costs are recognized when the lease payments are received. As lessee, lease assets under non-transferrable finance leases recorded in "tangible fixed assets" or "intangible fixed assets" are depreciated using the straight-line method over the term of the lease with a predetermined residual value of zero or as stated in the applicable lease contract.

(j) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Revenues and expenses are translated at the exchange rates prevailing on the applicable transaction dates. Foreign exchange gains and losses resulting from such transactions are included in the determination of net income.

(k) Provision for bonuses

The consolidated subsidiaries provide provisions for bonuses based on the estimated amounts of future payments to employees attributable to the current year.

(l) Provision for directors' retirement benefits

Provisions for the retirement benefits of the directors of the consolidated subsidiaries are provided for the payment of retirement benefits to directors and corporate auditors in the amounts deemed accrued at the fiscal year-end based on internal regulations.

(m) Provision for reimbursement of deposits

A provision for the reimbursement of deposits which had been derecognized from liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

(n) Provision for point card certificates

A provision for point card certificates is recorded for the future use of point card certificates by card holders in an amount rationally estimated and deemed necessary.

(o) Provision for contingent loss

A provision for contingent loss is provided for contingent liabilities not covered by other provisions in an amount deemed necessary based on future estimated losses.

(p) Reserves under special laws

Reserves under special laws are reserves for contingent liabilities and are provided for compensation for losses from securities related transactions pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act of Japan and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business.

(q) Employee retirement benefits

Employees who terminate their services with the Hyakugo Bank Group are entitled to retirement benefits generally determined based on the basic rate of pay at the time of termination, length of service and conditions under which the termination occurred.

In accordance with the accounting standard for employee retirement benefits, the Hyakugo Bank Group recognizes retirement benefits based on the actuarial present value of the retirement benefit obligations using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the respective fiscal year-end. In calculating retirement benefit obligations, the Hyakugo Bank Group attributes expected retirement benefits to periods of service on a benefit formula basis. Consolidated subsidiaries use the simplified method to calculate the amounts required to be paid as retirement benefits by determining the benefits that would have to be paid if all the employees retired voluntarily at the fiscal year.

Past service cost that is yet to be recognized is amortized on a straight-line basis over a fixed period of three years, which is within the average remaining service years of the employees, measured from the year in which such cost arises. Actuarial differences arising from changes in retirement benefit obligations or pension plan assets not anticipated under previous assumptions or from changes in the assumptions themselves that are yet to be recognized are amortized on a straight-line basis over a fixed period of 10 years, which is within the average remaining service years of the employees, measured from the year following the year in which such differences arise. Actuarial differences and past service cost that are yet to be recognized in profit or loss are recognized as retirement benefit adjustments under a component of accumulated other comprehensive income within the net assets section, after adjusting for tax effects, and

the difference between retirement benefit obligations and plan assets are recognized as an asset or liability for employee retirement benefits, without any adjustments, in the accompanying consolidated balance sheets.

In order to provide for the payment of retirement bonuses to executive officers of the Bank, the amount considered to be incurred up to the end of the year ended March 31, 2023 was recorded in "Liability for employee retirement benefits" on the consolidated balance sheet.

(r) Accounting for revenue and costs

Accounting for revenue from finance leases

Net sales and cost of sales are recognized upon receipt of a lease premium.

Accounting for revenue from transactions with customers

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 Company expects to be entitled in exchange for those goods and services.

The Bank and consolidated subsidiaries recognize revenue by applying the following five steps:

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations under the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations under the contract

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

Revenue from transactions with customers of the Bank and consolidated subsidiaries is related with transaction services recognized when control of promised goods or services is transferred to the customer and such revenue includes deposit-taking fees, lending business fees, exchange business fees, securities-related business fees, etc.

(s) Income taxes

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized as future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(t) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the board of directors and/or shareholders.

(u) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is calculated to reflect potential dilution assuming that all stock options are exercised at the times of issue, unless such options are anti-dilutive.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective years shown.

(v) Significant accounting estimates

Accounting estimates are determined at a reasonable amount based on available information at the time of the preparation of the consolidated financial statements. Of the amounts recorded in the consolidated financial statements for the year ended March 31, 2023 based on accounting estimates, the items below may have a significant effect on the consolidated financial statements for the following fiscal year:

Allowance for loan losses

Allowances for loan losses in the amounts of ¥21,639 million (\$162,058 thousand) and ¥21,002 million were recorded in the consolidated financial statements as of March 31, 2023 and 2022, respectively.

An allowance for loan losses of the Bank is recorded in accordance with predetermined criteria on write-offs and provisions. The Bank classified borrowers into five categories: Normal Borrowers, Borrowers Requiring Attention, Potentially Bankrupt Borrowers, Virtually Bankrupt Borrowers and Bankrupt Borrowers. Thereafter, the Bank classifies the related assets examining the degree of risk of default and impairment of the asset value.

Normal Borrowers are borrowers whose business is favorable and whose financial positions have no particular problems. Borrowers Requiring Attention are borrowers whose loans are subject to renegotiation of the contractual terms, including the reduction or exemption of interest, whose loans are under-performing in that repayment of principal or interest payments are substantially in arrears or borrowers requiring attention because their business is slow or unstable or borrowers whose financial positions are otherwise doubtful. Potentially Bankrupt Borrowers are borrowers that are not presently in the situation of a business failure but are likely to go into bankruptcy in the future as they are in financial difficulties and business improvement plans are not working well. Virtually Bankrupt Borrowers are borrowers who are not legally or formally bankrupt but are in serious financial difficulties and are not likely to recover. Bankrupt Borrowers are borrowers who are legally and formally bankrupt.

For claims against Bankrupt Borrowers and Virtually Bankrupt Borrowers, an allowance is provided based on the amounts of the claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against Potentially Bankrupt Borrowers, an allowance is provided based on the amounts of the claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees, and projected credit losses for the coming three years. Projected credit losses are calculated using the higher of a loss ratio based on the average ratio for the past five calculation periods of loan losses for three years or a loss ratio based on the average ratio of loan losses for a longer period in the past. For claims against other borrowers, an allowance is provided based on projected credit losses for the following year or for the coming three years. Projected credit losses are calculated using a loss ratio based on the average ratio of loan losses for the past five calculation periods of loan losses for one or three years. The amounts expected to be collected through the disposal of collateral or execution of guarantees are determined according to an assessment of the collateral and/or type of guarantees based on the internal rules for self-assessment of asset quality.

All claims are assessed by the Bank's operating divisions based on the Bank's internal rules for self-assessment of asset quality. The Bank's inspection division, which is independent from the Bank's operating divisions, conducts audits of such assessments, and an allowance is provided based on such audit results.

The allowance for loan losses of the consolidated subsidiaries is recorded in the same manner as that of the Bank in accordance with predetermined criteria on write-offs and provisions.

The Bank assumes that the reclassification of COVID-19 as Class V under the Prevention of Infectious Diseases and Medical Care for Infectious Patients Act (hereinafter referred to as the "Infectious Diseases Act") will likely lead to a recovery of personal consumption and mitigate downward pressure on the economy. Furthermore, the Bank makes accounting estimates that legal bankruptcy or deterioration in the credit status of counterparties and delayed payments of principal or interest will be on the decrease overall, although some debtors may be affected by the start of

repayment of substantially interest-free loans and unsecured loans. Since such assumptions are uncertain, the loss amounts might change depending on the changes in the situations of COVID-19 and treatment under the Infectious Diseases Act.

The management of the Bank has determined that the accounting estimates used for recording the allowance for loan losses are reasonable and appropriately recorded. However, due to possible changes in the assumptions on which the estimates are based, such as changes in the economic environment, changes in the financial conditions of the borrowers and/or a decline in collateral value, the Bank might find it necessary to increase or decrease the amount of allowance for loan losses in future.

(w) Changes in accounting policies

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

The Bank adopted “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) (hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year ended March 31, 2023 and decided to apply prospectively the new accounting policies defined by the Fair Value Measurement Guidance in accordance with the transitional treatment set forth in paragraph 27-2 of the Fair Value Measurement Guidance. Due to this change, the Bank changed the fair value measurement method for certain investment trusts that had been stated at the acquisition cost as the carrying value, but are currently stated at the standard price as the fair value. There was little impact on the accompanying consolidated financial statements. In accordance with Paragraph 27-3 of the Fair Value Measurement Guidance, the Bank does not present notes pertaining to the previous period for investment trusts in the fair value information by the level within the fair value hierarchy in the notes on financial instruments.

3. Financial Instruments and Related Disclosures

Outline of financial instruments

(1) Policy for financial instruments

The Hyakugo Bank Group is engaged in financial services centered on banking operations. In addition to investing funds in loans, securities and monetary claims bought for the purpose of earning interest income, the Bank also operates, within defined limits, in securities and money held in trust for the purpose of earning income from price fluctuations. In order to enhance the liquidity of its assets, the Bank also maintains cash deposits and invests funds in call loans and others in short-term markets. These investments are funded almost exclusively through deposits and negotiable certificates of deposit, while from an asset and liability management (ALM) perspective, other sources of funding are used as necessary, including call money and borrowings.

Moreover, the Bank uses derivative transactions in order to meet its customers’ needs for hedging risks and to make use of the Bank’s own ALM. Within defined limits, the Bank also engages in derivative transactions for the purpose of earning income from trading derivatives.

The consolidated subsidiaries of the Bank include companies that engage in securities operations, credit card operations, leasing operations and operations for forming and operating funds. Each of these companies holds various financial assets, such as lease receivables and investment assets, installment receivables, member accounts receivable, investments in capital and cash deposits. Certain consolidated subsidiaries use borrowed money to raise funds.

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

The financial assets held by the Hyakugo Bank Group comprise mainly loans to corporations and individuals located in the area in which the Bank conducts business. It also holds securities, including domestic and foreign bonds and stocks. With regard to bonds, the Bank holds Japanese government bonds, local government bonds and bonds issued by highly creditworthy issuers, such as financial institutions, business entities and foreign governments. The Bank also holds securitized products comprising

receivable or real estate backed assets. In terms of monetary claims bought, the Bank maintains lease receivables and investment assets related to the business of holding trust beneficiary rights and monetary claims purchased from customers in relation to the integrated factoring system. Monetary claims bought are exposed to the credit risk of borrowers and issuers. Of such monetary claims bought, fixed interest rate items are exposed to the risk of fluctuation in actual value due to interest rate fluctuations, and marketable securities are exposed to the risk of fluctuation in market value.

The majority of financial liabilities comprise deposits and negotiable certificates of deposit, the majority of which are received from customers located in the area in which the Bank conducts business. A high proportion of financial liabilities consist of short-term deposits, such as liquid deposits with no defined maturity and fixed deposits maturing within one year. Call money and other short-term fund raising sources are used primarily for adjusting yen and foreign currency denominated capital positions.

With financial assets and liabilities, there is risk of loss due to changes in the actual value or capital margins from fluctuations in interest rates or foreign currency exchange rates as a result of differences in interest rate renewal dates, fund settlement dates or transaction currencies between assets and liabilities. Should circumstances significantly impair the short-term liquidity of assets, there is risk that the Bank would be forced to raise additional funds that are costly or dispose of assets at lower than expected prices or the like in order to cover the shortfall.

With regard to derivative transactions, interest related derivatives comprise primarily interest rate swaps, and currency related derivative transactions involve primarily currency swaps and foreign exchange forwards. The majority of these derivatives are used primarily to hedge the Bank's own market risk or that of its customers. Stock futures, bond futures, over-the-counter bond options and credit derivatives are used to earn income from trading activities or to hedge risks. In terms of risks arising from transactions, both market and credit risks are limited because the great majority of the transactions are for the purpose of hedging or are covered transactions and all counterparties are highly creditworthy financial institutions or corporations. The Bank does not enter into any high-risk transactions in which the rate of change in fair value corresponding to the price fluctuation of the object is very high.

Hedged items accounted for using hedge accounting consisting of debt securities and loans and bills discounted in the year ended March 31, 2023. Hedging instruments consisted of interest rate swaps, foreign currency swaps, and foreign exchange swaps. The Bank determines whether to revise its hedging policy every month, and identifies the items to be hedged, hedging instruments and hedging ratios annually. Consolidated subsidiaries sometimes set the above policies for themselves. Hedge effectiveness is assessed using the methods provided in JICPA's Accounting System Committee Report No. 14, "Practical Guidance Concerning Accounting for Financial Instruments."

(3) Risk management for financial instruments

i. Credit risk management

In order to avoid large-scale losses resulting from the materialization of credit risk, the Hyakugo Bank Group adheres to the basic policy of maintaining the soundness of overall assets by controlling credit risk to within an acceptable level with reference to shareholders' equity. To this end, the Hyakugo Bank Group has prepared various rules and organizational structures on which it bases its credit risk management.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group company comprehensively gauges, evaluates and monitors the status of various risks, including credit risk, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses Value at Risk (VaR) to measure credit risk in a manner that includes credit concentration risk, which is not included in the calculation of the capital adequacy ratio, based on the framework for integrated risk management. By managing risk within specified limits, the Bank aims to take on appropriate risks and secure stable earnings.

In managing credit risk, the loan screening divisions independent of the sales promotion divisions review and manage loans, and the market risk management department (middle office) manages the same on a

day-to-day basis. The Bank has also established a credit risk management department within the risk management division, which is independent from other divisions, thus ensuring a system of mutual checks and balances.

In addition, the Bank has prepared a credit rating system to evaluate credit risk for each borrower and implement comprehensive measures. Credit ratings are used to formulate finance loan policies and to set loan interest rates. The Hyakugo Bank Credit Policy stipulates a basic policy regarding finance loans in managing credit portfolios. Under the policy, the Bank ensures that investments are not concentrated to only certain companies or corporate groups while striving to ascertain and monitor the status of credit by categories such as industry, region, credit rating and level of borrowing and to distribute credits appropriately across the categories.

With regard to loan recipients who are facing difficulties due to worsening business conditions or other reasons, the Bank gauges and monitors the management status and implements guidance on restructuring plans and collecting receivables as needed.

The Bank prepares various rules for and manages the market risk of each of its consolidated subsidiaries and manages the credit risk of the entire Hyakugo Bank Group through its credit risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various types of risk, including credit risk, through the Risk Management Committees established at each subsidiary.

ii. Market risk management

The Hyakugo Bank Group works to accurately measure and evaluate the impact of market fluctuations on its business and to conduct appropriate portfolio management by limiting risk and preparing various rules and organizational systems to manage market risk under the basic policy of securing stable revenues.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group company comprehensively gauges, evaluates and monitors the status of various risks, including market risk, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses VaR to measure market risk in a manner that includes interest rate risk, which is not included in the calculation of the capital adequacy ratio, based on a framework for integrated risk management. By managing risk within specified limits set for each risk type, the Bank aims to take on appropriate risks and secure stable earnings.

The Bank seeks to reduce the risk of loss due to insufficient funds by managing market risk, drawing clear distinctions between the trade execution department (front office) and the administrative processing department (back office) and by establishing a market risk management department (middle office) within the risk management division, which is independent from other divisions. All of the above-mentioned departments are overseen by the risk control management department, thus ensuring a system of mutual checks and balances. The transaction status, fair value and risk exposure are calculated and managed on appropriate dates, and management systems are strengthened at appropriate times in response to situations that arise. In addition, for transactions entered into to secure a profit through purchase and sale, etc., the Bank limits its risk of loss by preparing a management framework tailored to the specific circumstances of each investment, including by establishing position limits, loss cutting rules and cumulative loss limits, and conducting rigorous management on such a framework.

The Bank manages market risk for its overall financial assets and listed liabilities, including deposits and other forms of funds, from an ALM perspective. The Bank seeks to reduce foreign exchange rate fluctuation risk associated with foreign currency denominated products used for procurement of funds through the operation of foreign currency denominated foreign bonds and foreign currency funds by using call money and other forms of procurement. It also uses currency exchange related derivatives to maintain roughly the equivalent operating and procurement amounts in each currency.

The Bank prepares various rules for and manages market risk of each of its consolidated subsidiaries and manages market risk of the entire Hyakugo Bank Group through its market risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of

various types of risk, including market risk, through the Risk Management Committees established at each subsidiary company.

Quantitative information concerning market risk:

Interest rate risk

The main financial instruments used by the Hyakugo Bank Group that are exposed to interest rate risk are bonds included in securities, loans and bills discounted, deposits, negotiable certificates of deposit, borrowed money and interest rate swap contracts included in derivative transactions. Interest rate risks attached to these financial assets and liabilities are managed by monitoring VaR calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years). As of March 31, 2023, the amount of interest rate risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥23,937 million (\$179,254 thousand) (¥9,655 million in 2022).

With regard to liquid deposits without maturity dates, VaR is calculated by internal models using due dates estimated with consideration for long-term retention. The interest rate risk the consolidated subsidiaries are exposed to is not included in the calculation as the outstanding balances of their financial instruments that are potentially exposed to interest rate risk are fairly small and their importance minimal.

Stock price risk

The main financial instruments used by the Hyakugo Bank Group exposed to stock price risk are stocks included in securities. Of these financial assets, stock price risks attached to those held for pure investment purposes are managed by monitoring its VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years), and stock price risk attached to those held for purposes other than pure investments purposes are managed by monitoring valuation losses, which may arise as assumed under the VaR model, the VaR of which is calculated using the historical simulation method (which applies a holding period of six months, confidence interval of 99% and observation period of five years). As of March 31, 2023, the total amount of stock price risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥1,108 million (\$8,295 thousand) (¥672 million in 2022).

The stock price risk the consolidated subsidiaries are exposed to is not included in the calculation as the outstanding balances of their financial instruments that are potentially exposed to stock price risk are fairly small and their importance minimal.

Other price fluctuation risk

The main financial instruments used by the Hyakugo Bank Group exposed to price fluctuation risk are investment trusts included in securities. The price fluctuation risk attached to these financial assets is managed by monitoring the VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years).

As of March 31, 2023, the total amount of other price fluctuation risk (a predicted amount of loss) the Bank was exposed to was estimated at ¥16,528 million (\$123,763 thousand) (¥14,252 million in 2022).

Reasonableness of VaR

The Bank conducts back testing which compares the results calculated under the VaR model with changes in present value. As a result of the back testing, the accuracy of capturing interest rate risk and other price fluctuation risk was a concern. Therefore, the value was computed after an adjustment of multipliers to VaR calculated by the measurement model to secure the capturing accuracy with a confidence level of 99%.

iii. Liquidity risk management

The Hyakugo Bank Group manages liquidity risk through the establishment of relevant internal rules and organizational structures, adherence to the basic policy of maintaining structures that can appropriately respond to a liquidity crisis and by accurately assessing situations involving investment and funding and market trends regarding stable funding.

The Bank has established a system in which the ALM Risk Management Committee of each Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various risks, including liquidity risks, and considers risk management policies and response measures on a monthly basis.

In funding operations, the Bank controls and manages daily and future funding requirements in Japanese yen and foreign currencies. The Bank also monitors the availability of funding in the markets and establishes countermeasures, such as the establishment and timely review of maximum funding amounts, based on the availability of funding against unexpected adverse events beforehand to prepare against liquidity risks.

(4) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments comprise values determined based on market prices and values determined by other methods when there are no available market prices. Since variable factors are incorporated in computing the relevant fair values, the fair values may vary depending on the application of different assumptions.

Fair values of financial instruments and fair value information by level within the fair value hierarchy

The following tables summarize the amounts stated on consolidated balance sheets and the fair value of financial instruments as of March 31, 2023 and 2022 together with their differences and the fair value of financial instruments 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 at the level of the lowest-level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

March 31, 2023	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ -	¥ 9,420	¥ 9,420
Trading account securities	28	27	-	55
Money held in trust (for investment purposes)	-	2,013	-	2,013
Securities:	415,457	918,569	46,262	1,380,288
Available-for-sale securities	415,457	918,569	46,262	1,380,288
Japanese government bonds	152,020	103	-	152,123
Local government bonds	-	456,829	-	456,829
Corporate bonds	-	178,089	30,291	208,381
Equity securities	190,384	503	-	190,887
Other (*1)	73,052	283,045	15,970	372,067
Total assets	¥ 415,485	¥ 920,611	¥ 55,682	1,391,778
Total liabilities	¥ -	¥ -	¥ -	¥ -
Derivative transactions (*2)				
(*3) (*4)	¥ -	¥ (9,817)	¥ 0	¥ (9,816)
Interest rate related	-	186	-	186
Currency related	-	(10,003)	0	(10,003)
Other	-	-	(0)	(0)

(*1) Investment trusts, etc., to which the treatment handling the standard quotation price defined by Paragraph 24-9 Fair Value Measurement Guidance (ASBJ Guidance No. 31, June 17, 2021) as the fair value is applied, are not included in the above table. The carrying amount of such investment trusts, etc., in the consolidated balance sheet is ¥308 million.

(*2) Derivative transactions recorded under other assets and liabilities in the consolidated balance sheets have been listed together.

Receivables and payables arising from derivative transactions are presented as net amounts. Net payables are presented in parentheses.

Financial derivatives (assets) in an amount of ¥7,375 million and financial derivatives (liabilities) in an amount of ¥17,192 million are recorded under "Other assets" and "Other liabilities" in the consolidated balance sheet, respectively.

(*3) The value of derivatives to which hedge accounting is applied, as recorded in the consolidated balance sheet, was ¥(8,469) million.

(*4) These derivatives refer to interest rate swaps designated as hedging instruments to offset market fluctuations arising from loans, etc., as hedged items, and deferral hedge accounting is applied. Practical Issue Task Force (PITF) No. 40, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR," March 17, 2022, is applied to these hedging relationships.

March 31, 2022	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Monetary claims bought	¥ -	¥ -	¥ 10,411	¥ 10,411
Trading account securities	12	24	-	36
Money held in trust (for investment purposes)	-	1,991	-	1,991
Securities:	438,641	838,188	52,032	1,328,863
Available-for-sale securities	438,641	838,188	52,032	1,328,863
Japanese government bonds	222,259	8,763	-	231,022
Local government bonds	-	459,957	-	459,957
Corporate bonds	-	175,422	32,024	207,447
Equity securities	200,040	266	-	200,306
Other (*1)	16,342	193,779	20,008	230,130
Total assets	¥ 438,654	¥ 840,204	¥ 62,444	1,341,303
Total liabilities	¥ -	¥ -	¥ -	-
Derivative transactions (*2)				
(*3) (*4)	¥ -	¥ (16,891)	¥ 0	¥ (16,891)
Interest rate related	-	(3,077)	-	(3,077)
Currency related	-	(13,813)	0	(13,813)
Other	-	-	(0)	(0)

(*1) Investment trusts, etc., to which transitional measures are applied pursuant to Paragraph 6 of Article 5 of the supplementary provision of "Cabinet Office Ordinance to Amend the Regulation on Terminology, Forms and Preparation Methods of Financial Statements, etc." (Cabinet Office Ordinance No. 9, March 6, 2020) are not included in the above table. The carrying amount of such investment trusts, etc., in the consolidated balance sheet is ¥109,507 million.

(*2) Derivative transactions recorded under other assets and liabilities in the consolidated balance sheets have been listed together.

Receivables and payables arising from derivative transactions are presented as net amounts. Net payables are presented in parentheses.

Financial derivatives (assets) in an amount of ¥3,383 million and financial derivatives (liabilities) in an amount of ¥20,274 million are recorded under "Other assets" and "Other liabilities" in the consolidated balance sheet, respectively.

(*3) The value of derivatives to which hedge accounting is applied, as recorded in the consolidated balance sheet, was ¥(9,415) million.

(*4) These derivatives refer to interest rate swaps designated as hedging instruments to offset market fluctuations arising from loans, etc., as hedged items, and deferral hedge accounting is applied. Practical Issue Task Force (PITF) No. 40, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR," March 17, 2022, is applied to these hedging relationships.

March 31, 2023

Thousands of U.S. dollars

	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought (*1)	\$ -	\$ -	\$ 70,550	\$ 70,550
Trading account securities	210	207	-	417
Money held in trust (for investment purposes)	-	15,080	-	15,080
Securities:	3,111,338	6,879,127	346,455	10,336,920
Available-for-sale securities	3,111,338	6,879,127	346,455	10,336,920
Japanese government bonds	1,138,475	772	-	1,139,247
Local government bonds	-	3,421,173	-	3,421,173
Corporate bonds	-	1,333,702	226,855	1,560,557
Equity securities	1,425,779	3,768	-	1,429,547
Other (*1)	547,084	2,119,712	119,600	2,786,396
Total assets	<u>\$ 3,111,548</u>	<u>\$ 6,894,414</u>	<u>\$ 417,005</u>	<u>\$ 10,422,967</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Derivative transactions (*2)				
(*3) (*4)	\$ -	\$ (73,521)	\$ 2	\$ (73,519)
Interest rate related	-	1,396	-	1,396
Currency related	-	(74,917)	2	(74,915)
Other	-	-	(0)	(0)

(*1) Investment trusts, etc., to which the treatment handling the standard quotation price defined by Paragraph 24-9 of the Fair Value Measurement Guidance (ASBJ Guidance No. 31, June 17, 2021) as the fair value is applied, are not included in the above table. The carrying amount of such investment trusts, etc., in the consolidated balance sheet is \$2,311 thousand.

(*2) Derivative transactions recorded under other assets and liabilities in the consolidated balance sheets have been listed together.

Receivables and payables arising from derivative transactions are presented as net amounts. Net payables are presented in parentheses.

Financial derivatives (assets) in an amount of \$55,234 thousand and financial derivatives (liabilities) in an amount of \$128,753 thousand are recorded under "Other assets" and "Other liabilities" in the consolidated balance sheet, respectively.

(*3) The value of derivatives to which hedge accounting is applied, as recorded in the consolidated balance sheet, was \$(63,426) thousand.

(*4) These derivatives refer to interest rate swaps designated as hedging instruments to offset market fluctuations arising from loans, etc., as hedged items, and deferral hedge accounting is applied. Practical Issue Task Force (PITF) No. 40, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR," March 17, 2022, is applied to these hedging relationships.

(2) Financial instruments other than those measured at fair value

Cash and due from banks, call loans and bills bought, foreign exchange (assets/liabilities), call money and bills sold, agreements, and payables under securities lending transactions are not included in the following as they are short-term (within one year), and their fair values approximate their carrying values.

Millions of Yen						
March 31, 2023						
	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (*)	¥ -	¥ -	¥ 3,330	¥ 3,330	¥ 3,330	¥ -
Loans and bills discounted (*)	-	72,911	4,441,485	4,514,397	4,526,753	(12,356)
Total assets	¥ -	¥ 72,911	¥ 4,444,815	¥ 4,517,727	¥ 4,530,083	¥ (12,356)
Deposits	¥ -	¥ 5,772,958	¥ -	¥ 5,772,958	¥ 5,772,980	¥ (21)
Negotiable certificates of deposit	-	145,558	-	145,558	145,558	(0)
Borrowed money	-	472,052	-	472,052	472,052	-
Total liabilities	¥ -	¥ 6,390,570	¥ -	¥ 6,390,570	¥ 6,390,592	¥ (21)

Millions of Yen						
March 31, 2022						
	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (*)	¥ -	¥ -	¥ 3,278	¥ 3,278	¥ 3,278	¥ -
Loans and bills discounted (*)	-	56,489	4,122,488	4,178,977	4,181,152	(2,174)
Total assets	¥ -	¥ 56,489	¥ 4,125,767	¥ 4,182,256	¥ 4,184,431	¥ (2,174)
Deposits	¥ -	¥ 5,642,515	¥ -	¥ 5,642,515	¥ 5,642,542	¥ (27)
Negotiable certificates of deposit	-	167,366	-	167,366	167,366	(0)
Borrowed money	-	846,832	-	846,832	846,832	-
Total liabilities	¥ -	¥ 6,656,715	¥ -	¥ 6,656,715	¥ 6,656,742	¥ (27)

Thousands of U.S. dollars						
March 31, 2023						
	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (*)	\$ -	\$ -	\$ 24,942	\$ 24,942	\$ 24,942	\$ -
Loans and bills discounted (*)	-	546,034	33,262,079	33,808,113	33,900,648	(92,535)
Total assets	\$ -	\$ 546,034	\$ 33,287,021	\$ 33,833,055	\$ 33,925,590	\$ (92,535)
Deposits	\$ -	\$ 43,233,421	\$ -	\$ 43,233,421	\$ 43,233,585	\$ (164)
Negotiable certificates of deposit	-	1,090,084	-	1,090,084	1,090,084	(0)
Borrowed money	-	3,535,182	-	3,535,182	3,535,182	-
Total liabilities	\$ -	\$ 47,858,687	\$ -	\$ 47,858,687	\$ 47,858,851	\$ (164)

(*) A general allowance for loan losses and a specific allowance for loan losses corresponding to loans and bills discounted have been deducted.

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

Assets:**Monetary claims bought**

For monetary claims bought, the fair value of securitized products is determined by prices obtained from external brokers, etc., referencing analysis of consistency with market published indices, prepayment ratios, etc. Monetary claims purchased from customers in accordance with the integrated factoring system are settled over a specified short-term period. The fair value of these claims is, therefore, presented at the carrying amount because the carrying amount approximates the fair value. The fair value is classified as Level 3.

Trading account securities and securities

The fair value of trading account securities and securities is classified as Level 1 if the unadjusted market price in active markets is available. Principally, listed equity securities, listed investment trusts and Japanese government bonds are included in this category. If the market is inactive, even though the published market price is available, the fair value is classified as Level 2. Principally, local government bonds and corporate bonds are included in this category. In addition, the fair value of investment trusts which do not have a market price is determined using the standard quotation price and classified as Level 2, unless there is such significant restriction that consideration for the risk is demanded by market participants regarding cancellation or buy-back claims. The fair value of private placement bonds is calculated by discounting the sum of principal and interest income using the discount rate reflecting credit risk, etc., based on the internal rating, and is classified as Level 3. The fair value of certain Japanese yen-denominated foreign bonds is determined using the price calculated based on the price obtained from external brokers, etc., with reference to the findings of regular monitoring, including analysis of consistency with published market indices, and is classified as Level 3.

For details regarding securities categorized by the purpose for which they are held, see Note 4, "Trading Account Securities, Money Held in Trust and Securities."

Money held in trust

The fair value of securities that are invested as trust assets within non-consolidated money held in trust is determined by the prices presented by partner financial institutions and principally classified as Level 2 based on the level of components.

For details regarding money held in trust for holding purposes, see Note 4, "Trading Account Securities, Money Held in Trust and Securities."

Loans and bills discounted

The fair value of loans or bills discounted (excluding loans containing credit derivatives) is determined for each category based on the type, internal rating and maturity, by discounting the sum of principal and interest at the interest rate applied to a new loan of the same type. However, the carrying amount of fixed-rate loans and bills discounted whose contractual maturity or remaining maturity through interest maturity is short (within one year), and of floating-rate loans and bills discounted, is presented as the fair value as long as the credit status of borrowers has not changed significantly since the grant of such loans, because the carrying amount approximates the fair value. Additionally, for loans receivable from bankrupt, virtually bankrupt or potentially bankrupt borrowers, the estimated losses are determined based on the amount expected to be recovered from collateral and guarantees, and the fair value approximates the carrying amount of loans as of the fiscal closing date less allowance for loan losses. Accordingly, such amount is regarded as the fair value, and is classified as Level 3.

The fair value of loans containing credit derivatives is determined using the spread observed from credit default swaps and market interest rates as principal inputs and classified as Level 2.

With respect to the loans and bills discounted of consolidated subsidiaries, the carrying amount is presented as the fair value due to their lower materiality.

Liabilities:

Deposits and negotiable certificates of deposit

For on-demand deposits, the payment obligation existing at the balance sheet date, which is the carrying amount, is regarded as the fair value. The fair value of time deposits and negotiable certificates of deposit is computed using the present value by discounting future cash flows for each category based on the type and maturity period. For deposits whose deposit term or residual maturity is within one year, the carrying amount is presented as the fair value since such carrying amount approximates the fair value. The fair value of these items is classified as Level 2.

Borrowed money

The present value of borrowed money is computed by discounting the sum of principal and interest income to be received, classified by a fixed period, using the rate that would apply to new borrowings of the same type. For borrowed money whose contractual term or residual maturity is within one year, the carrying amount is presented as the fair value since such carrying amount approximates the fair value. The carrying amount of such instruments is presented as the fair value, as the carrying amount approximates the fair value due to the short-term maturity (within one year). The fair value of these items is classified as Level 2.

For borrowed money of consolidated subsidiaries, the carrying amount is presented as the fair value as a minimum requirement.

Derivative transactions:

The fair value of OTC-traded derivatives is determined by the value calculated using the discounted present value of future cash flows or option pricing models, etc., using inputs such as interest rates, foreign exchange rates, volatilities and the like, as the published market price of OTC-traded derivatives does not exist.

If observable inputs solely are used, or if the impact of unobservable inputs is not material, the fair value of such derivatives is classified as Level 2.

(Note 2) Information about fair value of Level 3 for financial instruments stated at fair value in the consolidated balance sheet

(1) Qualitative information about significant unobservable inputs

Year ended March 31, 2023

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities Available-for-sale securities Corporate bonds (private placement bonds)	Discounted present value method	Credit spread	0.302%-50%	0.744%

Year ended March 31, 2022

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted-average of inputs
Securities Available-for-sale securities Corporate bonds (private placement bonds)	Discounted present value method	Credit spread	0.322%-50%	0.846%

(2) A reconciliation of the beginning balance and the ending balance and unrealized gain (loss) recognized in net income or loss

Millions of Yen									
March 31, 2023									
	April 1, 2022	Net income or other comprehensive income		Changes due to purchases, issues, sales and settlements	Transfers to fair value of Level 3	Transfers from fair value of Level 3	March 31, 2023	Change in unrealized gains (losses) included in net income for financial assets and liabilities still held at March 31, 2023	
		Included in net income ^{*1}	Included in other comprehensive income ^{*2}					March 31, 2023	March 31, 2023
Monetary claims bought	¥ 10,411	¥ –	¥ 3	¥ (994)	¥ –	¥ –	¥ 9,420	¥ –	–
Securities									
Available-for-sale securities:									
Corporate bonds (private bonds)	32,024	86	(7)	(1,811)	–	–	30,291	–	–
Other	20,008	–	(37)	(4,000)	–	–	15,970	–	–

Thousands of U.S. dollars									
March 31, 2023									
	April 1, 2022	Net income or other comprehensive income		Changes due to purchases, issues, sales and settlements	Transfers to fair value of Level 3	Transfers from fair value of Level 3	March 31, 2023	Change in unrealized gains (losses) included in net income for financial assets and liabilities still held at March 31, 2023	
		Included in net income ^{*1}	Included in other comprehensive income ^{*2}					March 31, 2023	March 31, 2023
Monetary claims bought	\$ 77,972	\$ –	\$ 25	\$ (7,447)	\$ –	\$ –	\$ 70,550	\$ –	–
Securities									
Available-for-sale securities:									
Corporate bonds (private bonds)	239,832	648	(56)	(13,569)	–	–	226,855	–	–
Other	149,840	–	(284)	(29,956)	–	–	119,600	–	–

*1. Included in "Other operating income" in the consolidated statement of income.

*2. Included in "Unrealized gains on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

(3) Explanation of valuation process used to measure fair value

The Finance Division has established the Hyakugo Bank Group policy and procedures regarding measurement of fair value, and each operating division measures fair value in accordance with said policy and procedures. The measurement of such fair value is validated in terms of the reasonableness of valuation techniques and inputs as well as the appropriateness of the fair value classification level. The results of this validation process are reported to the Finance Division for each period and the appropriateness of the policy and procedures used to measure fair value is confirmed. In measuring fair value, valuation models capable of reflecting the nature, characteristics and risks associated with each asset are used. In addition, when quoted prices obtained from third parties are used as fair value, appropriate steps are taken to substantiate their validity, such as confirming the valuation techniques and inputs used and comparing the fair value with the fair value of similar financial instruments.

(4) Explanation of effects of changes in significant unobservable inputs on fair value

Significant unobservable inputs used in measuring the fair value of privately placed corporate bonds are credit spreads. Significant increases (decreases) in these inputs in isolation will lead to a significant decline (rise) in fair value.

(Note 3) The following table summarizes financial instruments whose fair values were extremely difficult to estimate. These instruments were not included in the above table regarding the fair values of financial instruments.

Category	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Unlisted stocks (*1)(*2)	¥ 1,918	¥ 1,955	\$ 14,370
Investments in capital of partnerships, etc. (*3)	9,397	8,994	70,379

*(*1) The fair values of unlisted stocks were not disclosed based on Paragraph 5 of “Implementation Guidance on Disclosures of Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).*

*(*2) The Bank recognized an impairment loss in the amount of ¥2 million (\$18 thousand) and ¥42 million on unlisted stock for the years ended March 31, 2023 and 2022, respectively.*

*(*3) The fair values of investments in capital of partnerships were not disclosed in accordance with Paragraph 24-16 of the Fair Value Measurement Guidance (ASBJ Guidance No. 31, June 17, 2021).*

(Note 4) Maturities of financial assets and securities with contractual maturities at March 31, 2023 and 2022

March 31, 2023	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	¥ 1,287,192	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	10,729	-	-	-	-	-
Monetary claims bought	3,493	3,970	2,770	-	2,525	-
Available-for-sale securities with maturity:	115,440	287,457	206,556	120,538	232,904	258,288
o/w Japanese government bonds	100	-	-	-	84,000	75,000
Local government bonds	27,234	130,612	87,677	88,353	119,318	7,642
Corporate bonds	18,297	39,385	45,305	4,916	16,500	87,159
Others	69,808	117,459	73,573	27,268	13,086	88,486
Loans and bills discounted (*)	775,968	679,863	556,181	417,799	442,051	1,634,189
Total	¥ 2,192,824	¥ 971,291	¥ 765,508	¥ 538,338	¥ 677,481	¥ 1,892,477

March 31, 2022	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	¥ 1,814,389	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	5,569	-	-	-	-	-
Monetary claims bought	4,614	3,228	4,983	876	-	-
Available-for-sale securities with maturity:	181,888	198,775	217,673	95,388	223,877	260,741
o/w Japanese government bonds	43,000	8,500	-	-	84,000	94,000
Local government bonds	63,455	67,440	127,562	75,646	117,662	8,723
Corporate bonds	29,961	29,554	32,168	10,706	15,800	90,171
Others	45,471	93,280	57,942	9,035	6,414	67,846
Loans and bills discounted (*)	752,723	638,811	504,161	394,965	412,632	1,459,738
Total	¥ 2,759,184	¥ 840,814	¥ 726,818	¥ 491,231	¥ 636,510	¥ 1,720,479

March 31, 2023	Thousands of U.S. dollars					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	\$ 9,639,727	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills bought	80,353	-	-	-	-	-
Monetary claims bought	26,165	29,736	20,747	-	18,912	-
Available-for-sale securities with maturity:	864,525	2,152,753	1,546,893	902,709	1,744,213	1,934,311
o/w Japanese government bonds	749	-	-	-	629,072	561,672
Local government bonds	203,956	978,150	656,615	661,676	893,572	57,236
Corporate bonds	137,027	294,957	339,293	36,817	123,568	652,733
Others	522,793	879,646	550,985	204,216	98,001	662,670
Loans and bills discounted (*)	5,811,189	5,091,467	4,165,221	3,128,880	3,310,506	12,238,369
Total	<u>\$ 16,421,959</u>	<u>\$ 7,273,956</u>	<u>\$ 5,732,861</u>	<u>\$ 4,031,589</u>	<u>\$ 5,073,631</u>	<u>\$ 14,172,680</u>

(*) These loans and bills discounted do not include loans in the amount of ¥40,576 million (\$303,879 thousand) and ¥37,324 million that did not have specific maturity dates as of March 31, 2023 and 2022, respectively.

(Note 5) Maturities of interest bearing liabilities at March 31, 2023 and 2022

March 31, 2023	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	¥ 5,486,415	¥ 236,420	¥ 50,145	¥ -	¥ -	¥ -
Negotiable certificates of deposit	145,524	34	-	-	-	-
Call money and bills sold	365,800	-	-	-	-	-
Payables under securities lending transactions	235,605	-	-	-	-	-
Borrowed money	6,901	23,892	441,241	17	-	-
Total	<u>¥ 6,240,246</u>	<u>¥ 260,346</u>	<u>¥ 491,387</u>	<u>¥ 17</u>	<u>¥ -</u>	<u>¥ -</u>

March 31, 2022	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	¥ 5,311,464	¥ 288,563	¥ 42,516	¥ -	¥ -	¥ -
Negotiable certificates of deposit	167,236	130	-	-	-	-
Call money and bills sold	285,000	-	-	-	-	-
Payables under securities lending transactions	268,546	-	-	-	-	-
Borrowed money	500,788	3,740	342,273	22	6	-
Total	<u>¥ 6,533,036</u>	<u>¥ 292,434</u>	<u>¥ 384,789</u>	<u>¥ 22</u>	<u>¥ 6</u>	<u>¥ -</u>

March 31, 2023	Thousands of U.S. dollars					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	\$ 41,087,509	\$ 1,770,539	\$ 375,537	\$ -	\$ -	\$ -
Negotiable certificates of deposit	1,089,826	258	-	-	-	-
Call money and bills sold	2,739,459	-	-	-	-	-
Payables under securities lending transactions	1,764,439	-	-	-	-	-
Borrowed money	51,683	178,927	3,304,439	133	-	-
Total	<u>\$ 46,732,916</u>	<u>\$ 1,949,724</u>	<u>\$ 3,679,976</u>	<u>\$ 133</u>	<u>\$ -</u>	<u>\$ -</u>

(*) On-demand deposits are included in the "Within one year" column.

4. Trading Account Securities, Money Held in Trust and Securities

At March 31, 2023 and 2022, securities consisted of the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Japanese government bonds	¥ 152,123	¥ 231,022	\$ 1,139,247
Local government bonds	456,829	459,957	3,421,173
Corporate bonds	208,381	207,447	1,560,557
Stocks	192,806	202,262	1,443,918
Other securities	381,773	348,332	2,859,086
Total	¥ 1,391,914	¥ 1,449,021	\$ 10,423,981

In the accompanying consolidated balance sheets, trading account securities, money held in trust and securities included marketable securities traded on stock exchanges. Included in government bonds and other securities were investment securities lent to third parties under securities loan agreements in the amounts of nil and ¥10,019 million at March 31, 2023 and 2022, respectively.

Guarantees provided for certain private placement bonds were included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥30,475 million (\$228,232 thousand) and ¥32,286 million at March 31, 2023 and 2022, respectively.

Investments in securities are classified as trading, held-to-maturity or available-for-sale securities. Such classifications determine the respective accounting method to be applied as stipulated under the accounting standards for financial instruments. At March 31, 2023 and 2022, the carrying values of trading account securities, money held in trust for trading purposes, and related net unrealized gains and losses included in current earnings were as follows:

	Carrying	Unrealized	Carrying	Unrealized	Carrying	Unrealized
	value	gains (losses)	value	gains (losses)	value	gains (losses)
	Millions of yen				Thousands of U.S. dollars	
	2023		2022		2023	
Trading account securities	¥ 55	¥ 0	¥ 36	¥ 0	\$ 417	\$ 6
Money held in trust	2,013	13	1,991	(8)	15,080	103

At March 31, 2023 and 2022, gross unrealized gains and losses on marketable available-for-sale securities were as follows.

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Millions of yen				
As of March 31, 2023				
Securities for which carrying value exceeds acquisition cost:				
Stocks	¥ 41,857	¥ 138,289	¥ -	¥ 180,146
Bonds:				
Japanese government bonds	100	3	-	103
Local government bonds	156,438	981	-	157,419
Corporate bonds	48,471	256	-	48,728
Others	137,516	3,562	-	141,078
Securities for which carrying value does not exceed acquisition cost:				
Stocks	11,577	-	(836)	10,741
Bonds:				
Japanese government bonds	159,405	-	(7,385)	152,020
Local government bonds	304,411	-	(5,001)	299,409
Corporate bonds	163,056	-	(3,402)	159,653
Others	251,873	-	(11,155)	240,718
Total	<u>¥ 1,274,707</u>	<u>¥ 143,092</u>	<u>¥ (27,781)</u>	<u>¥ 1,390,018</u>
As of March 31, 2022				
Securities for which carrying value exceeds acquisition cost:				
Stocks	¥ 48,182	¥ 146,356	¥ -	¥ 194,538
Bonds:				
Japanese government bonds	82,105	3,623	-	85,729
Local government bonds	178,511	1,423	-	179,935
Corporate bonds	66,850	459	-	67,309
Others	175,672	5,696	-	181,369
Securities for which carrying value does not exceed acquisition cost:				
Stocks	6,567	-	(799)	5,767
Bonds:				
Japanese government bonds	149,039	-	(3,746)	145,293
Local government bonds	281,998	-	(1,975)	280,022
Corporate bonds	141,439	-	(1,302)	140,137
Others	174,321	-	(5,941)	168,379
Total	<u>¥ 1,304,687</u>	<u>¥ 157,560</u>	<u>¥ (13,765)</u>	<u>¥ 1,448,482</u>

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Thousands of U.S. dollars				
As of March 31, 2023				
Securities for which carrying value exceeds acquisition cost:				
Stocks	\$ 313,466	\$ 1,035,641	\$ -	\$ 1,349,107
Bonds:				
Japanese government bonds	749	23	-	772
Local government bonds	1,171,558	7,348	-	1,178,906
Corporate bonds	362,998	1,924	-	364,922
Others	1,029,854	26,676	-	1,056,530
Securities for which carrying value does not exceed acquisition cost:				
Stocks	86,705	-	(6,265)	80,440
Bonds:				
Japanese government bonds	1,193,782	-	(55,307)	1,138,475
Local government bonds	2,279,722	-	(37,456)	2,242,266
Corporate bonds	1,221,119	-	(25,484)	1,195,635
Others	1,886,272	-	(83,544)	1,802,728
Total	<u>\$ 9,546,225</u>	<u>\$ 1,071,612</u>	<u>\$ (208,056)</u>	<u>\$ 10,409,781</u>

No impairment loss was recognized on investment securities for the year ended March 31, 2023.

An impairment loss on investment securities in the amount of ¥275 million (consisting of marketable and unlisted stocks in the amount of ¥200 million, and corporate bonds in the amount of ¥75 million) was recorded for the year ended March 31, 2022.

If the fair value of a marketable investment security declines to between 30% and 50% of the acquisition cost, recoverability of the security will be determined based on the trend of changes in related fair values over a given period and the financial condition of the issuing company. If the determined amount of decline in the fair value is deemed unrecoverable, impairment loss will be recognized.

At March 31, 2023 and 2022, net unrealized gains on available-for-sale securities, net of applicable income taxes and noncontrolling interests, recorded in the valuation difference on available-for-sale securities in the accompanying consolidated balance sheets were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized gains	¥ 115,292	¥ 143,949	\$ 863,419
Less applicable income taxes	(34,580)	(43,234)	(258,970)
Less noncontrolling interests portion	(80)	(80)	(603)
Net unrealized gains in net assets	<u>¥ 80,631</u>	<u>¥ 100,635</u>	<u>\$ 603,846</u>

(Note) Unrealized gains includes unrealized gain (loss) in the amounts of ¥(18) million (\$ (137) thousand) and ¥155 million at March 31, 2023 and 2022, respectively, on available-for-sale securities that are components of partnerships, etc.

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

	Proceeds from sales	Gain on sales	Loss on sales
	Millions of yen		
For the year 2023:			
Stocks	¥ 10,311	¥ 2,986	¥ 352
Bonds:			
Japanese government bonds	80,451	702	1
Local government bonds	-	-	-
Corporate bonds	666	58	-
Others	119,733	3,516	5,634
	<u>¥ 211,163</u>	<u>¥ 7,264</u>	<u>¥ 5,988</u>
For the year 2022:			
Stocks	¥ 5,897	¥ 1,285	¥ 235
Bonds:			
Japanese government bonds	122,689	1,171	204
Local government bonds	-	-	-
Corporate bonds	1,267	117	-
Others	336,140	6,779	10,901
	<u>¥ 465,994</u>	<u>¥ 9,353</u>	<u>¥ 11,342</u>
	Proceeds from sales	Gain on sales	Loss on sales
	Thousands of U.S. dollars		
For the year 2023:			
Stocks	\$ 77,225	\$ 22,366	\$ 2,638
Bonds:			
Japanese government bonds	602,498	5,258	14
Local government bonds	-	-	-
Corporate bonds	4,991	442	-
Others	896,679	26,337	42,194
	<u>\$ 1,581,393</u>	<u>\$ 54,403</u>	<u>\$ 44,846</u>

5. Loans and Bills Discounted

At March 31, 2023 and 2022, loans and bills discounted consisted of the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Bills discounted	¥ 3,965	¥ 3,495	\$ 29,698
Loans on notes	71,049	72,174	532,084
Loans on deeds	4,104,152	3,795,941	30,735,806
Overdrafts	367,464	328,746	2,751,923
	¥ 4,546,631	¥ 4,200,356	\$ 34,049,511

Bills discounted are accounted for as financial transactions in accordance with JICPA's Industry Audit Committee Practical Guidance No. 24 of March 17, 2022, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." The Hyakugo Bank Group has the right to sell or pledge bills discounted and foreign exchange bought without restrictions. The total face value of these bills amounted to ¥3,965 million (\$29,698 thousand) and ¥3,505 million at March 31, 2023 and 2022, respectively.

Loans based on the Banking Act and the Law concerning Emergency Measures for the Revitalization of the Financial Functions are as follows:

Loans are defined as corporate bonds included in "Securities" in the consolidated balance sheet (the whole or part of the redemption of the principal and payment of interest are guaranteed and limited to corporate bonds issued through private placement of the securities (as provided in Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act)), loans, foreign exchange, those that are included in the accounts of accrued interest and temporary payments under other assets and customers' liabilities for acceptances and guarantees, and lent securities (limited to loan-for-use contracts or lease contracts).

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Loans under bankruptcy/rehabilitation or similar proceedings	¥ 8,257	¥ 10,326	\$ 61,842
Risk loans	50,048	46,228	374,813
Delinquent loans past due over three months	108	52	810
Restructured loans	7,842	10,278	58,733
Total	¥ 66,257	¥ 66,886	\$ 496,198

Loans under bankruptcy/rehabilitation or similar proceedings are loans to borrowers under bankruptcy or similar proceedings due to such reasons as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, petition for rehabilitation proceedings, etc.

Risk loans are loans on which the principal and interest are unlikely to be collectable in accordance with the contract due to deterioration in the financial position and operating performance of the debtors, although they have not been declared bankrupt, and do not fall into the category of loans under bankruptcy/rehabilitation or similar proceedings.

Delinquent loans past due over three months are loans on which the payment of principal and/or interest is past due for three months or more from the due date, and which do not fall into the category of loans under bankruptcy/rehabilitation or similar proceedings, or risky claims.

Restructured loans are loans on which terms and conditions have been amended in favor of borrowers in order to facilitate or assist the borrowers' restructuring efforts by reducing the rate of interest, by providing a grace period for the payment of principal or interest or by loan forgiveness, and are not classified in any of the above categories.

The amounts shown for the above loans are before deducting allowances for credit losses.

6. Tangible Fixed Assets

At March 31, 2023 and 2022, tangible fixed assets, net of accumulated depreciation, were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Buildings	¥ 18,913	¥ 19,812	\$ 141,645
Land	19,732	19,790	147,778
Construction in progress	0	39	4
Other tangible fixed assets	4,933	5,185	36,943
Tangible fixed assets	¥ 43,580	¥ 44,827	\$ 326,370

Accumulated depreciation of tangible fixed assets amounted to ¥39,749 million (\$297,681 thousand) and ¥38,903 million as of March 31, 2023 and 2022, respectively.

Pursuant to the Act Concerning Revaluation of Land (the “Revaluation Act”), the Bank elected a one-time revaluation to restate the cost of land used for the banking business at values reassessed to reflect adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency effective March 31, 1998. According to the Revaluation Act, the amount equivalent to the tax effect on the excess of the reassessed value over the original book value is recorded as a deferred tax liability for land revaluation. The remainder of such excess, net of the tax effect, is recorded as a revaluation reserve for land in accumulated other comprehensive income of net assets in the balance sheets. At March 31, 2023 and 2022, the differences in the total carrying value of land used for the banking business after revaluation over the then total current market value at the fiscal year-end amounted to ¥2,675 million (\$20,034 thousand) and ¥3,167 million, respectively.

As permitted by the accounting principles and practices generally accepted in Japan, the Bank deducts deferred capital gain on the sale of real property from the original acquisition cost of property newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2023 and 2022, deferred capital gain in the amount of ¥4,327 million (\$32,405 thousand) and ¥4,409 million, respectively, were directly deducted from the acquisition cost of land and buildings.

7. Pledged Assets

At March 31, 2023 and 2022, the following assets were pledged as collateral for liabilities.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Securities	¥ 760,689	¥ 828,168	\$ 5,696,765
Loans and bills discounted	-	527,540	-

The above pledged assets secure the following liabilities.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Deposits	¥ 54,468	¥ 61,675	\$ 407,910
Payables under securities lending transactions	235,605	268,546	1,764,440
Borrowed money	464,400	839,200	3,477,870

In addition, securities amounting to ¥994 million (\$7,445 thousand) and ¥1,013 million at March 31, 2023 and 2022, respectively, and cash and due from banks amounting to ¥200 million (\$1,498 thousand) at March 31, 2023 and 2022, respectively, were pledged as collateral for settlement of exchange, derivatives and other transactions.

Other assets include guarantee money of ¥1,416 million (\$10,611 thousand) and ¥1,447 million as of March 31, 2023 and 2022, respectively, margin money deposited with a central clearing organization of ¥25,000 million (\$187,224 thousand) as of both March 31, 2023 and 2022, and margin money deposited for financial instruments of ¥9,420 million (\$70,551 thousand) and ¥20,282 million as of March 31, 2023 and 2022, respectively.

8. Deposits and Negotiable Certificates of Deposit

At March 31, 2023 and 2022, deposits consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Demand deposits	¥ 3,802,292	¥ 3,603,856	\$ 28,475,193
Time deposits	1,904,772	1,965,944	14,264,752
Other deposits	65,915	72,741	493,640
Deposits	5,772,980	5,642,542	43,233,585
Negotiable certificates of deposit	145,558	167,366	1,090,084
	<u>¥ 5,918,539</u>	<u>¥ 5,809,909</u>	<u>\$ 44,323,669</u>

9. Borrowed Money and Lease Obligations

Borrowed money consisted of borrowings from financial institutions with an average interest rate of 0.00% per annum at March 31, 2023 due through April 2029.

Borrowed money due annually through 2029 at March 31, 2023 was as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 6,901	\$ 51,683
2025	2,336	17,500
2026	21,555	161,427
2027	440,828	3,301,347
2028 and thereafter	430	3,225
	<u>¥ 472,052</u>	<u>\$ 3,535,182</u>

Lease obligations included in “other liabilities” due annually through June 2029 at March 31, 2023 were as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 30	\$ 228
2025	27	207
2026	27	205
2027	27	204
2028	27	204
2029 and thereafter	34	254
	¥ 173	\$ 1,302

10. Employee Retirement Benefits

(1) Outline of retirement benefit plans

The Bank has corporate pension fund plans and lump-sum retirement benefit plans as its defined benefit pension plans and defined contribution pension plans, which together substantially cover all employees.

Consolidated subsidiaries have lump-sum retirement benefit plans as their defined benefit plans and defined contribution pension plans as defined contribution plans. In addition, the Bank also has retirement benefit trusts.

Under the lump-sum retirement benefit plans of the consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are computed using the simplified method.

(2) Defined benefit plans

- i. Changes in retirement benefit obligations for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance of retirement benefit obligations	¥ 39,405	¥ 39,559	\$ 295,105
Service cost	1,319	1,334	9,884
Interest cost	118	119	890
Actuarial differences	(221)	898	(1,657)
Retirement benefits paid	(2,477)	(2,507)	(18,556)
Past service cost	-	-	-
Other	0	0	1
Ending balance of retirement benefit obligations	¥ 38,145	¥ 39,405	\$ 285,667

ii. The changes in pension plan assets for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Beginning balance of pension plan assets	¥ 75,708	¥ 67,916	\$ 566,977
Expected return on pension plan assets	2,159	2,003	16,170
Actuarial differences	(4,368)	4,656	(32,717)
Contribution from the employer	1,601	2,767	11,993
Retirement benefits paid	(1,674)	(1,635)	(12,544)
Other	0	0	1
Ending balance of pension plan assets	<u>¥ 73,425</u>	<u>¥ 75,708</u>	<u>\$ 549,880</u>

iii. Reconciliations between the ending balances of retirement benefit obligations and pension plan assets and the liability or asset for employee retirement benefits recorded in the consolidated balance sheet were as follows.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Funded retirement benefit obligations	¥ 37,702	¥ 38,987	\$ 282,353
Pension plan assets	<u>(73,425)</u>	<u>(75,708)</u>	<u>(549,880)</u>
	<u>(35,722)</u>	<u>(36,721)</u>	<u>(267,527)</u>
Unfunded retirement benefit obligations	442	418	3,314
Net liability (asset) recorded in the consolidated balance sheet	<u>¥ (35,280)</u>	<u>¥ (36,303)</u>	<u>\$ (264,213)</u>

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Liability for employee retirement benefits	¥ 485	¥ 455	\$ 3,633
Asset for employee retirement benefits	<u>(35,765)</u>	<u>(36,758)</u>	<u>(267,846)</u>
Net liability (asset) recorded in the consolidated balance sheet	<u>¥ (35,280)</u>	<u>¥ (36,303)</u>	<u>\$ (264,213)</u>

iv. The components of retirement benefit expenses for the years ended March 31, 2023 and 2022 were as follows.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Service cost	¥ 1,319	¥ 1,334	\$ 9,885
Interest cost	118	119	890
Expected return on pension plan assets	(2,159)	(2,003)	(16,170)
Amortization of actuarial differences	(1,356)	(1,005)	(10,155)
Amortization of past service cost	-	-	-
Other	-	-	-
Retirement benefit expenses on defined benefit plans	<u>¥ (2,076)</u>	<u>¥ (1,554)</u>	<u>\$ (15,550)</u>

(Note) Retirement benefit expenses of consolidated subsidiaries applying the simplified method were all included in "service cost."

- v. The components of retirement benefit adjustments (before tax effect) on other comprehensive income were as follows.

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Actuarial differences	¥ 5,503	¥ (2,751)	\$ 41,215
Other	-	-	-
Total	¥ 5,503	¥ (2,751)	\$ 41,215

- vi. The components of retirement benefit adjustments (before tax effect) on accumulated other comprehensive income were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Unrecognized actuarial differences	¥ (3,777)	¥ (9,281)	\$ (28,291)
Other	-	-	-
Total	¥ (3,777)	¥ (9,281)	\$ (28,291)

- vii. Pension plan assets

- i. Components of pension plan assets

Pension plan assets consisted of the following:

	2023	2022
Bonds	9%	9%
Stocks	51%	52%
Cash and deposits	0%	0%
General account	15%	15%
Other	25%	24%
Total	100%	100%

(Note) At March 31, 2023, the retirement benefit trust established for lump-sum retirement benefit plans and corporate pension fund plans accounted for 41% (42% in 2022) of total pension plan assets.

- ii. Method for determining the long-term expected rate of return on pension plan assets

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

- viii. Assumptions used for the years ended March 31, 2023 and 2022 were as follows:

		2023	2022
Discount rate	Corporate pension fund plans	0.4%	0.4%
	Lump-sum retirement benefit plans	0.0%	0.0%
Long-term expected rate of return (mainly)		3.5%	3.5%

(Note) In computing retirement benefit obligations, points awarded for the future based on the benefit formula are not factored in, and the expected rate of salary increase is not applied.

(3) Defined contribution plans

The required contribution to the defined contribution plans of the Bank and its consolidated subsidiaries amounted to ¥469 million (\$3,519 thousand) and ¥473 million for the years ended March 31, 2023 and 2022, respectively.

11. Acceptances and Guarantees

The Bank provides guarantees with respect to certain liabilities of its customers for the payment of loans and other liabilities from other financial institutions. As a contra account, “customers’ liabilities for acceptances and guarantees” are shown in assets on the accompanying consolidated balance sheets, indicating the Bank’s right of indemnity from its customers.

12. Net Assets

The authorized number of shares of common stock without par value is 396,000,000 shares. At both March 31, 2023 and 2022, the number of shares of common stock issued was 254,119,000 shares. At March 31, 2023 and 2022, the number of shares of treasury stock held by the Hyakugo Bank Group was 537,155 shares and 536,316 shares, respectively.

At both March 31, 2023 and 2022, capital surplus consisted principally of additional paid-in capital. Retained earnings included legal reserve of the Bank amounting to ¥17,377 million (\$130,141 thousand) at both March 31, 2023 and 2022. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as an appropriation of retained earnings be appropriated as legal reserve until the total amount of additional paid-in capital and legal reserve equals 100% of common stock. The reduction of the legal reserve is restricted under the current circumstances to the proper action of the shareholders of the Bank.

13. Stock Options

On July 28, 2022 and July 30, 2021, stock options were granted to the directors of the Bank. The related costs in the amount of ¥19 million (\$147 thousand) and ¥16 million were recorded under general and administrative expenses for the years ended March 31, 2023 and 2022, respectively.

The stock options outstanding at March 31, 2023 were as follows:

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Persons granted	13 directors of the Bank	13 directors of the Bank	13 directors of the Bank (excluding independent directors)	13 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)
Number of options granted*	91,600 shares of common stock of the Bank	94,000 shares of common stock of the Bank	71,700 shares of common stock of the Bank	71,200 shares of common stock of the Bank	48,100 shares of common stock of the Bank
Date of grant	July 25, 2011	July 26, 2012	July 24, 2013	July 31, 2014	July 30, 2015
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	July 26, 2011 through July 25, 2041	July 27, 2012 through July 26, 2042	July 25, 2013 through July 24, 2043	August 1, 2014 through July 31, 2044	July 31, 2015 through July 30, 2045

	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options
Persons granted	12 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)
Number of options granted*	71,400 shares of common stock of the Bank	62,800 shares of common stock of the Bank	43,800 shares of common stock of the Bank	61,700 shares of common stock of the Bank	54,100 shares of common stock of the Bank
Date of grant	July 27, 2016	July 27, 2017	July 30, 2018	July 30, 2019	July 31, 2020
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	July 28, 2016 through July 27, 2046	July 28, 2017 through July 27, 2047	July 31, 2018 through July 30, 2048	July 31, 2019 through July 30, 2049	August 1, 2020 through July 31, 2050

	2021 Stock Options	2022 Stock Options
Persons granted	6 directors of the Bank (excluding independent directors)	6 directors of the Bank (excluding independent directors)
Number of options granted*	62,300 shares of common stock of the Bank	66,800 shares of common stock of the Bank
Date of grant	July 30, 2021	July 28, 2022
Vesting conditions	Not defined	Not defined
Eligible service period	Not defined	Not defined
Exercise period	July 31, 2021 through July 30, 2051	July 29, 2022 through July 28, 2052

*The number of options is equal to and is shown as the number of shares.

The stock option activities were as follows.

Number of stock options (in shares)	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Nonvested:					
Outstanding at April 1, 2021	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2022	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2023	-	-	-	-	-
Vested:					
Outstanding at April 1, 2021	20,200	20,500	18,000	17,900	18,500
Vested	-	-	-	-	-
Exercised	(4,400)	(4,300)	(3,300)	(3,300)	(5,900)
Forfeited	-	-	-	-	-
Outstanding at March 31, 2022	15,800	16,200	14,700	14,600	12,600
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding at March 31, 2023	15,800	16,200	14,700	14,600	12,600

Number of stock options (in shares)	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options
Nonvested:					
Outstanding at April 1, 2021	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2022	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding at March 31, 2023	-	-	-	-	-
Vested:					
Outstanding at April 1, 2021	27,400	27,700	21,000	39,300	54,100
Vested	-	-	-	-	-
Exercised	(8,800)	(7,600)	(4,600)	(14,800)	(15,300)
Forfeited	-	-	-	-	-
Outstanding at March 31, 2022	18,600	20,100	16,400	24,500	38,800
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding at March 31, 2023	18,600	20,100	16,400	24,500	38,800

Number of stock options (in shares)	2021 Stock Options	2022 Stock Options
Nonvested:		
Outstanding at April 1, 2021	-	-
Granted	62,300	-
Forfeited	-	-
Vested	62,300	-
Outstanding at March 31, 2022	-	-
Granted	-	66,800
Forfeited	-	-
Vested	-	66,800
Outstanding at March 31, 2023	-	-
Vested:		
Outstanding at April 1, 2021	-	-
Vested	62,300	-
Exercised	-	-
Forfeited	-	-
Outstanding at March 31, 2022	62,300	-
Vested	-	66,800
Exercised	-	-
Forfeited	-	-
Outstanding at March 31, 2023	62,300	66,800

Unit price information:

	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	-	-	-	-	-
Fair value at grant date	¥302	¥300	¥404	¥396	¥578

	2016 Stock Options	2017 Stock Options	2018 Stock Options	2019 Stock Options	2020 Stock Options
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	-	-	-	-	-
Fair value at grant date	¥377	¥433	¥480	¥303	¥293

	2021 Stock Options	2022 Stock Options
Exercise price	¥1	¥1 (\$0.01)
Average stock price at exercise	-	-
Fair value at grant date	¥267	¥294 (\$2.20)

The method and assumptions used to measure the fair value of stock options granted for the years ended March 31, 2023 and 2022 were as follows.

1) 2022 stock options:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	26.51%
Estimated remaining outstanding period (Note 2):	3.25 years
Estimated dividend (Note 3):	¥11.0 (\$0.08) per share
Risk free interest rate (Note 4):	(0.07)%

Notes:

- Volatility was computed based on actual stock prices during the period corresponding to the estimated remaining outstanding period from April 2019 through July 2022.
- The estimated remaining outstanding period was determined by adding the period from the date of allotment of the stock options to the following election to the difference between the average retirement age of the retired directors with titles and directors who concurrently served as executive officers during the past 10 years and the average age of the present directors. If the difference is shorter than the period from the date of allotment of the stock options to the following election, the difference is considered to be zero in estimating the remaining outstanding period.
- The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2022.
- The risk free interest rate is the yield on Japanese government bonds corresponding to the estimated remaining outstanding period

2) 2021 stock options:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	26.54%
Estimated remaining outstanding period (Note 2):	4.25 years
Estimated dividend (Note 3):	¥10.0 per share
Risk free interest rate (Note 4):	(0.14)%

Notes:

- Volatility was computed based on actual stock prices during the period corresponding to the estimated remaining outstanding period from May 2017 through July 2021.
- The estimated remaining outstanding period was determined by adding the period from the date of allotment of the stock options to the following election to the difference between the average retirement age of the retired directors with titles and directors who concurrently served as executive officers during the past 10 years and the average age of the present directors. If the difference is shorter than the period from the date of allotment of the stock options to the following election, the difference is considered to be zero in estimating the remaining outstanding period.
- The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2021.
- The risk free interest rate is the yield on Japanese government bonds corresponding to the estimated remaining outstanding period.

14. Loan Commitments

Contracts for overdraft facilities and loan commitment limits represent the maximum amounts the Bank will lend to customers in response to the customers' applications for loans, provided that there are no violations of any conditions in the applicable contracts. At March 31, 2023 and 2022, the total unused amount within the limits of these contracts was ¥1,269,790 million (\$9,509,403 thousand) and ¥1,325,661 million, respectively. These unused amounts included amounts related to contracts which will expire within one year or are revocable by the Bank at any time without any conditions in the amount of ¥1,181,676 million (\$8,849,521 thousand) and ¥1,222,516 million at March 31, 2023 and 2022, respectively.

Since many of these commitments expire without being drawn down, an unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that permit the Bank to refuse the customers' applications for loans or decrease the contract limit for proper reasons (e.g., changes in the financial situation, deterioration in the customer's creditworthiness or the like). As a condition to entering a contract, the Bank may obtain collateral in the form of real estate, securities, etc., if considered necessary. During the term of the contract, the Bank performs periodic reviews of the customers' business based on internal rules and may take necessary measures that include reconsidering the conditions under the contract and/or requiring additional collateral and/or guarantees.

15. Leases

(1) Finance leases

As a lessor:

Lease investment assets at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gross lease receivables	¥ 26,599	¥ 25,534	\$ 199,206
Estimated residual values	1,445	1,265	10,824
Unearned interest income	(1,913)	(1,840)	(14,333)
Lease investment assets	<u>¥ 26,131</u>	<u>¥ 24,959</u>	<u>\$ 195,697</u>

Lease receivables which arose under transferable finance leases that mature subsequent to March 31, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥ 1,156	¥ 1,244	\$ 8,659
More than one year, but within two years	926	966	6,937
More than two years, but within three years	686	733	5,144
More than three years, but within four years	384	493	2,879
More than four years, but within five years	241	203	1,805
More than five years	708	792	5,303
Lease receivables	<u>¥ 4,103</u>	<u>¥ 4,433</u>	<u>\$ 30,727</u>

Gross lease receivables under nontransferable finance leases that mature subsequent to March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Due within one year	¥ 7,749	¥ 6,956	\$ 58,037
More than one year, but within two years	6,398	6,201	47,920
More than two years, but within three years	5,027	4,855	37,649
More than three years, but within four years	3,504	3,507	26,244
More than four years, but within five years	2,106	2,060	15,779
More than five years	1,812	1,951	13,577
Gross lease receivables of lease investment assets	¥ 26,599	¥ 25,534	\$ 199,206

(2) Operating leases

Future minimum lease payments under non-cancellable operating lease transactions were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
As lessee:			
Due within one year	¥ 624	¥ 303	\$ 4,676
Due after one year	702	749	5,261
	¥ 1,326	¥ 1,053	\$ 9,937
As lessor:			
Due within one year	¥ 808	¥ 761	\$ 6,051
Due after one year	1,162	1,179	8,705
	¥ 1,970	¥ 1,940	\$ 14,756

(3) Subleases

Sublease related amounts before deducting interest equivalent amounts recorded in the consolidated balance sheets were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
			2023
Lease investment assets	¥ 173	¥ 12	\$ 1,302
Lease obligations	173	12	1,302

16. Derivative Instruments

Derivative instruments involve, in varying degrees, elements of credit and market risk. The Hyakugo Bank Group is exposed to credit loss in the event of nonperformance by the counterparties. However, the Hyakugo Bank Group has not faced and does not expect such nonperformance.

Derivative contracts to which hedge accounting was not applied:

With respect to derivatives to which hedge accounting was not applied, the contract amounts or notional principal amounts as defined in the applicable contracts, the fair values and valuation gains (losses) as of March 31, 2023 and 2022 are set forth in the table below. Note that the contract amounts do not represent the market risk exposure of the derivative transactions themselves.

	<u>Contract amounts</u>	<u>Fair value</u>	<u>Valuation</u> <u>gains (losses)</u>
	Millions of yen		
<u>At March 31, 2023</u>			
Interest rate contracts:			
Swaps	¥ 33,441	¥ 172	¥ 172
Foreign exchange contracts:			
Currency swaps	231,902	103	103
Forwards	212,955	(1,623)	(1,623)
Currency options	61,162	-	358
Earthquake derivatives	1,250	(0)	-
<u>At March 31, 2022</u>			
Interest rate contracts:			
Swaps	¥ 31,082	¥ 270	¥ 270
Foreign exchange contracts:			
Currency swaps	200,907	(230)	(230)
Forwards	133,791	(7,516)	(7,516)
Currency options	11,633	1	62
Earthquake derivatives	1,800	(0)	-
	Thousands of U.S. dollars		

<u>At March 31, 2023</u>			
Interest rate contracts:			
Swaps	\$ 250,443	\$ 1,292	\$ 1,292
Foreign exchange contracts:			
Currency swaps	1,736,707	774	774
Forwards	1,594,813	(12,158)	(12,158)
Currency options	458,044	-	2,683
Earthquake derivatives	9,361	(0)	-

Notes:

1. The above transactions have been stated at fair value, and valuation gains (losses) have been recorded in the consolidated statements of income.
2. The fair value has been determined using the discounted present value.
3. Since the fair value of earthquake derivatives is difficult to calculate, the acquisition cost is presented as the fair value.

Derivative contracts to which hedge accounting was applied:

With respect to derivatives to which hedge accounting was applied, the contract amounts or notional principal amounts as defined in the applicable contracts and the fair values by transaction type and accounting method as of March 31, 2023 and 2022 are set forth the table below. Note that the contract amounts do not represent the market risk exposure of the derivative transactions themselves.

Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
			Millions of yen		
<u>At March 31, 2023</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	¥ 39,137	¥ 38,934	¥ 13
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	740	648	See Note 2
Deferral method	Foreign currency swaps: Foreign currency forward contracts:	Loans and bills discounted	47,632 -	40,955 -	(8,483) -
<u>At March 31, 2022</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	¥ 78,919	¥ 35,871	¥ (3,348)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	1,185	1,096	See Note 2
Deferral method	Foreign currency swaps: Foreign currency forward contracts:	Loans and bills discounted	55,995 -	43,756 -	(6,067) -

Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Thousands of U.S. dollars					
<u>At March 31, 2023</u>					
Deferral method	Interest rate swaps: Receivable floating rate/ payable fixed rate	Securities, loans and bills discounted	\$ 293,101	\$ 291,580	\$ 104
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	5,544	4,856	See Note 2
Deferral method	Foreign currency swaps: Forward contracts:	Loans and bills discounted	356,717 -	306,717 -	(63,531) -

Notes:

- 1. Gains and losses on the above contracts are deferred until the maturity of the hedged items pursuant to "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA's Industry Audit Committee Practical Guidance No. 24 of March 17, 2022).*
- 2. With respect to interest rate swap contracts which meet certain conditions, the fair value of the interest rate swap contract is considered part of the fair value of the relevant loan or bill discounted described in Note 3, "Financial Instruments and Related Disclosures," since such interest rate swap contracts are used for recording loans and bills discounted as hedged items.*
- 3. With respect to foreign currency related contracts, the deferral method of hedge accounting is principally applied in accordance with the "Accounting and Auditing Treatment of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA's Industry Audit Committee Practical Guidance No. 25 of October 8, 2020).*

17. Income Taxes

At March 31, 2023 and 2022, income taxes (including local taxes) payable in the amount of ¥2,491 million (\$18,662 thousand) and ¥1,148 million, respectively, were included in “other liabilities” in the accompanying consolidated balance sheets.

At March 31, 2023 and 2022, the tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Deferred tax assets:			2023
Allowance for loan losses	¥ 6,159	¥ 6,074	\$ 46,127
Deferred losses on hedges	168	1,044	1,260
Valuation loss on securities	918	946	6,880
Others	3,285	3,246	24,603
Subtotal	10,531	11,311	78,870
Less valuation allowance	(1,388)	(1,386)	(10,402)
Total deferred tax assets	9,142	9,925	68,468
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(34,580)	(43,234)	(258,971)
Retirement benefits	(13,033)	(13,449)	(97,606)
Deferred gains on hedges	(177)	(0)	(1,332)
Others	(211)	(196)	(1,587)
Total deferred tax liabilities	(48,003)	(56,880)	(359,496)
Net deferred tax assets (liabilities)	¥ (38,860)	¥ (46,955)	\$ (291,028)

A reconciliation between the Japanese statutory tax rate and the effective tax rate on pretax income reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022 was not presented because the difference was less than 5% of the statutory tax rate.

18. Revenue Recognition

(1) Information on disaggregated revenue from contracts with customers

	Reportable segment			Others	Total
	Banking business	Leasing	Total		
Year ended March 31, 2023					
	Millions of yen				
Fees and Commissions Income					
Deposit-taking business	¥ 1,837	¥ -	¥ 1,837	¥ 218	¥ 2,055
Lending business	4,757	-	4,757	-	4,757
Foreign exchange business	2,996	-	2,996	-	2,996
Securities-related business	961	-	961	800	1,762
Agency business	255	-	255	-	255
Custody, safe-deposit boxes	133	-	133	-	133
Insurance sales	1,529	-	1,529	-	1,529
Other	3,237	-	3,237	1,727	4,964
Ordinary income from contracts with customers	¥ 15,709	¥ -	¥ 15,709	¥ 2,745	¥ 18,454
Other ordinary income	68,036	14,266	82,302	2,126	84,429
Ordinary income from external customers	¥ 83,745	¥ 14,266	¥ 98,011	¥ 4,872	¥ 102,884

Year ended March 31, 2022	Reportable segment			Others	Total
	Banking business	Leasing	Total		
	Millions of yen				
Fees and Commissions Income					
Deposit-taking business	¥ 1,795	¥ -	¥ 1,795	¥ 204	¥ 2,000
Lending business	4,363	-	4,363	-	4,363
Foreign exchange business	3,203	-	3,203	-	3,203
Securities-related business	1,497	-	1,497	908	2,406
Agency business	265	-	265	-	265
Custody, safe-deposit boxes	136	-	136	-	136
Insurance sales	968	-	968	-	968
Other	3,110	-	3,110	1,544	4,654
Ordinary income from contracts with customers	¥ 15,341	¥ -	¥ 15,341	¥ 2,657	¥ 17,999
Other ordinary income	65,130	12,820	77,951	2,732	80,683
Ordinary income from external customers	¥ 80,472	¥ 12,820	¥ 93,293	¥ 5,390	¥ 98,683

Year ended March 31, 2023	Reportable segment			Others	Total
	Banking business	Leasing	Total		
	Thousands of U.S. dollars				
Fees and Commissions Income					
Deposit-taking business	\$ 13,760	\$ -	\$ 13,760	\$ 1,633	\$ 15,393
Lending business	35,628	-	35,628	-	35,628
Foreign exchange business	22,443	-	22,443	-	22,443
Securities-related business	7,204	-	7,204	5,996	13,200
Agency business	1,912	-	1,912	-	1,912
Custody, safe-deposit boxes	997	-	997	-	997
Insurance sales	11,456	-	11,456	-	11,456
Other	24,246	-	24,246	12,934	37,180
Ordinary income from contracts with customers	\$ 117,646	\$ -	\$ 117,646	\$ 20,563	\$ 138,209
Other ordinary income	509,521	106,839	616,360	15,926	632,286
Ordinary income from external customers	\$ 627,167	\$ 106,839	\$ 734,006	\$ 36,489	\$ 770,495

(Note) "Other" refers to business segments that do not belong to any other reportable segment and include credit card business and financial instrument business.

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

This information is omitted as it is presented in (r) "Accounting for significant revenue and costs" under Note 2 "Summary of Significant Accounting Policies."

19. Subsequent Events

Appropriation of retained earnings

The shareholders of the Bank approved the following appropriation of retained earnings at the annual general shareholders' meeting on June 21, 2023.

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends (¥7.00 (\$0.05) per share)	¥ 1,775	\$ 13,293

20. Segment Information

(a) Description of reportable segments

The reportable segments of the Hyakugo Bank Group are business units for which separate financial information is available and whose results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to such segments.

The Hyakugo Bank Group's business centers on banking operations, but the Hyakugo Bank Group also engages in financial service operations, such as leasing operations.

The Hyakugo Bank Group's segments are based on its business activities related to financial services, and its reportable segments comprise the "banking" and "leasing" segments.

The "banking" segment includes deposit taking and lending operations, and the "leasing" segment includes leasing operations.

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

The accounting treatment of the business segments reported in this section is the same as that stated in Note 2, "Summary of Significant Accounting Policies." Segment profit is based on ordinary profit, which represents ordinary income less ordinary expenses. Ordinary income represents total income less special gains included in other income. Ordinary expenses represent total expenses less special losses included in other expenses.

Intersegment ordinary income is valued at market prices.

(c) Ordinary income, profit (loss), assets and other items.

For the year ended March 31, 2023

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Millions of yen							
Ordinary income:							
External customers	¥ 83,745	¥ 14,266	¥ 98,011	¥ 4,872	¥ 102,884	¥ -	¥ 102,884
Intersegment	1,312	278	1,590	1,150	2,741	(2,741)	-
Total	85,057	14,544	99,602	6,023	105,625	(2,741)	102,884
Segment profit	¥ 20,005	¥ 732	¥ 20,737	¥ 896	¥ 21,634	¥ (839)	20,794
Special gains (losses), net							(336)
Income before income taxes							¥ 20,458
Segment assets	¥ 7,496,017	¥ 44,512	¥ 7,540,530	¥ 23,501	¥ 7,564,032	¥ (46,202)	¥ 7,517,829
Others:							
Depreciation	3,230	630	3,861	75	3,937	-	3,937
Interest income	60,228	77	60,306	87	60,393	(911)	59,481
Interest expense	6,363	88	6,452	0	6,452	(72)	6,379
Special gain:	50	-	50	-	50	-	50
Gain on disposal of fixed assets	50	-	50	-	50	-	50
Special loss:	376	-	376	9	386	-	386
Loss on disposal of fixed assets	237	-	237	9	246	-	246
Impairment loss	139	-	139	-	139	-	139
Provision of reserves under special laws	-	-	-	0	0	-	0
Income tax expense	5,441	225	5,667	297	5,964	(0)	5,964
Amount of increase in tangible and intangible fixed assets (capital expenditure)	1,911	851	2,763	73	2,836	-	2,836

Notes:

(1) The "other" business segment includes credit card operations and financial instruments business operations.

(2) Reconciliations consist of the following:

- a. Reconciliation of segment profit of ¥(839) million consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of ¥(46,202) million consists of elimination of intersegment assets.
- c. Reconciliation of interest income of ¥(911) million consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of ¥(72) million consists of elimination of intersegment interest expense.

For the year ended March 31, 2022

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Millions of yen							
Ordinary income:							
External customers	¥ 80,472	¥ 12,820	¥ 93,293	¥ 5,390	¥ 98,683	¥ -	¥ 98,683
Intersegment	1,399	337	1,736	1,140	2,877	(2,877)	-
Total	81,872	13,157	95,030	6,530	101,560	(2,877)	98,683
Segment profit	¥ 18,509	¥ 182	¥ 18,692	¥ 1,563	¥ 20,255	¥ (832)	19,423
Special gains (losses), net							(514)
Income before income taxes							¥ 18,908
Segment assets	¥ 7,726,817	¥ 42,651	¥ 7,769,468	¥ 24,296	¥ 7,793,765	¥ (45,455)	¥ 7,748,309
Others:							
Depreciation	3,548	626	4,175	74	4,249	-	4,249
Interest income	54,861	99	54,960	91	55,052	(884)	54,167
Interest expense	2,363	70	2,434	0	2,434	(52)	2,381
Special gain:	14	-	14	-	14	-	14
Gain on disposal of fixed assets	14	-	14	-	14	-	14
Special loss:	525	-	525	2	528	-	528
Loss on disposal of fixed assets	323	-	323	2	325	-	325
Impairment loss	202	-	202	-	202	-	202
Provision of reserves under special laws	-	-	-	0	0	-	0
Income tax expense	4,997	32	5,029	476	5,506	0	5,506
Amount of increase in tangible and intangible fixed assets (capital expenditure)	2,516	817	3,333	28	3,362	-	3,362

Notes:

(1) The "other" business segment includes credit card operations and financial instruments business operations.

(2) Reconciliations consist of the following:

- a. Reconciliation of segment profit of ¥(832) million consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of ¥(45,455) million consists of elimination of intersegment assets.
- c. Reconciliation of interest income of ¥(884) million consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of ¥(52) million consists of elimination of intersegment interest expense.

For the year ended March 31, 2023

	Reportable segments			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Thousands of U.S. dollars							
Ordinary income:							
External customers	\$ 627,167	\$ 106,839	\$ 734,006	\$ 36,489	\$ 770,495	\$ -	\$ 770,495
Intersegment	9,827	2,088	11,915	8,618	20,533	(20,533)	-
Total	636,994	108,927	745,921	45,107	791,028	(20,533)	770,495
Segment profit	\$ 149,820	\$ 5,484	\$ 155,304	\$ 6,713	\$ 162,017	\$ (6,285)	155,732
Special gains (losses), net							(2,519)
Income before income taxes							\$ 153,213
Segment assets	\$ 56,137,329	\$ 333,355	\$ 56,470,684	\$ 176,004	\$ 56,646,688	\$ (346,012)	\$ 56,300,676
Others:							
Depreciation	24,195	4,724	28,919	567	29,486	-	29,486
Interest income	451,051	581	451,632	655	452,287	(6,829)	445,458
Interest expense	47,658	661	48,319	0	48,319	(545)	47,774
Special gain:	375	-	375	-	375	-	375
Gain on disposal of fixed assets	375	-	375	-	375	-	375
Special loss:	2,820	-	2,820	73	2,893	-	2,893
Loss on disposal of fixed assets	1,775	-	1,775	72	1,847	-	1,847
Impairment loss	1,045	-	1,045	-	1,045	-	1,045
Provision of reserves under special laws	-	-	-	1	1	-	1
Income tax expense	40,752	1,691	42,443	2,225	44,668	(0)	44,668
Amount of increase in tangible and intangible fixed assets (capital expenditure)	14,316	6,380	20,696	547	21,243	-	21,243

Notes:

(1) The "others" business segment includes credit card operations and financial instruments business operations.

(2) Reconciliations consist of the following:

- a. Reconciliation of segment profit of \$(6,285) thousand consists of elimination of intersegment profits.
- b. Reconciliation of segment assets of \$(346,012) thousand consists of elimination of intersegment assets.
- c. Reconciliation of interest income of \$(6,829) thousand consists of elimination of intersegment interest income.
- d. Reconciliation of interest expense of \$(545) thousand consists of elimination of intersegment interest expense.

(d) Related information

a. Information for individual services

	Loan business	Securities investment	Leasing	Others	Total
	Millions of yen				
Ordinary income from external customers:					
For the year ended March 31, 2023	¥ 44,935	¥ 25,818	¥ 14,266	¥ 17,864	¥ 102,884
For the year ended March 31, 2022	¥ 38,643	¥ 28,775	¥ 12,820	¥ 18,443	¥ 98,683
	Thousands of U.S. dollars				
For the year ended March 31, 2023	\$ 336,519	\$ 193,351	\$ 106,839	\$ 133,786	\$ 770,495

b. Geographical information

(1) Ordinary income

Geographical information for ordinary income for each of the years ended March 31, 2023 and 2022 was not disclosed because the income from external customers located in Japan was more than 90% of total ordinary income.

(2) Tangible fixed assets

Geographical information for tangible fixed assets for each of the years ended March 31, 2023 and 2022 was not disclosed because the assets located in Japan were more than 90% of total tangible fixed assets.

c. Main customers

Information for main customers for each of the years ended March 31, 2023 and 2022 was not disclosed because the Hyakugo Bank Group had no customers which accounted for 10% or more of total ordinary income.

(e) Impairment loss on fixed assets for reportable segments

	Reportable segments			Others	Total
	Banking	Leasing	Total		
	Millions of yen				
Impairment loss:					
For the year ended March 31, 2023	¥ 139	¥ -	¥ 139	¥ -	¥ 139
For the year ended March 31, 2022	¥ 202	¥ -	¥ 202	¥ -	¥ 202
	Thousands of U.S. dollars				
For the year ended March 31, 2023	\$ 1,045	\$ -	\$ 1,045	\$ -	\$ 1,045

21. Other Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Gain (loss) incurred during the year	¥ (26,516)	¥ (10,742)	\$ (198,581)
Reclassification adjustment to net income	(2,141)	1,764	(16,034)
Amount before tax effect	(28,657)	(8,977)	(214,615)
Tax effect	8,653	2,694	64,807
Valuation difference on available-for-sale- securities	(20,003)	(6,283)	(149,808)
Deferred gains/losses on hedges:			
Gain (loss) incurred during the year	560	3,442	4,201
Reclassification adjustment to net income	2,929	(1,962)	21,939
Amount before tax effect	3,490	1,479	26,140
Tax effect	(1,053)	(446)	(7,892)
Deferred gains/losses on hedges	2,436	1,032	18,248
Retirement benefit adjustments:			
Gain (loss) incurred during the year	(4,147)	3,757	(31,060)
Reclassification adjustment to net income	(1,356)	(1,005)	(10,155)
Amount before tax effect	(5,503)	2,751	(41,215)
Tax effect	1,661	(830)	12,443
Retirement benefits adjustment	(3,841)	1,921	(28,772)
Total other comprehensive income (loss)	¥ (21,409)	¥ (3,329)	\$ (160,332)

22. Per Share Information

Net assets per share at March 31, 2023 and 2022 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars	
	2023	2022	2023	
Net assets per share	¥ 1,545.56	¥ 1,584.33	\$	11.57
Net income per share – basic	57.15	52.81		0.43
Net income per share – diluted	57.08	52.76		0.43

Computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
(Net assets per share)				
Net assets per balance sheet	¥ 392,035	¥ 401,847	\$	2,935,934
Amounts to be attributed to subscription rights to shares	(107)	(87)		(803)
Net assets attributed to common stock	391,927	401,759		2,935,131
Outstanding number of common stocks at end of year (unit: thousand shares)	253,581	253,582		
(Net income per share - basic)				
Net income attributable to owners of the parent per income statement	14,493	13,402		108,545
Net income attributable to owners of the parent regarding common stock	14,493	13,402		108,545
Average outstanding number of shares during the year (unit: thousand shares)	253,582	253,737		
(Net income per share - diluted)				
Increase in common stock (unit: thousand shares)	303	256		
Of which, subscription rights to shares (unit: thousand shares)	303	256		

23. Financial Information of the Hyakugo Bank, Ltd. (Parent)

Presented below are the nonconsolidated balance sheets, nonconsolidated statements of income and changes in net assets of the Bank, the parent company.

Nonconsolidated Balance Sheets The Hyakugo Bank, Ltd. (Parent)

As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Cash and due from banks	¥ 1,348,617	¥ 1,869,399	\$ 10,099,737
Call loans	10,729	5,569	80,353
Monetary claims bought	12,751	13,691	95,497
Trading account securities	55	36	417
Money held in trust	2,013	1,991	15,080
Securities	1,401,999	1,459,074	10,499,506
Loans and bills discounted	4,571,185	4,223,771	34,233,398
Foreign exchange	4,443	5,241	33,275
Other assets	67,469	68,602	505,278
Tangible fixed assets	40,449	41,747	302,925
Intangible fixed assets	2,914	3,280	21,825
Prepaid pension cost	33,110	29,477	247,963
Customers' liabilities for acceptances and guarantees	17,069	16,396	127,831
Allowance for loan losses	(19,424)	(18,717)	(145,470)
Total assets	¥ 7,493,385	¥ 7,719,562	\$ 56,117,615
Liabilities:			
Deposits	¥ 5,779,579	¥ 5,649,515	\$ 43,283,005
Negotiable certificates of deposit	149,858	171,666	1,122,287
Call money	365,800	285,000	2,739,459
Payables under securities lending transactions	235,605	268,546	1,764,439
Borrowed money	465,177	839,978	3,483,695
Foreign exchange	625	162	4,686
Other liabilities	56,894	52,014	426,077
Provision for employee retirement benefits	1,223	2,102	9,164
Provision for reimbursement of deposits	1,685	1,629	12,626
Provision for point card certificates	346	365	2,596
Provision for contingent loss	266	236	1,995
Deferred tax liabilities	38,507	44,977	288,380
Deferred tax liabilities for land revaluation	2,443	2,470	18,298
Acceptances and guarantees	17,069	16,396	127,831
Total liabilities	7,115,084	7,335,063	53,284,538
Net assets:			
Capital stock	20,000	20,000	149,779
Capital surplus	7,561	7,561	56,631
Retained earnings	266,095	254,768	1,992,778
Treasury stock	(174)	(173)	(1,303)
Total shareholders' equity	293,483	282,157	2,197,885
Valuation difference on available-for-sale securities	80,520	100,502	603,018
Deferred gains/losses on hedges	22	(2,414)	168
Revaluation reserve for land	4,166	4,166	31,203
Total valuation and translation adjustments	84,709	102,255	634,389
Stock acquisition rights	107	87	803
Total net assets	378,300	384,499	2,833,077
Total liabilities and net assets	¥ 7,493,385	¥ 7,719,562	\$ 56,117,615

Nonconsolidated Statements of Income
The Hyakugo Bank, Ltd. (Parent)
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Income:			
Interest income:			
Interest on loans and bills discounted	¥ 39,650	¥ 33,510	\$ 296,940
Interest and dividends on securities	18,979	19,831	142,136
Interest on call loans	116	9	875
Others	1,576	1,604	11,804
Total interest income	60,322	54,956	451,755
Fees and commissions	17,033	17,080	127,560
Other operating income	1,058	3,037	7,926
Other income	6,807	6,935	50,978
Total income	85,221	82,009	638,219
Expenses:			
Interest expense:			
Interest on deposits	278	338	2,083
Interest on negotiable certificates of deposit	15	14	118
Interest on call money	(60)	(58)	(455)
Interest on payables under securities lending transactions	4,107	654	30,760
Interest on borrowings and rediscounts	0	2	4
Others	2,022	1,411	15,148
Total interest expense	6,363	2,363	47,658
Fees and commissions	5,366	5,109	40,188
Other operating expenses	10,935	11,494	81,896
General and administrative expenses	37,509	39,249	280,908
Provision of allowance for loan losses	3,690	3,693	27,638
Other expenses	1,719	2,191	12,876
Total expenses	65,585	64,101	491,164
Income before income taxes	19,636	17,908	147,055
Income taxes:			
Current	4,302	3,977	32,217
Deferred	1,091	956	8,173
Total income taxes	5,393	4,933	40,390
Net income	¥ 14,242	¥ 12,975	\$ 106,665

Nonconsolidated Statements of Changes in Net Assets
The Hyakugo Bank, Ltd. (Parent)

For the Years Ended March 31, 2023 and 2022

	Number of shares of common stock issued	Shareholders' equity					Valuation and translation adjustments					Stock acquisition rights	Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments			
		Millions of yen											
Balance at March 31, 2021	254,119,000	¥ 20,000	¥ 7,562	¥ 244,510	¥ (40)	¥ 272,032	¥ 106,781	¥ (3,447)	¥ 4,133	¥ 107,467	¥ 97	¥ 379,597	
Cumulative effect of accounting change				(18)		(18)						(18)	
Balance at April 1, 2021 (as restated)		¥ 20,000	¥ 7,562	¥ 244,491	¥ (40)	¥ 272,014	¥ 106,781	¥ (3,447)	¥ 4,133	¥ 107,467	¥ 97	¥ 379,578	
Net income	-	-	-	12,975	-	12,975	-	-	-	-	-	12,975	
Dividends from surplus	-	-	-	(2,664)	-	(2,664)	-	-	-	-	-	(2,664)	
Reversal of revaluation reserve for land	-	-	-	(33)	-	(33)	-	-	-	-	-	(33)	
Purchase of treasury stock	-	-	-	-	(160)	(160)	-	-	-	-	-	(160)	
Disposal of treasury stock	-	-	(0)	-	27	26	-	-	-	-	-	26	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(6,278)	1,032	33	(5,212)	(9)	(5,222)	
Balance at March 31, 2022	254,119,000	¥ 20,000	¥ 7,561	¥ 254,768	¥ (173)	¥ 282,157	¥ 100,502	¥ (2,414)	¥ 4,166	¥ 102,255	¥ 87	¥ 384,499	
Net income	-	-	-	14,242	-	14,242	-	-	-	-	-	14,242	
Dividends from surplus	-	-	-	(2,916)	-	(2,916)	-	-	-	-	-	(2,916)	
Reversal of revaluation reserve for land	-	-	-	0	-	0	-	-	-	-	-	0	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	(0)	
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(19,981)	2,436	(0)	(17,545)	19	(17,525)	
Balance at March 31, 2023	254,119,000	¥ 20,000	¥ 7,561	¥ 266,095	¥ (174)	¥ 293,483	¥ 80,520	¥ 22	¥ 4,166	¥ 84,709	¥ 107	¥ 378,300	
Thousands of U.S. dollars													
Balance at April 1, 2022		\$ 149,779	\$ 56,631	\$ 1,907,951	\$ (1,301)	\$ 2,113,060	\$ 752,661	\$ (18,080)	\$ 31,204	\$ 765,785	\$ 656	\$ 2,879,501	
Net income		-	-	106,665	-	106,665	-	-	-	-	-	106,665	
Dividends from surplus		-	-	(21,839)	-	(21,839)	-	-	-	-	-	(21,839)	
Reversal of revaluation reserve for land		-	-	1	-	1	-	-	-	-	-	1	
Purchase of treasury stock		-	-	-	(2)	(2)	-	-	-	-	-	(2)	
Disposal of treasury stock		-	-	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity		-	-	-	-	-	(149,643)	18,248	(1)	(131,396)	147	(131,249)	
Balance at March 31, 2023		\$ 149,779	\$ 56,631	\$ 1,992,778	\$ (1,303)	\$ 2,197,885	\$ 603,018	\$ 168	\$ 31,203	\$ 634,389	\$ 803	\$ 2,833,077	



Independent Auditor's Report

The Hyakugo Bank, Ltd. and its subsidiaries

For the Years ended March 31,
2023 and 2022

KPMG AZSA LLC
August 2023

This independent auditor's report prepared by KPMG AZSA LLC (including the one that is signed with electronic signatures) shall not be reprinted, disclosed, quoted, summarized, translated, cited, circulated or otherwise used, in whole or in part, to any third party including posting on the web without prior written consent as specified by KPMG AZSA LLC, except for the purpose of compliance with laws, regulations and the like, or for usage in response to an order or request from an administrative or judicial body.



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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 these matters.

Reasonableness of the Company's judgments on the classification of borrowers

The key audit matter	How the matter was addressed in our audit
In the consolidated financial statements of the Group, for the year ended March 31, 2023, loans and bills discounted of ¥4,546,631 million are recognized, representing a significant proportion of total assets of ¥7,517,829 million. In addition, allowance for loan losses of ¥21,639 million is recognized, mainly provided for loans and bills discounted.	In order to assess the reasonableness of the Company's judgments on the classification of borrowers, we performed the following procedures among others: (1) Internal control testing We assessed the design and operating effectiveness of relevant internal controls over the judgments on

Of these amounts, loans and bills discounted of ¥4,571,185 million and allowance for loan losses of ¥19,424 million (including the intercompany balances for consolidated subsidiaries) are recognized in the Company's nonconsolidated balance sheet as at March 31, 2023, respectively. These balances are of significance to the consolidated financial statements of the Group.

As described in Note 2.(v) "Significant accounting estimates" to the consolidated financial statements, the Company assessed asset quality based on its internal rules on self-assessment of asset quality. An allowance for loan losses is provided for each borrower category based on the result of the asset assessment in accordance with internal rules set out for write-offs and provisions of allowance.

The classification of a borrower into a borrower category is based on parameters defined in the system using quantitative information such as financial information of the borrower, but also takes into account qualitative factors such as future projections of business performance, and accordingly involves subjective judgment of the Company's management.

The classification of borrowers may have a significant impact on the consolidated financial position and financial performance of the Group, particularly with respect to: large borrowers with a significant amount of unsecured loans (downward change in the classification of the borrower may result in a significant change in allowance for loan losses of the Company); borrowers for whom the Company needs to make judgments based on the estimates of future events under their business improvement plans; borrowers reside in Aichi prefecture, where the largest increase rate of loans by area where the Company conducts business was recorded; and borrowers in industries where there are concerns about deterioration in business performance due to intermittent impacts of COVID-19 infections and rising raw material prices in Mie and Aichi prefectures among others where the Company has operational bases.

the classification of borrowers, primarily performing procedures set out below:

- i. evaluation of whether the relevant internal rules on self-assessment was set out in compliance with relevant accounting standards.
- ii. evaluation of the reliability of financial information of borrowers that were entered into the IT system.
- iii. evaluation relating to judgments on the classification of borrowers, including qualitative judgments.

(2) Substantive procedures relevant to the reasonableness of the judgments on the classification of borrowers

With respect to the reasonableness of the judgments on the classification of borrowers, we primarily performed the procedures set out below, and assessed quantitative and qualitative judgements on the classification of borrowers made by the Company, referring to the relevant internal rules on self-assessment;

- i. We selected certain borrowers to be assessed by us from among the borrowers of which downward change in the classification of the borrower may potentially impact allowance for loan losses of the Company, particularly with respect to the following:
 - Large borrowers with a significant amount of unsecured loans,
 - Borrowers, whose classification was determined based on their business improvement plans,
 - Borrowers residing in Aichi prefecture, where the largest increase rate of loans by area where the Company conducts business was recorded,
 - Borrowers in the accommodations, eating industry and drinking industry, medical care and welfare, food industry and retail industry (food-related) where there may be concerns about deterioration in business performance indicated by the statistical study on corporate trends published by the Bank of Japan.
- ii. For the selected borrowers, we examined the analysis of their financial results performed by the Company by comparing it with their financial statements.

We, therefore, determined that our assessment of the reasonableness of the Company's judgments on the classification of borrowers was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

- iii. For the selected borrowers, we evaluated their current business conditions and future projections of business performance, considering also the impacts of COVID-19 infections and rising raw material prices, by inspecting the self-assessment documents prepared by the Company and the documents that the Company obtained from them, as well as inquiring of relevant personnel.
- iv. For the selected borrowers whose classification was determined based on their business improvement plans, we evaluated the reasonableness and feasibility of those plans, primarily by analyzing the details of their countermeasures for business improvement, comparing the details of their plans with actual results in the past and available external information, and analyzing the progress of their plans.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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 corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors, 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Kenji Suzuki

Designated Engagement Partner

Certified Public Accountant

Okada Hideki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

August 8, 2023