

FINANCIAL REPORT 2022



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Nishi-Nippon Financial Holdings, Inc.

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Consolidated Balance Sheet

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets:			
Cash and due from banks (Note 6)	¥2,614,747	¥1,738,761	\$21,364,060
Commercial paper and other debt purchased	39,621	36,722	323,728
Trading account assets (Notes 3 and 27)	—	131	—
Money held in trust (Note 28)	11,682	11,273	95,451
Securities (Notes 4, 6, 26 and 27)	1,773,344	1,506,834	14,489,291
Loans and bills discounted (Notes 5, 6, 7 and 26)	8,470,861	8,543,946	69,212,040
Foreign exchange assets (Note 8)	22,757	11,074	185,940
Other assets (Notes 6, 9)	90,311	115,565	737,902
Tangible fixed assets (Notes 10 and 16)	116,172	117,551	949,201
Intangible fixed assets	4,160	3,542	33,993
Asset for retirement benefits (Note 30)	7,548	17,770	61,674
Deferred tax assets (Note 31)	2,109	473	17,237
Customers' liabilities for acceptances and guarantees	17,639	16,565	144,126
Reserve for possible loan losses (Note 26)	(42,473)	(44,068)	(347,033)
Reserve for devaluation of securities	(577)	(577)	(4,717)
Total assets	¥13,127,906	¥12,075,567	\$107,262,897
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 6, 11, and 26)	¥9,834,637	¥9,484,009	\$80,354,907
Call money and bills sold (Note 6)	510,000	208,128	4,167,007
Payables under repurchase agreements (Note 6)	251,120	194,294	2,051,805
Guarantee deposits received under securities lending transactions (Note 6)	87,188	41,135	712,380
Borrowed money (Notes 6, 12 and 26)	1,755,240	1,437,688	14,341,375
Foreign exchange liabilities (Note 8)	201	210	1,645
Borrowed money from trust account	4,794	3,205	39,177
Other liabilities (Note 13)	113,952	107,648	931,061
Liability for retirement benefits (Note 30)	4,773	477	39,001
Reserve for retirement benefits for directors and corporate auditors	201	256	1,643
Reserve for reimbursement of deposits	825	1,185	6,741
Reserve for other contingent losses	1,096	1,254	8,960
Reserve under the special laws	12	12	105
Deferred tax liabilities (Note 31)	844	13,841	6,896
Deferred tax liabilities on revaluation of premises (Note 16)	14,652	14,746	119,718
Acceptances and guarantees	17,639	16,565	144,126
Total liabilities	12,597,181	11,524,660	102,926,555
Net assets:			
Capital stock (Note 14)	50,000	50,000	408,530
Capital surplus	121,123	127,202	989,654
Earned surplus	304,236	284,535	2,485,792
Treasury stock (Note 15)	(5,522)	(8,597)	(45,123)
Total shareholders' equity	469,837	453,140	3,838,853
Net unrealized gains on securities available for sale, net of taxes (Note 27)	38,616	65,238	315,522
Net deferred gains (losses) on hedging instruments, net of taxes	(8)	(1,428)	(67)
Revaluation of premises, net of taxes (Note 16)	29,438	29,592	240,534
Retirement benefits liability adjustments, net of taxes (Note 30)	(15,715)	(3,751)	(128,402)
Total accumulated other comprehensive income	52,332	89,651	427,587
Non-controlling interests	8,555	8,114	69,901
Total net assets (Note 37)	530,724	550,906	4,336,342
Total liabilities and net assets	¥13,127,906	¥12,075,567	\$107,262,897

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥81,109	¥82,193	\$662,716
Interest and dividends on securities	12,893	9,985	105,346
Other interest income (Note 17)	4,225	1,911	34,522
Trust fees	0	0	0
Fees and commissions	32,468	30,879	265,287
Trading income	1,919	1,842	15,679
Other operating income (Note 18)	3,069	4,972	25,079
Other income (Note 19)	2,941	3,585	24,033
Total income	138,627	135,371	1,132,666
Expenses:			
Interest expenses:			
Interest on deposits	443	699	3,627
Interest on call money and bills sold	(113)	(39)	(926)
Interest on payables under repurchase agreements	383	911	3,131
Interest on guarantee deposits received under securities lending transactions	13	44	111
Interest on borrowings	52	253	431
Other interest expenses (Note 20)	75	194	612
Fees and commissions	11,536	11,832	94,258
Other operating expenses (Note 21)	1,654	1,855	13,514
General and administrative expenses (Note 22)	79,173	81,272	646,892
Other expenses (Note 23)	8,253	12,446	67,437
Total expenses	101,472	109,472	829,093
Profit (loss) before income taxes	37,154	25,898	303,572
Income taxes (Note 31)			
Current	10,824	6,719	88,443
Deferred	1,518	552	12,404
Total income taxes	12,342	7,272	100,847
Profit (loss)	24,811	18,626	202,725
Profit (loss) attributable to:			
Non-controlling interests	575	537	4,698
Owners of parent (Note 37)	¥24,236	¥18,088	\$198,026

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Profit (loss)	¥24,811	¥18,626	\$202,725
Other comprehensive income:			
Net unrealized gains on securities available for sale	(26,560)	18,329	(217,015)
Net deferred gains (losses) on hedging instruments	1,419	413	11,600
Retirement benefits liability adjustments	(11,963)	10,735	(97,752)
Total other comprehensive income (Note 24)	(¥37,104)	¥29,478	(\$303,167)
Comprehensive income	(¥12,293)	¥48,104	(\$100,442)
Comprehensive income attributable to owners of parent	(¥12,928)	¥47,443	(\$105,636)
Comprehensive income attributable to non-controlling interests	¥635	¥661	\$5,194

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Shareholders' equity:			
Capital stock (Note 14)			
Balance at beginning of the year	¥50,000	¥50,000	\$408,530
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥50,000	¥50,000	\$408,530
Capital surplus			
Balance at beginning of the year	¥127,202	¥129,477	\$1,039,321
Changes during the year			
Sale of treasury stock	(0)	(0)	(1)
Retirement of treasury stock	(6,078)	(2,274)	(49,666)
Total changes during the year	(6,078)	(2,274)	(49,667)
Balance at end of the year	¥121,123	¥127,202	\$989,654
Earned surplus			
Balance at beginning of the year	¥284,535	¥270,954	\$2,324,825
Cumulative effects of changes in accounting policies	(244)	—	(1,998)
Restated balance	¥284,290	¥270,954	\$2,322,827
Changes during the year			
Cash dividends paid (Note 38)	(4,445)	(4,861)	(36,319)
Profit (loss) attributable to owners of parent	24,236	18,088	198,026
Reversal of revaluation of premises	153	353	1,257
Total changes during the year	19,945	13,580	162,964
Balance at end of the year	¥304,236	¥284,535	\$2,485,792
Treasury stock (Note 15)			
Balance at beginning of the year	(¥8,597)	(¥9,868)	(\$70,247)
Changes during the year			
Acquisition of treasury stock	(3,004)	(1,004)	(24,546)
Sale of treasury stock	0	0	3
Retirement of treasury stock	6,078	2,274	49,666
Total changes during the year	3,074	1,270	25,123
Balance at end of the year	(¥5,522)	(¥8,597)	(\$45,123)
Total shareholders' equity			
Balance at beginning of the year	¥453,140	¥440,563	\$3,702,430
Cumulative effects of changes in accounting policies	(244)	—	(1,998)
Restated balance	¥452,895	¥440,563	\$3,700,431
Changes during the year			
Cash dividends paid (Note 38)	(4,445)	(4,861)	(36,319)
Profit (loss) attributable to owners of parent	24,236	18,088	198,026
Acquisition of treasury stock	(3,004)	(1,004)	(24,546)
Sale of treasury stock	0	0	2
Reversal of revaluation of premises	153	353	1,257
Total changes during the year	16,941	12,577	138,421
Balance at end of the year	¥469,837	¥453,140	\$3,838,853

Consolidated Statement of Changes in Net Assets

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Accumulated other comprehensive income:			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥65,238	¥47,032	\$533,033
Changes during the year			
Net changes in items other than shareholders' equity	(26,621)	18,205	(217,511)
Total changes during the year	(26,621)	18,205	(217,511)
Balance at end of the year	¥38,616	¥65,238	\$315,522
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥1,428)	(¥1,841)	(\$11,667)
Changes during the year			
Net changes in items other than shareholders' equity	1,419	413	11,600
Total changes during the year	1,419	413	11,600
Balance at end of the year	(¥8)	(¥1,428)	(\$67)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,592	¥29,946	\$241,792
Changes during the year			
Net changes in items other than shareholders' equity	(153)	(353)	(1,257)
Total changes during the year	(153)	(353)	(1,257)
Balance at end of the year	¥29,438	¥29,592	\$240,534
Retirement benefits liability adjustments			
Balance at beginning of the year	(¥3,751)	(¥14,486)	(\$30,650)
Changes during the year			
Net changes in items other than shareholders' equity	(11,963)	10,735	(97,752)
Total changes during the year	(11,963)	10,735	(97,752)
Balance at end of the year	(¥15,715)	(¥3,751)	(\$128,402)
Total accumulated other comprehensive income			
Balance at beginning of the year	¥89,651	¥60,650	\$732,508
Changes during the year			
Net changes in items other than shareholders' equity	(37,319)	29,000	(304,920)
Total changes during the year	(37,319)	29,000	(304,920)
Balance at end of the year	¥52,332	¥89,651	\$427,587
Non-controlling interests:			
Balance at beginning of the year	¥8,114	¥7,544	\$66,301
Cumulative effects of changes in accounting policies	(32)	—	(268)
Restated balance	¥8,081	¥7,544	\$66,032
Changes during the year			
Net changes in items other than shareholders' equity	473	570	3,869
Total changes during the year	473	570	3,869
Balance at end of the year	¥8,555	¥8,114	\$69,901
Total net assets:			
Balance at beginning of the year	¥550,906	¥508,758	\$4,501,239
Cumulative effects of changes in accounting policies	(277)	—	(2,266)
Restated balance	¥550,629	¥508,758	\$4,498,972
Changes during the year			
Cash dividends paid (Note 38)	(4,445)	(4,861)	(36,319)
Profit (loss) attributable to owners of parent	24,236	18,088	198,026
Acquisition of treasury stock	(3,004)	(1,004)	(24,546)
Sale of treasury stock	0	0	2
Reversal of revaluation of premises	153	353	1,257
Net changes in items other than shareholders' equity	(36,845)	29,571	(301,051)
Total changes during the year	(19,904)	42,148	(162,630)
Balance at end of the year	¥530,724	¥550,906	\$4,336,342

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
I. Cash flows from operating activities:			
Profit (loss) before income taxes	¥37,154	¥25,898	\$303,572
Depreciation	5,674	5,729	46,366
Losses on impairment of fixed assets	465	818	3,806
Equity in gains of nonconsolidated subsidiaries and affiliate	(56)	(86)	(457)
(Decrease) increase in reserve for possible loan losses	(1,595)	2,933	(13,035)
Increase in reserve for devaluation of securities	0	5	1
Decrease (increase) in asset for retirement benefits	10,222	(12,490)	83,522
Increase (decrease) in liability for retirement benefits	4,295	(3,230)	35,097
(Decrease) increase in reserve for retirement benefits for directors and corporate auditors	(55)	9	(452)
Decrease in reserve for reimbursement of deposits	(360)	(444)	(2,945)
Decrease in reserve for other contingent losses	(158)	(175)	(1,292)
Income from lending activities	(98,228)	(94,090)	(802,585)
Funding costs	855	2,064	6,988
Gains on securities	(45)	(4,698)	(370)
Losses on money held in trust	5	11	41
Net foreign exchange gains	(674)	(589)	(5,510)
Losses on sale of tangible fixed assets	248	34	2,029
Net decrease in trading account assets	131	1,254	1,071
Net decrease (increase) in loans and bills discounted	73,084	(989,802)	597,144
Net increase in deposits	274,854	813,917	2,245,726
Net increase (decrease) in certificates of deposit	75,772	(160,955)	619,109
Net increase in borrowed money, exclusive of subordinated borrowings	317,552	443,513	2,594,596
Net increase in due from banks, exclusive of central bank	(979)	(1,368)	(8,001)
Net (increase) decrease in call loans	(2,898)	1,423	(23,682)
Net increase in call money	358,698	156,403	2,930,779
Net increase (decrease) in guarantee deposits received under securities lending transactions	46,053	(47,973)	376,282
Net (increase) decrease in foreign exchange assets	(11,682)	3,332	(95,452)
Net (decrease) increase in foreign exchange liabilities	(9)	92	(74)
Net increase in borrowed money from trust account	1,589	2,369	12,989
Interest and dividends received	99,359	96,159	811,830
Interest paid	(1,080)	(3,318)	(8,825)
Others	(32,145)	16,025	(262,650)
Subtotal	1,156,049	252,774	9,445,620
Income taxes paid	(4,950)	(9,717)	(40,445)
Net cash provided by operating activities	¥1,151,099	¥243,056	\$9,405,175
II. Cash flows from investing activities:			
Payments for purchase of securities	(¥500,365)	(¥551,762)	(\$4,088,285)
Proceeds from sale of securities	126,185	116,648	1,031,007
Proceeds from redemption of securities	111,026	240,120	907,153
Payments for increase in money held in trust	(426)	(5,930)	(3,482)
Payments for purchase of tangible fixed assets	(3,339)	(3,701)	(27,289)
Proceeds from sale of tangible fixed assets	419	1,376	3,426
Payments for purchase of intangible fixed assets	(1,995)	(1,132)	(16,302)
Net cash provided by investing activities	(¥268,495)	(¥204,381)	(\$2,193,772)
III. Cash flows from financing activities:			
Redemption of subordinated bonds	¥—	(¥10,000)	\$—
Dividends paid	(4,444)	(4,860)	(36,315)
Dividends paid to non-controlling shareholders	(162)	(91)	(1,325)
Payments for acquisition of treasury stock	(3,004)	(1,004)	(24,546)
Proceeds from sale of treasury stock	0	0	2
Net cash used in financing activities	(¥7,610)	(¥15,955)	(\$62,183)
IV. Effects of changes in exchange rates on cash and cash equivalents	¥13	¥8	\$112
V. Net increase in cash and cash equivalents	¥875,006	¥22,728	\$7,149,331
VI. Cash and cash equivalents at beginning of the year	¥1,733,067	¥1,710,338	\$14,160,208
VII. Cash and cash equivalents at end of the year (Note 37)	¥2,608,074	¥1,733,067	\$21,309,539

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. (the "Company"), and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Company.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥122.39= U.S.\$ 1.00, the exchange rate on 31st March, 2022, has been used in translation. The translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

In the consolidated financial statements, "—" is used to denote "nil" and "0" is used to denote rounding down to zero.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (the "Group").

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2022 and 2021 is as follows:

	2022	2021
i) Number of consolidated subsidiaries:	7	7
ii) Number of non-consolidated subsidiaries:	4	4

(2) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2022 and 2021 is as follows:

	2022	2021
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	4	4
iv) Number of affiliates not accounted for by the equity method:	1	0

(3) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries are the same as the closing date for the consolidated financial statements.

(4) Trading Account Assets and Liabilities

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Company's consolidated subsidiaries engaged in the banking business value securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as swaps, futures, and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

Notes to Consolidated Financial Statements

(5) Securities

Securities held to maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. Securities available for sale are carried at fair value with cost of sales determined by the moving average method. However, shares, etc. that do not have a market value are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(6) Derivatives

Derivatives held or written are stated at fair value.

(7) Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets of the Company and its consolidated subsidiaries engaged in the banking business are depreciated by the declining-balance method; however, buildings (excluding facilities attached to buildings) acquired on or after 1st April, 1998 are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of other consolidated subsidiaries are depreciated mainly using the declining-balance method, based on their estimated useful lives.

(8) Intangible Fixed Assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Group (5 years).

(9) Leased Assets

The tangible fixed assets capitalized under the finance lease transactions entered into on and after 1st April, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

(10) Reserve for Possible Loan Losses

Major consolidated subsidiaries record the reserve for possible loan losses as follows:

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable. For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

For other loans, the reserve for possible loan losses is provided mainly at an anticipated amount of losses over the next one or three years. The anticipated amount of losses was calculated by obtaining the loss rate based on the mean for a certain period of actual loss rates calculated from actual losses for one or three years and then by making necessary adjustments in accordance with future projections and other factors.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at 31st March, 2022 and 2021 were ¥11,425 million (\$93,355

thousand) and ¥9,590 million, respectively.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

(11) Reserve for Devaluation of Securities

In order to provide for a loss on investments, the Group estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

(12) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors is provided at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

(13) Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the consolidated subsidiaries engaged in the banking business.

(14) Reserve for Other Contingent Losses

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Group.

(15) Reserve under the Special Laws

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Company's consolidated subsidiary engaged in the securities business at an amount estimated pursuant to Article 46, Item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments services.

(16) Accounting for Retirement Benefits

For the consolidated subsidiaries engaged in the banking business, the retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

For other consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

(17) Recognition of earnings

The Company recognizes revenues from contracts with customers 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. For fees and commissions that may be refunded, the Company posts refund liabilities and deducts such amounts from revenues.

(18) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

(19) Accounting for Leases

Finance lease transactions which were initially engaged by the consolidated subsidiaries prior to 1st April, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

Notes to Consolidated Financial Statements

(20) Hedge Accounting

i) Hedge accounting for interest rate risks

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for interest rate risks of certain financial assets and liabilities by using the individual hedging, which directly matches hedged items and hedging instruments. With regard to hedging transactions to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, in accordance with operational rules concerning hedge accounting, hedged items are distinguished by identical type of bonds and interest rate swaps are used as hedging instruments. Since significant terms related to those hedged items and hedging instruments are nearly identical, such hedging transactions are deemed highly effective in terms of evaluation of hedge effectiveness. No evaluation is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment, as it is ascertained that the criteria for the special treatment are continually met.

ii) Hedge accounting for foreign exchange rate risk

The consolidated subsidiaries engaged in the banking business apply the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25 of 8th October, 2020). The consolidated subsidiaries treat foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the subsidiaries test hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

iii) Internal contract

For internal contracts, the consolidated subsidiaries engaged in the banking business manage the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry-specific Committee Practical Guideline No. 25. Therefore, the subsidiaries either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

(21) Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

Cash and Cash Equivalents in the consolidated statement of cash flows are composed of cash and due from central bank.

(22) Application of the Consolidated Tax Payment System

The Company and some of its consolidated subsidiaries have adopted the consolidated tax payment system, where the Company is designated as a parent company.

(23) Accounting Principles and Procedures when related Accounting Standards are not clear

Gains/losses from cancellation/redemption of investment trusts are recorded under "Interest and dividends on securities," provided, however, that the amount of interim dividends from investment trusts is recorded in "Loss on redemption of bonds" under "Other operating expenses" if such is negative overall.

(24) Significant Accounting Estimates

Reserve for possible loan losses:

Amount recorded on the consolidated financial statements for the fiscal year under review:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reserve for possible loan losses	¥42,473	¥44,068	\$347,033

Information about the content of significant accounting estimates concerning disclosure items identified:

(1) Calculation method

For the calculation method of reserve for possible loan losses, see "(10) Reserve for Possible Loan Losses," under the "Summary of Significant Accounting Policies."

(2) Key assumptions

Key assumptions include: i) Future outlook of debtors' business in the assessment of debtor companies; ii) Period when the economy is stagnant due to the spread of the novel coronavirus disease <COVID-19>; and iii) Future transition in the assessment of debtor companies and the amount to be collected in the cash flow estimation method.

Details of each assumption are as follows:

i) Future outlook of debtors' business in the assessment of debtor companies

The future outlook of debtors' business is determined by evaluating the repayment situation, financial position, business performance, etc., of each debtor.

ii) Period when the economy is stagnant due to the spread of COVID-19

Under the assumption that the impact will continue to be felt into the following fiscal year (year ending 31st March, 2023), specified debtor companies have been re-classified in consideration of recent business performance, the possible impact of COVID-19 on their future business performance, etc. for the consolidated fiscal year under review (year ended 31st March, 2022).

iii) Future transition in the assessment of debtor companies and the amount to be collected in the cash flow estimation method

The future transition in the assessment of debtor companies and the amount to be collected are set by evaluating each debtor based on their repayment situation and future plans.

(3) Possible impact on consolidated financial statements for the following fiscal year

All of the key assumptions are surrounded by uncertainty. As such, a change in the assumptions based on which the original estimates were made can have a material impact on reserve for possible loan losses on consolidated financial statements for the following fiscal year.

(25) Changes in Accounting Policies

• Application of accounting standards related to revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of 31st March, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the reporting period. The Company 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. Accordingly, the Company now recognizes revenue from some fees and commissions when a good or service is provided, rather than at the point in time when such fees and commissions were received. For fees and commissions that may be refunded, the Company has started posting refund liabilities from the reporting period.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the reporting period, with the new accounting policies applied from the beginning balance.

As a result of this change, ordinary revenues, ordinary profit, and profit before income taxes increased by ¥13 million (\$106 thousand), respectively and basic earnings per share increased by ¥0.06 (\$0.00) in the consolidated state of income for the year ended 31st March, 2022. Furthermore, because the cumulative impact of this change has been reflected on net assets at the beginning of the reporting period, the beginning balance of retained earnings decreased by ¥248 million (\$2,032 thousand) and net assets per share decreased by ¥1.68 (\$0.01) in the consolidated statement of changes in net assets.

In accordance with the transitional treatment set forth in paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous period are not presented.

• Application of the accounting standards for fair value measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 of 4th July, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the reporting period. In accordance with paragraph 8 of the Fair Value Measurement Standard, the risk adjustment method applied to determine the fair value of derivatives was modified to use as much as possible observable inputs estimated by reference to derivatives and other instruments traded in the market. This modification was made due to the application of the Fair Value Measurement Standard. In accordance with the transitional measures set forth in paragraph 20 of the Fair Value Measurement Standard, the cumulative impact in retroactively applying the new accounting policy to prior periods was recognized as adjustments to retained earnings at the beginning of the year ended 31st March, 2022. The application of the Fair Value Measurement Standard and other standards has a negligible effect on the Company's consolidated financial statements.

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

Notes to Consolidated Financial Statements

(26) Accounting Standards Issued but Not Yet Effective

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

i) Overview

Treatment of fair value measurement of and notes on investment trusts and treatment of notes on fair value of investments in partnerships and other similar entities, for which equity interests are recorded on a net basis on the consolidated balance sheet, have been provided.

ii) Scheduled date of adoption

The Company plans to adopt the above-mentioned accounting standard and implementation guidance from the beginning of the fiscal year ending 31st March, 2023.

iii) Impact of the adoption of the accounting standard and implementation guidance

The adoption of the accounting standard and implementation guidance has no effect on the Company's consolidated financial statements.

Additional information

- Tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and some of its consolidated subsidiaries will transition from the Consolidated Taxation System to the Group Tax Sharing System from the year ending 31st March, 2022. In determining the amounts of deferred tax assets and deferred tax liabilities with respect to a transition to the Group Tax Sharing System which was created in the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020) and corresponding revisions made to the Nonconsolidated Taxation System, however, the Company and those consolidated subsidiaries that are affected by this transition do not apply the provisions in paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 of 16th February, 2018), but follow the provisions in the Income Tax Act, etc. before the revision pursuant to paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Solution No. 39 of 31st March, 2020).

From the beginning of the year ending 31st March, 2023, the Company and those consolidated subsidiaries that are affected by this transition will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42 of 12th August, 2021), which establishes the accounting treatment and the disclosure of national and local income tax, as well as treatment of tax effect accounting, when the Group Tax Sharing System is applied.

3. Trading Account Assets

Trading account assets at 31st March, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Trading securities	¥—	¥131	\$—
Other trading assets	—	—	—
Total	¥—	¥131	\$—

4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japanese government bonds	¥500,561	¥365,537	\$4,089,889
Japanese municipal bonds	400,698	332,141	3,273,951
Corporate bonds (including government-guaranteed bonds)*	221,488	259,233	1,809,693
Stock**	126,367	142,409	1,032,496
Other securities***	524,228	407,512	4,283,260
Total	¥1,773,344	¥1,506,834	\$14,489,291

* Corporate bonds included bonds offered through private placement. The guarantee obligation of Nishi-Nippon City Bank for such private placement bonds at 31st March, 2022 and 2021 were ¥19,228 million (\$157,108 thousand) and ¥17,386 million, respectively.

** Stock included stock of affiliates of ¥702 million (\$5,739 thousand) and ¥802 million at 31st March, 2022 and 2021, respectively.

*** Other securities included investments in non-consolidated subsidiaries of ¥161 million (\$1,319 thousand) and ¥163 million at 31st March, 2022 and 2021, respectively.

5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bills discounted*	¥15,418	¥17,915	\$125,976
Loans on notes	169,458	178,913	1,384,578
Loans on deed	7,561,314	7,638,927	61,780,491
Overdraft	724,670	708,189	5,920,993
Total	¥8,470,861	¥8,543,946	\$69,212,040

* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 24). The consolidated subsidiaries engaged in the banking business have right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥15,434 million (\$126,111 thousand) and ¥18,172 million at 31st March, 2022 and 2021, respectively.

The following table shows the claims classified under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions. Claims include corporate bonds included in "Securities" in the consolidated balance sheet (limited to corporate bonds for which the redemption of principal or interest payments, whether wholly or partly, is guaranteed by the financial institution that owns the corporate bonds, and for which the issuance is implemented through the private placement of securities as defined in Article 2, Item 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, amounts recorded in outstanding interest, temporary payments, and consideration for acceptance of payment under "Other assets" on the balance sheet, and, if securities are loaned (noted), such securities (limited to those via loan for use or lease contract).

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Claims in bankruptcy, reorganization, etc.**	¥14,575	¥14,248	\$119,091
Claims with risks***	95,815	95,478	782,867
Claims in arrears for three months or more****	374	128	3,063
Loans with altered lending conditions*****	32,514	34,762	265,665
Total	¥143,280	¥144,618	\$1,170,688

** Claims held against debtors with failed business status due to circumstances such as the commencement of bankruptcy proceedings, the commencement of corporate reorganization proceedings, or rehabilitation proceedings, and any other type of claims that are similar or equivalent thereto.

*** Claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance have deteriorated and for which it is highly unlikely that the collection of principal or receipt of interest in accordance with the contract will be possible but that do not fall under claims in bankruptcy, reorganization, etc.

**** Claims in arrears for which the principal or interest is delinquent for three months or more from the date immediately following the contractual due date, and that do not fall under claims in bankruptcy, reorganization, etc. or claims with risks

***** Loans for which there is a reduction in or an exemption of the interest rate, a grace period for the payment of interests, a grace period for the reimbursement of the principal, a waiver of the loan claim or any other arrangement that might be considered advantageous to a debtor are made for the purpose of the reconstruction of, or support to, the management of the debtor, and that do not fall under claims in bankruptcy, reorganization, etc., claims with risks, or claims in arrears for three months or more.

The amounts given above are gross amounts before the deduction of amounts of the allowance for loan losses.

Changes in methods of representation

As a result of the enforcement of the Cabinet Office Ordinance relating to partial amendments to the Regulation for Enforcement of the Banking Act (Cabinet Office Ordinance No. 3, 24th January, 2020) on 31st March, 2022, Claims in the above table which were previously classified and disclosed as Risk Management Loans under Banking Act, are presented in conformity with classifications, etc. of bad debts subject to mandatory disclosure as provided in the Act on Emergency Measures for the Revitalization of the Financial Functions.

Notes to Consolidated Financial Statements

6. Assets Pledged as Collateral

Assets pledged as collateral by the Group at 31st March, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets pledged as collateral			
Cash and due from banks	¥35	¥35	\$292
Securities	1,288,242	1,059,343	10,525,717
Loans	1,231,046	1,456,647	10,058,390
Total	¥2,519,324	¥2,516,027	\$20,584,400
Liabilities secured by the above assets			
Deposits	¥14,215	¥16,917	\$116,148
Call money and bills sold	40,100	39,300	327,641
Payables under repurchase agreements	251,120	194,294	2,051,805
Guarantee deposits received under securities lending transactions	87,188	41,135	712,380
Borrowed money	1,753,174	1,434,420	14,324,495

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Securities	¥1,141	¥1,141	\$9,325
Other assets	¥1,400	¥1,500	\$11,438

Additionally, the following was included in other assets at 31st March, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash collateral paid for financial instruments	¥48,746	¥46,683	\$398,289
Deposits included in other assets	2,474	2,270	20,218

7. Contracts for Commitment Lines of Credit

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Aggregate amount under commitment contracts not yet drawn down	¥2,074,368	¥2,194,895	\$16,948,837
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	1,980,801	2,109,259	16,184,338

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Group. Many of these contracts have stipulations that allow the consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

8. Foreign Exchange

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Foreign exchange bills bought	¥16	¥257	\$135
Foreign exchange bills receivable	315	129	2,579
Due from foreign banks (their accounts)	—	—	—
Due from foreign banks (our accounts)	22,424	10,687	183,225
Total	¥22,757	¥11,074	\$185,940
Liabilities:			
Foreign exchange bills sold	¥—	¥5	\$—
Foreign exchange bills payable	201	205	1,645
Total	¥201	¥210	\$1,645

9. Other Assets

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Domestic exchange settlement account*	¥35	¥16	\$290
Accrued income	6,359	5,753	51,961
Income tax refund receivable, etc.	—	205	—
Prepaid expenses	344	460	2,816
Financial derivative products	1,936	4,661	15,825
Cash collateral paid for financial instruments	48,746	46,683	398,289
Other	32,888	57,785	268,719
Total	¥90,311	¥115,565	\$737,902

* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

10. Tangible Fixed Assets

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Land	¥74,273	¥74,282	\$606,858
Buildings	32,542	32,491	265,893
Construction in progress	55	354	449
Leased assets	324	391	2,650
Other tangible fixed assets	8,977	10,031	73,349
Total	¥116,172	¥117,551	\$949,201

Note: The amounts of accumulated depreciation for tangible fixed assets at 31st March, 2022 and 2021 were ¥66,755 million (\$545,431 thousand) and ¥65,657 million, respectively.

Notes to Consolidated Financial Statements

The accelerated depreciation entry amounts for tangible fixed assets at 31st March, 2022 and 2021 are as follows:

Millions of yen		Thousands of U.S. dollars
2022	2021	2022
¥6,614	¥6,629	\$54,043

11. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits	¥438,071	¥444,207	\$3,579,307
Ordinary deposits	6,481,429	6,078,238	52,957,182
Deposits at notice	18,412	17,528	150,442
Time deposits	2,475,642	2,603,150	20,227,492
Negotiable certificates of deposit	264,293	188,520	2,159,437
Other deposits	156,787	152,364	1,281,046
Total	¥9,834,637	¥9,484,009	\$80,354,907

12. Borrowed Money

The weighted average interest rates on borrowed money is 0.00% at 31st March, 2022.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending 31st March		
2023	¥1,212,856	\$9,909,767
2024	45,278	369,956
2025	245,088	2,002,523
2026	252,004	2,059,031
2027	4	40

13. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Domestic exchange settlement account	¥41	¥36	\$337
Accrued income taxes	7,393	1,420	60,407
Accrued expenses	6,327	6,739	51,701
Unearned income	4,981	3,263	40,699
Financial derivative products	7,287	9,238	59,541
Lease obligations	341	411	2,793
Cash collateral received for financial instruments	496	595	4,052
Asset retirement obligations	1,069	813	8,740
Others	86,014	85,129	702,787
Total	¥113,952	¥107,648	\$931,061

14. Capital Stock

Capital stock during the year ended 31st March, 2022 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2021	159,596,955	¥50,000	\$408,530
Increase	—	—	—
Decrease*	8,000,000	—	—
31st March, 2022	151,596,955	¥50,000	\$408,530

* The decrease of 8,000,000 shares is due to retirement of treasury shares.

Capital stock during the year ended 31st March, 2021 consisted of the following:

	Common stock	Capital stock
	Issued shares	Millions of yen
1st April, 2020	162,596,955	¥50,000
Increase	—	—
Decrease*	3,000,000	—
31st March, 2021	159,596,955	¥50,000

* The decrease of 3,000,000 shares is due to retirement of treasury shares.

15. Treasury Stock

Treasury stock during the year ended 31st March, 2022 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
1st April, 2021	11,443,334	(¥8,597)	(\$70,247)
Increase*	3,846,145	(3,004)	(24,546)
Decrease**	8,000,568	6,079	49,670
31st March, 2022	7,288,911	(¥5,522)	(\$45,123)

* The increase of 3,846,145 shares is due to acquisition of treasury shares of 3,839,800 and purchase of fractional shares of 6,345.

** The decrease of 8,000,568 shares is due to retirement of treasury shares of 8,000,000 and sale of fractional shares of 568.

Treasury stock during the year ended 31st March, 2021 consisted of the following:

	Common stock	Treasury stock
	Number of shares	Millions of yen
1st April, 2020	13,035,479	(¥9,868)
Increase*	1,408,448	(1,004)
Decrease**	3,000,593	2,275
31st March, 2021	11,443,334	(¥8,597)

* The increase of 1,408,448 shares is due to acquisition of treasury shares of 1,402,500 and purchase of fractional shares of 5,948.

** The decrease of 3,000,593 shares is due to retirement of treasury shares of 3,000,000 and sale of fractional shares of 593.

16. Revaluation of Premises Account

Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on 31st March, 1998), the consolidated subsidiaries engaged in the banking business have revalued land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

The differences at 31st March, 2022 and 2021 are not presented as the aggregate market value of land subject to revaluation exceeded the book value after revaluation.

Notes to Consolidated Financial Statements

17. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Interest on call loans and bills bought	¥0	¥2	\$3
Interest on deposits with banks	2,852	546	23,303
Others	1,372	1,362	11,215
Total	¥4,225	¥1,911	\$34,522

18. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on foreign exchange transactions	¥674	¥589	\$5,510
Gains on sale of bonds	1,670	3,997	13,651
Others	724	386	5,917
Total	¥3,069	¥4,972	\$25,079

19. Other Income

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Gains on sale of stock and other securities	¥1,448	¥2,059	\$11,837
Gains on money held in trust	10	14	88
Equity in earnings of affiliates	56	86	457
Gains on disposition of fixed assets	142	401	1,162
Recoveries of written-off claims	378	239	3,088
Rental income on land and buildings	542	538	4,432
Others	362	246	2,965
Total	¥2,941	¥3,585	\$24,033

20. Other Interest Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bonds	¥—	¥61	\$—
Others	75	133	612
Total	¥75	¥194	\$612

21. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Losses on sale of bonds	¥417	¥846	\$3,409
Losses on redemption of bonds	273	336	2,233
Losses on devaluation of bonds	51	88	418
Expenses for derivatives other than trading derivatives	912	584	7,452
Total	¥1,654	¥1,855	\$13,514

22. General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Salaries and allowances	¥30,893	¥31,300	\$252,419
Employee retirement benefits	245	2,321	2,005
Retirement benefits for directors and corporate auditors	54	54	442
Depreciation	5,674	5,729	46,366
Rental expenses	3,245	3,008	26,517
Taxes	5,731	5,596	46,828
Others	33,328	33,261	272,312
Total	¥79,173	¥81,272	\$646,892

23. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Provision for possible loan losses	¥1,939	¥6,218	\$15,844
Losses on write-offs of claims	2,430	1,989	19,859
Losses on sale of stock and other securities	0	94	3
Losses on devaluation of stock and other securities	2,358	18	19,268
Losses on disposition of tangible fixed assets	390	436	3,192
Impairment losses	465	818	3,806
Losses on sale of loans	20	1,105	166
Others	648	1,764	5,295
Total	¥8,253	¥12,446	\$67,437

Notes to Consolidated Financial Statements

24. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized gains on securities available for sale:			
Amount arising during the year	(¥37,415)	¥30,557	(\$305,704)
Reclassification adjustments	(639)	(4,350)	(5,225)
Amount before tax effect	(38,054)	26,206	(310,929)
Tax effect	11,494	(7,876)	93,914
Net unrealized gains on securities available for sale	(¥26,560)	¥18,329	(\$217,015)
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	¥1,220	¥32	\$9,972
Reclassification adjustments	822	562	6,718
Amount before tax effect	2,042	595	16,691
Tax effect	(623)	(181)	(5,091)
Net deferred gains (losses) on hedging instruments	¥1,419	¥413	\$11,600
Retirement benefits liability adjustments			
Amount arising during the year	(¥17,934)	¥13,117	(\$146,538)
Reclassification adjustments	720	2,328	5,887
Amount before tax effect	(17,214)	15,445	(140,651)
Tax effect	5,250	(4,710)	42,898
Retirement benefits liability adjustments	(¥11,963)	¥10,735	(\$97,752)
Total other comprehensive income	(¥37,104)	¥29,478	(\$303,167)

25. Lease Transactions

(1) Finance leases

- i) Information on finance lease transactions which are accounted for as operating leases at 31st March, 2022 and 2021 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥970	¥970	\$7,930
Total	¥970	¥970	\$7,930
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥890	¥858	\$7,279
Total	¥890	¥858	\$7,279
Amounts equivalent to carrying value			
Tangible fixed assets	¥79	¥112	\$651
Total	¥79	¥112	\$651

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

ii) Future lease payments of finance leases which are accounted for as operating leases at 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Future finance lease payments			
Due within one year	¥32	¥32	\$264
Due after one year	47	79	387
Total	¥79	¥112	\$651

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

iii) Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total lease payments during the year	¥32	¥32	\$264
The amount equivalent to depreciation expenses *	32	32	264

* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

(2) Operating leases

Future lease payments required under operating leases that are non-cancelable at 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Future operating lease payments			
Due within one year	¥238	¥263	\$1,947
Due after one year	227	422	1,861
Total	¥466	¥686	\$3,808

26. Financial Instruments

(1) Matters related to status of financial instruments

i) Policies for financial instruments

The Group is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Company comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Company operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Company's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

ii) Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are

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suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Company assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

iii) Risk management system for financial instruments

(a) Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, in order to properly carry out write-offs and set provisions, the Group conducts self-assessments of its assets and uses an independent audit department to constantly monitor the status of the self-assessment procedures and adequacy of write-offs and provisions.

(b) Market risk management

The Group clearly separates the department responsible for conducting market transactions (front office) from the department responsible for business administration (back office). Furthermore, the division which is independent from the market divisions has been put in charge of risk management (middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations.

The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV(Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at 31st March, 2022 and 2021 were ¥69,811 million (\$570,400 thousand) and ¥53,172 million, respectively.

Financial instruments of the consolidated subsidiaries engaged in the banking business which are subject to the measurement include loans, deposits, securities and derivatives. The Group measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months.

The Group performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

(c) Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Group, a system of mutual controls among divisions has been put into place. As a part of this system, the divisions responsible for the Group's day-to-day cash management raise and manage marketable funds, while the divisions responsible for managing the liquidity risk monitor the Group's cash position. In this way, the Group maintains a fluid and stable cash position.

(d) Risk management for derivative transactions

The Group's derivative transactions are entered into using operational rules prepared in accordance with the Group's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

iv) Supplementary explanation of the estimated fair value of financial instruments

Because various assumptions are used in the estimation of the fair value of financial instruments, the fair value may vary when different assumptions are used.

(2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheets at 31st March, 2022 and 2021 and their fair values and valuation differences are as follows.

Stocks, etc. that do not have a market value and investments in partnerships are excluded from the table below (refer to Note 1). Notes on cash and due from banks, negotiable certificates of deposit, call money and bills sold, securities sold under repurchase agreements, and cash collateral received for securities sent are omitted, because they comprise short-term instruments whose carrying amounts approximate their fair value.

<At 31st March, 2022>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	¥15,989	¥16,341	¥351
Available-for-sale securities	1,734,539	1,734,539	—
ii) Loans and bills discounted	8,470,861		
Reserve for possible loan losses*	(41,148)		
	8,429,713	8,520,495	90,782
Total assets	¥10,180,242	¥10,271,376	¥91,134
Liabilities:			
i) Deposits	¥9,570,343	¥9,570,513	¥169
ii) Borrowed money	1,755,240	1,747,863	(7,377)
Total liabilities	¥11,325,584	¥11,318,376	(¥7,207)
Derivatives**			
Hedge accounting not applied	¥22	¥22	¥—
Hedge accounting applied	(5,373)	(5,373)	—
Total derivatives	(¥5,350)	(¥5,350)	¥—

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	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	\$130,641	\$133,515	\$2,874
Available-for-sale securities	14,172,231	14,172,231	—
ii) Loans and bills discounted	69,212,040		
Reserve for possible loan losses*	(336,205)		
	68,875,834	69,617,582	741,747
Total assets	\$83,178,707	\$83,923,329	\$744,621
Liabilities:			
i) Deposits	\$78,195,470	\$78,196,858	\$1,388
ii) Borrowed money	14,341,375	14,281,094	(60,280)
Total liabilities	\$92,536,845	\$92,477,952	(\$58,892)
Derivatives**			
Hedge accounting not applied	\$185	\$185	\$—
Hedge accounting applied	(43,901)	(43,901)	—
Total derivatives	(\$43,715)	(\$43,715)	\$—

* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

** Derivative transactions recorded in Other assets and Other liabilities are presented in total.

The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

<At 31st March, 2021>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
i) Securities:			
Held-to-maturity securities	¥15,971	¥16,341	¥369
Available-for-sale securities	1,469,229	1,469,229	—
ii) Loans and bills discounted	8,543,946		
Reserve for possible loan losses*	(42,647)		
	8,501,298	8,610,739	109,440
Total assets	¥9,986,499	¥10,096,310	¥109,810
Liabilities:			
i) Deposits	¥9,295,489	¥9,295,720	¥231
ii) Borrowed money	1,437,688	1,431,487	(6,200)
Total liabilities	¥10,733,177	¥10,727,207	(¥5,969)
Derivatives**			
Hedge accounting not applied	¥100	¥100	¥—
Hedge accounting applied	(2,315)	(2,315)	—
Total derivatives	(¥2,215)	(¥2,215)	¥—

* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

** Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

(Note 1) The carrying amount of stocks, etc. that do not have a market value and investments in partnerships recorded on the consolidated balance sheet are as follows, and are not included in "Available for sale securities" of fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Non-listed stocks	¥19,249	¥18,605	\$157,281
Investments in partnerships	3,566	3,027	29,136
Total	¥22,815	¥21,633	\$186,418

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Notes: 1. Non-listed stocks are not within the scope of disclosures about fair value in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, 31st March, 2020).

2. In the years ended 31st March, 2022 and 2021, impairment losses of ¥353 million (\$2,885 thousand) and ¥1 million were recorded for non-listed stocks, respectively.

3. Investments in partnerships are not within the scope of disclosures about fair value in accordance with paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, 4th July, 2019).

(Note 2) Repayment schedules for monetary claims and securities with stated maturity at 31st March, 2022 and 2021

<At 31st March, 2022>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥2,502,865	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities						
Government bonds	10,000	6,000	—	—	—	—
Municipal bonds	10,000	6,000	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	145,254	223,733	237,953	276,189	455,656	197,034
Government bonds	25,000	26,000	—	—	291,000	150,000
Municipal bonds	14,005	66,460	145,839	136,560	35,990	—
Corporate bonds	81,567	57,314	21,488	29,951	30,178	—
Others	24,682	73,957	70,626	109,677	98,487	47,034
Loans and bills discounted	1,905,692	1,302,410	1,147,579	842,791	961,745	2,131,679
Total	¥4,563,812	¥1,532,143	¥1,385,532	¥1,118,980	¥1,417,402	¥2,328,713

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$20,449,918	\$—	\$—	\$—	\$—	\$—
Securities:						
Held-to-maturity securities						
Government bonds	81,706	49,023	—	—	—	—
Municipal bonds	81,706	49,023	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	1,186,820	1,828,033	1,944,223	2,256,637	3,722,987	1,609,889
Government bonds	204,265	212,435	—	—	2,377,645	1,225,590
Municipal bonds	114,429	543,026	1,191,592	1,115,781	294,059	—
Corporate bonds	666,454	468,296	175,569	244,722	246,576	—
Others	201,670	604,275	577,060	896,133	804,706	384,299
Loans and bills discounted	15,570,653	10,641,474	9,376,412	6,886,110	7,858,040	17,417,101
Total	\$37,289,098	\$12,518,532	\$11,320,636	\$9,142,748	\$11,581,027	\$19,026,990

Note: Excluded from Loans and bills discounted are ¥109,949 million (\$898,355 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥69,014 million (\$563,890 thousand) relating to those that do not have contractual maturity.

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<At 31st March, 2021>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥1,630,402	¥—	¥—	¥—	¥—	¥—
Securities:						
Held-to-maturity securities	—	16,000	—	—	—	—
Government bonds	—	16,000	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	84,253	245,349	275,884	210,410	308,750	135,226
Government bonds	13,000	33,000	18,000	5,000	183,000	97,000
Municipal bonds	4,860	37,515	121,988	114,578	50,093	—
Corporate bonds	54,679	119,373	21,785	38,739	21,938	—
Others	11,714	55,461	114,110	52,092	53,719	38,226
Loans and bills discounted	2,091,900	1,295,872	1,106,892	829,239	963,135	2,073,284
Total	¥3,806,555	¥1,557,222	¥1,382,777	¥1,039,649	¥1,271,886	¥2,208,511

Note: Excluded from Loans and bills discounted are ¥109,034 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥74,587 million relating to those that do not have contractual maturity.

(Note 3) Repayment schedules for bonds, borrowed money and other interest-bearing debts at 31st March, 2022 and 2021

<At 31st March, 2022>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥9,540,804	¥232,008	¥49,405	¥6,838	¥5,580	¥0
Call money and bills sold	510,000	—	—	—	—	—
Payables under repurchase agreements	251,120	—	—	—	—	—
Guarantee deposits received under securities lending transactions	87,188	—	—	—	—	—
Borrowed money	1,212,856	290,367	252,009	6	—	—
Total	¥11,601,969	¥522,376	¥301,415	¥6,845	¥5,580	¥0

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	\$77,954,115	\$1,895,647	\$403,674	\$55,874	\$45,595	\$0
Call money and bills sold	4,167,007	—	—	—	—	—
Payables under repurchase agreements	2,051,805	—	—	—	—	—
Guarantee deposits received under securities lending transactions	712,380	—	—	—	—	—
Borrowed money	9,909,767	2,372,480	2,059,071	55	—	—
Total	\$94,795,077	\$4,268,128	\$2,462,746	\$55,929	\$45,595	\$0

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

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<At 31st March, 2021>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥9,175,332	¥233,055	¥61,967	¥7,147	¥6,507	¥0
Call money and bills sold	208,128	—	—	—	—	—
Payables under repurchase agreements	194,294	—	—	—	—	—
Guarantee deposits received under securities lending transactions	41,135	—	—	—	—	—
Borrowed money	807,025	335,559	295,092	8	1	—
Total	¥10,425,914	¥568,614	¥357,060	¥7,156	¥6,509	¥0

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

(3) Fair value information by level within the fair value hierarchy

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

i) Financial instruments measured at fair value

<At 31st March, 2022>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available for sales securities:				
Government bonds, municipal bonds, etc.	¥472,474	¥412,796	¥—	¥885,271
Corporate bonds	—	140,969	19,693	160,663
Residential mortgage-backed securities	—	60,824	—	60,824
Shares	107,117	—	—	107,117
Other	70,308	263,081	9,516	342,906
Derivative transactions:				
Interest rates	—	732	—	732
Currencies	—	1,203	—	1,203
Shares	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	¥649,901	¥879,609	¥29,209	¥1,558,720
Derivative transactions:				
Interest rates	—	574	—	574
Currencies	—	6,712	—	6,712
Shares	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	¥—	¥7,287	¥—	¥7,287

Note: Investment trusts, etc. to which the transitional treatment provided for in Article 5, Item 6 of the Supplementary Provisions to the "Cabinet Office Ordinance on Partial Amendment of the Regulations on Terminology, Format and Preparation Method of Financial Statements, etc." (Cabinet Office Ordinance No. 9, 6th March, 2020) is applied are not represented in the above table.

The amount of such investment trust, etc. on the consolidated balance sheet is 177,755 million (\$1,452,371 thousand).

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<At 31st March, 2022>

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available for sales securities:				
Government bonds, municipal bonds, etc.	\$3,860,404	\$3,372,795	\$—	\$7,233,199
Corporate bonds	—	1,151,809	160,910	1,312,719
Residential mortgage-backed securities	—	496,974	—	496,974
Shares	875,214	—	—	875,214
Other	574,464	2,149,535	77,752	2,801,752
Derivative transactions:				
Interest rates	—	5,988	—	5,988
Currencies	—	9,837	—	9,837
Shares	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total assets	\$5,310,083	\$7,186,940	\$238,662	\$12,735,686
Derivative transactions:				
Interest rates	—	4,692	—	4,692
Currencies	—	54,848	—	54,848
Shares	—	—	—	—
Bonds	—	—	—	—
Merchandise	—	—	—	—
Credit derivatives	—	—	—	—
Total liabilities	\$—	\$59,541	\$—	\$59,541

ii) Financial instruments other than financial instruments measured at fair value

<At 31st March, 2022>

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	¥—	¥16,341	¥—	¥16,341
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted	—	—	8,520,495	8,520,495
Total assets	¥—	¥16,341	¥8,520,495	¥8,536,836
Deposits	—	9,570,513	—	9,570,513
Borrowings	—	1,747,863	—	1,747,863
Total liabilities	¥—	¥11,318,376	¥—	¥11,318,376

<At 31st March, 2022>

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities:				
Securities Held-to-maturity:				
Government bonds, municipal bonds, etc.	\$—	\$133,515	\$—	\$133,515
Corporate bonds	—	—	—	—
Other	—	—	—	—
Loans and bills discounted	—	—	69,617,582	69,617,582
Total assets	\$—	\$133,515	\$69,617,582	\$69,751,098
Deposits	—	78,196,858	—	78,196,858
Borrowings	—	14,281,094	—	14,281,094
Total liabilities	\$—	\$92,477,952	\$—	\$92,477,952

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

Assets:

i) Securities

Fair value of securities that may be measured using non-adjusted quoted prices in active markets is classified as Level 1. Listed shares and government bonds are typically included here. Fair value of securities that are measured using quoted prices and whose respective markets are not very active is classified as Level 2. Local government bonds, corporate bonds, and residential mortgage-backed securities are typically included here. If quoted prices are not available, fair value is measured using the discounted cash flow method and other valuation techniques. For valuation, observable inputs are used in the best manner. Such inputs include TIBOR, government bond yields, conditional prepayment rates, credit spreads, the probability of bankruptcy, and the rate of loss at the time of bankruptcy. Fair value of securities that are measured using significant unobservable inputs is classified as Level 3.

ii) Loans and bills discount

The fair value of loans and bills discounted is based on the present value of the total amount of principal and interest as categorized by loan type, internal rating, and term, discounted by the credit-risk-adjusted market interest rate. Because the fair value of loans with floating interest rates approximates their carrying value if a borrower's credit capability does not differ markedly from the borrower's credit capability after execution (since they reflect the prevailing interest rates in the short term), the carrying value is treated as the fair value. Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducing the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value. Their fair value is classified as Level 3.

Liabilities:

i) Deposits

For demand deposits, the amount which would be paid if its repayment was demanded on the consolidated balance sheet date is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of future cash flows as categorized by term duration. The prevailing interest rates are used to calculate the discount rate. Because the fair value of those demand deposits having short terms (one year or less) approximates their carrying value, the carrying value is treated as the fair value. Their fair value is classified as Level 2.

ii) Borrowed money

The fair value of borrowed money is based on the present value of the total amount of the principal and interest of the borrowed money as categorized by term duration, discounted by the remaining period of such borrowings and the credit-risk-adjusted market interest rate. For borrowed money with floating interest rates, because its fair value is deemed to approximate the carrying value, the carrying value is treated as the fair value. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value. Their fair value is classified as Level 2.

Notes to Consolidated Financial Statements

iii) Derivative transactions:

The fair value of derivative transactions for which unadjusted quoted prices in active markets may be used is classified as Level 1. Bond futures and interest rate futures are typically included here, provided, however, because the majority of derivative transactions are made over-the-counter and thus no published quoted prices exist, their fair value is measured by using valuation techniques such as the discounted cash flow method or the Black-Scholes model in accordance with the transaction type and the period until maturity. Among key inputs used for these valuation techniques are interest rates, foreign exchange rates, and volatility. The fair price is adjusted based on the credit risk of the transaction partner and the credit risk of consolidated subsidiaries engaged in the banking business. If unobservable inputs are not used or if the impact of such inputs, in the event that such inputs are used, is not significant, the fair value is classified as Level 2. Interest swaps, foreign exchange transactions, etc. are typically included here. If significant unobservable inputs are used, the fair value is classified as Level 3.

(Note 2) Information on financial instruments measured at fair value whose fair value is classified as Level 3

i) Quantitative information on significant unobservable inputs

<At 31st March, 2022>

Category	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average inputs
Securities:				
Available for sale securities:				
Private placement bonds	Discounted cash flow	Default rates by credit rating	0.03%—1.48%	0.07%
		Coverage ratio by credit rating	5.55%—80.86%	38.54%
Preferred equity securities	Discounted cash flow	Default rates by credit rating	0.11%	0.11%
		Coverage ratio by credit rating	49.12%	49.12%

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

<At 31st March, 2022>

Category	Beginning balance	Profit or loss or other comprehensive income for the period		Millions of yen				Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period*
		Recorded in profit or loss	Recorded in other comprehensive income for the period	Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	
Securities:								
Available sales securities:								
Private placement bonds	¥17,836	(¥24)	(¥48)	¥1,930	¥—	¥—	¥19,693	¥—
Preferred equity securities	—	—	4,960	4,556	—	—	9,516	—

<At 31st March, 2022>

Category	Thousands of U.S. dollars							
	Beginning balance	Profit or loss or other comprehensive income for the period		Purchases, sales, issuances, and settlements, net	Transfer into Level 3	Transfer out of Level 3	Ending balance	Gains or losses on valuation of financial assets and financial liabilities held at the end of the reporting period included in profit or loss for the period*
		Recorded in profit or loss*	Recorded in other comprehensive income for the period**					
Securities:								
Available sales securities:								
Private placement bonds	\$145,737	(\$202)	(\$396)	\$15,771	\$—	\$—	\$160,910	\$—
Preferred equity securities	—	—	40,527	37,225	—	—	77,752	—

* Included in "Other ordinary expenses" of the consolidated statements of income

** Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income

iii) Description of valuation processes used for fair value measurements

In its manual, the Group has established policies and procedures for measuring fair value, and back-office departments measure fair value accordingly. Whether the fair value thus obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy is then verified to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Group uses a valuation model that most accurately reflects the nature, characteristics, and risks of each asset. In addition, when using quoted prices obtained from third parties, the Group verifies whether the prices are valid using the methods deemed such as confirming the valuation techniques and inputs used.

iv) Narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of private placement bonds, etc. are default rates by credit rating and coverage ratios measured by consolidated subsidiaries. The default rate indicates a probability of default, that is, borrowers falling into arrears within a certain period. A significant increase (decrease) of this input can cause a significant decline (rise) in the fair value.

27. Securities

(1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Holding gains (losses) recognized in income	¥—	(¥0)	\$—

(2) Held-to-maturity securities

i) Securities whose fair value exceeds their carrying value

<At 31st March, 2022>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥15,989	¥16,341	¥351
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	15,989	16,341	351
Others	—	—	—
Total	¥15,989	¥16,341	¥351

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	\$130,641	\$133,515	\$2,874
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	130,641	133,515	2,874
Others	—	—	—
Total	\$130,641	\$133,515	\$2,874

<At 31st March, 2021>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥15,971	¥16,341	¥369
Municipal bonds	—	—	—
Corporate bonds	—	—	—
	15,971	16,341	369
Others	—	—	—
Total	¥15,971	¥16,341	¥369

ii) Securities whose carrying value exceeds their fair value

<At 31st March, 2022>

None

<At 31st March, 2021>

None

(3) Available-for-sale securities (including negotiable due from banks included in “Cash and due from banks”)

i) Securities whose carrying value exceeds their acquisition cost

<At 31st March, 2022>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥95,272	¥30,206	¥65,065
Bonds:			
Government bonds	51,497	51,165	331
Municipal bonds	19,935	19,898	37
Corporate bonds	130,862	129,891	971
	202,295	200,955	1,340
Others	221,322	205,364	15,958
Total	¥518,891	¥436,526	¥82,364

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$778,436	\$246,808	\$531,628
Bonds:			
Government bonds	420,764	418,055	2,708
Municipal bonds	162,886	162,579	306
Corporate bonds	1,069,223	1,061,288	7,934
	1,652,874	1,641,924	10,950
Others	1,808,342	1,677,952	130,389
Total	\$4,239,653	\$3,566,684	\$672,968

<At 31st March, 2021>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥112,859	¥34,060	¥78,799
Bonds:			
Government bonds	98,274	97,412	861
Municipal bonds	105,396	105,219	176
Corporate bonds	216,625	215,009	1,616
	420,296	417,642	2,654
Others	283,370	263,100	20,269
Total	¥816,526	¥714,803	¥101,723

ii) Securities whose acquisition cost exceeds their carrying value

<At 31st March, 2022>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥11,844	¥14,324	(¥2,479)
Bonds:			
Government bonds	433,075	441,519	(8,444)
Municipal bonds	380,763	382,508	(1,745)
Corporate bonds	90,626	91,160	(534)
	904,464	915,188	(10,723)
Others	299,339	312,295	(12,955)
Total	¥1,215,648	¥1,241,807	(¥26,159)

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$96,777	\$117,036	(\$20,258)
Bonds:			
Government bonds	3,538,483	3,607,479	(68,996)
Municipal bonds	3,111,065	3,125,322	(14,257)
Corporate bonds	740,470	744,835	(4,365)
	7,390,019	7,477,638	(87,619)
Others	2,445,781	2,551,639	(105,857)
Total	\$9,932,578	\$10,146,314	(\$213,736)

Notes to Consolidated Financial Statements

<At 31st March, 2021>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥10,944	¥12,981	(¥2,036)
Bonds:			
Government bonds	251,292	252,880	(1,587)
Municipal bonds	226,744	227,232	(487)
Corporate bonds	42,607	42,733	(126)
	520,644	522,845	(2,200)
Others	121,113	124,339	(3,225)
Total	¥652,703	¥660,166	(¥7,463)

(4) Available-for-sale securities sold for the years ended 31st March, 2022 and 2021 are as follows:

<At 31st March, 2022>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥870	¥766	(¥0)
Bonds:			
Government bonds	30,204	48	(118)
Municipal bonds	2,600	47	—
Corporate bonds	8,577	81	—
	41,382	177	(118)
Others	54,026	2,137	(299)
Total	¥96,279	¥3,081	(¥417)

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$7,113	\$6,264	(\$4)
Bonds:			
Government bonds	246,792	396	(965)
Municipal bonds	21,243	390	—
Corporate bonds	70,080	662	—
	338,117	1,449	(965)
Others	441,427	17,466	(2,444)
Total	\$786,658	\$25,180	(\$3,413)

<At 31st March, 2021>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥190	¥280	¥—
Bonds:			
Government bonds	13,146	—	(267)
Municipal bonds	—	—	—
Corporate bonds	95	1	—
	13,241	1	(267)
Others	59,414	5,754	(578)
Total	¥72,846	¥6,036	(¥846)

(5) Devaluation of securities

Securities other than trading securities (excluding shares, etc. that do not have market prices and investments in partnerships) are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value.

The amount of devaluation was ¥2,056 million (\$16,801 thousand), of which ¥2,005 million (\$16,383 thousand) for stocks and ¥51 million (\$418 thousand) for bonds, for the year ended 31st March, 2022.

The amount of devaluation was ¥104 million, of which ¥16 million for stocks and ¥88 million for bonds, for the year ended 31st March, 2021.

The criteria for determining whether the fair value of a security has "significantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acquisition cost, or
2. The fair value exceeds 50% but is 70% or less of the acquisition cost and the security meets certain conditions such as the quoted market price for a certain period in the past and financial conditions of the issuer.

(6) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at 31st March, 2022 and 2021 are as follows:

<At 31st March, 2022>

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	¥56,205	\$459,232
Deferred tax liability	(17,050)	(139,309)
Revaluation difference (before non-controlling interest adjustment), net of taxes	39,155	319,922
Amount corresponding to non-controlling interests	(538)	(4,399)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—	—
Unrealized gains on securities available for sale, net of taxes	¥38,616	\$553,725

<At 31st March, 2021>

	Millions of yen
Revaluation difference	¥94,260
Deferred tax liability	(28,538)
Revaluation difference (before non-controlling interest adjustment), net of taxes	65,721
Amount corresponding to non-controlling interests	(483)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—
Unrealized gains on securities available for sale, net of taxes	¥65,238

28. Money Held in Trust

Money held in trust at 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Money held in trust for investment purposes			
Carrying value	¥4,982	¥4,973	\$40,708
Unrealized gains/losses	—	—	—
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥6,700	¥6,300	\$54,743
Carrying value	6,700	6,300	54,743
Unrealized gains/losses	—	—	—

Notes to Consolidated Financial Statements

29. Derivatives

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

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2022 and 2021, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

i) Interest related transactions

<At 31st March, 2022>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥29,540	¥27,940	¥496	¥496
Receive-floating and pay-fixed	29,540	27,940	(310)	(310)
Total	—	—	¥185	¥185

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$241,361	\$228,288	\$4,055	\$4,055
Receive-floating and pay-fixed	241,361	228,288	(2,540)	(2,540)
Total	—	—	\$1,515	\$1,515

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

<At 31st March, 2021>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥31,860	¥31,860	¥792	¥792
Receive-floating and pay-fixed	31,860	31,860	(586)	(586)
Total	—	—	¥206	¥206

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

ii) Currency related transactions

<At 31st March, 2022>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥18,469	¥14,757	¥7	¥7
Forward foreign:				
Sell	10,793	2	(335)	(335)
Buy	8,036	—	167	167
Currency option:				
Sell	29,597	19,666	(502)	(143)
Buy	29,597	19,666	499	284
Total	—	—	(¥162)	(¥19)

Notes to Consolidated Financial Statements

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$150,905	\$120,577	\$62	\$62
Forward foreign:				
Sell	88,190	18	(2,741)	(2,741)
Buy	65,660	—	1,371	1,371
Currency option:				
Sell	241,831	160,687	(4,102)	(1,172)
Buy	241,831	160,687	4,080	2,321
Total	—	—	(\$1,329)	(\$157)

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

<At 31st March, 2021>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥67,903	¥17,485	(¥17)	(¥17)
Forward foreign:				
Sell	5,671	—	(217)	(217)
Buy	4,245	—	129	129
Currency option:				
Sell	72,476	44,260	(1,564)	423
Buy	72,476	44,260	1,564	42
Total	—	—	(¥105)	¥360

Note: The above transactions are marked to market and unrealized gains/losses are included in the consolidated statement of income.

(2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2022 and 2021, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

i) Interest related transactions

<At 31st March, 2022>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥37,677	¥35,229	(¥26)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed	Loans and bills discounted, and deposits	42,760	10,000	(Note)
	Interest rate options		—	—	
	Total		—	—	(¥26)

Notes to Consolidated Financial Statements

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	\$307,847	\$287,847	(\$219)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	349,374 —	81,706 —	(Note) —
Total			—	—	(\$219)

Note: Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 26)".

<At 31st March, 2021>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥34,081	¥34,081	(¥2,054)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	112,780 —	43,944 —	(Note) —
Total			—	—	(¥2,054)

Note: Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 26)".

ii) Currency related transactions

<At 31st March, 2022>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥103,484	¥—	(¥5,346)
Total			—	—	(¥5,346)

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$845,528	\$—	(\$43,682)
Total			—	—	(\$43,682)

Note: The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25).

<At 31st March, 2021>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥12,293	¥—	(¥260)
Total			—	—	(¥260)

Note: The deferred method is applied as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry-specific Committee Practical Guideline No. 25).

30. Employee Retirement Benefits

(1) Description of the retirement benefit plans

The Company's consolidated subsidiaries adopt funded or unfunded defined benefit plans and/or the defined contribution plan to provide for employee retirement benefits.

Under the defined benefit corporate pension plans (all funded), lump-sum or annuity payments are made at the amounts based on salaries and the length of service periods of the covered employees. Nishi-Nippon City Bank, a consolidated subsidiary, has established a retirement benefit trust for its defined benefit corporate pension plan.

Under the lump-sum payment plans (principally unfunded, however, some plans have a funded status as a result of the establishment of a retirement benefit trust), retirement benefits are paid in the form of a lump sum at the amounts based on salaries and the length of service periods of the covered employees.

The consolidated subsidiaries may also pay additional retirement benefits that are not subject to actuarial calculation.

As of 31st March, 2022, the lump-sum payment plans have been adopted by 6 consolidated subsidiaries. The corporate pension fund plans have been adopted by 2 consolidated subsidiaries. The defined contribution plan has been adopted by 1 consolidated subsidiary.

For the lump-sum payment plans that certain consolidated subsidiaries have adopted, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all the eligible employees voluntarily terminated their employment at fiscal year end.

(2) Defined benefit plans

- i) Reconciliation between the balances of retirement benefit obligation at the beginning and end of the year for the years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligation at beginning of the year	¥73,948	¥75,297	\$604,203
Service cost	2,285	2,323	18,673
Interest cost	87	89	716
Actuarial gain and loss	185	265	1,513
Retirement benefits paid	(4,250)	(4,028)	(34,729)
Others	—	—	—
Retirement benefit obligation at end of the year	¥72,256	¥73,948	\$590,376

- ii) Reconciliation between the balances of plan assets at the beginning and end of the year for the years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Plan assets at beginning of the year	¥91,241	¥76,869	\$745,496
Expected return on plan assets	3,002	2,529	24,536
Actuarial gain and loss	(17,749)	13,383	(145,025)
Contributions by employer	728	734	5,953
Contributions by employees	144	146	1,178
Retirement benefits paid	(2,336)	(2,421)	(19,090)
Others	—	—	—
Plan assets at end of the year	¥75,031	¥91,241	\$613,049

Notes to Consolidated Financial Statements

- iii) Reconciliation between the balances of retirement benefit obligation and plan assets at the end of the year and the amounts of the liability and asset for retirement benefits recognized in the consolidated balance sheets at 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligation (funded)	¥71,796	¥73,483	\$586,616
Fair value of plan assets	(75,031)	(91,241)	(613,049)
	(3,235)	(17,757)	(26,432)
Retirement benefit obligation (unfunded)	460	464	3,759
Net liability (asset) for retirement benefits in the balance sheet	(¥2,774)	(¥17,292)	(\$22,672)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits	¥4,773	¥477	\$39,001
Asset for retirement benefits	(7,548)	(17,770)	(61,674)
Net liability (asset) for retirement benefits in the balance sheet	(¥2,774)	(¥17,292)	(\$22,672)

- iv) Components of retirement benefit expenses for the years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥2,141	¥2,177	\$17,494
Interest cost	87	89	716
Expected return on plan assets	(3,002)	(2,529)	(24,536)
Amortization of unrecognized actuarial gain and loss	720	2,328	5,887
Others	299	255	2,443
Retirement benefit expenses	¥245	¥2,321	\$2,005

Notes: 1. Contributions by employees to corporate pension funds, etc. have been deducted from the service cost.

2. Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are reported in total under "Service cost."

- v) Items recorded in retirement benefits liability adjustments included in other comprehensive income (gross of income tax effects) for the years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gain and loss	¥17,214	¥15,445	\$140,651

- vi) Items recorded in retirement benefits liability adjustments included in accumulated other comprehensive income (gross of income tax effects) at 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial gain and loss	(¥22,620)	(¥5,405)	(\$184,820)

- vii) Matters concerning plan assets

(a) Percentages of each main category of the total plan assets at 31st March, 2022 and 2021 are as follows:

	2022	2021
	Bonds	24%
Stocks	51%	60%
Cash and deposits	0%	0%
Others	25%	16%
Total	100%	100%

Note: Retirement benefit trusts established for the corporate pension plans accounted for 21% and 28% of the total plan assets at 31st March, 2022 and 2021, respectively. Retirement benefit trusts established for the lump-sum payment plans accounted for 17% and 20% of the total plan assets at 31st March, 2022 and 2021, respectively.

(b) The expected long-term rate of return on plan assets has been estimated by taking into account the current and expected allocation of the plan assets and the current and anticipated long-term rate of return on diverse assets that constitute the plan assets.

viii) Assumptions for actuarial calculation

Major assumptions for actuarial calculation as of 31st March, 2022 and 2021

	2022	2021
1) Discount rates:	0.117%(principally)	0.117%(principally)
2) Expected long-term rate of return on plan assets:	3.30%(principally)	3.30%(principally)
3) Expected rate of pay increase:	2.74%(principally)	2.81%(principally)

(3) Defined contribution plans

Contributions of ¥0 million (\$1 thousand) and ¥0 million have been made to the defined contribution plan by the consolidated subsidiary for the years ended 31st March, 2022 and 2021, respectively.

31. Income Taxes

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Reserve for possible loan losses	¥14,229	¥14,771	\$116,266
Liability for retirement benefits	7,429	2,820	60,702
Accumulated depreciation	1,957	1,971	15,990
Loss carryforwards for tax purposes	59	142	486
Others	7,439	6,837	60,784
Sub-total	31,115	26,542	254,230
Valuation allowance	(7,808)	(6,767)	(63,801)
Total deferred tax assets	23,306	19,775	190,428
Deferred tax liabilities:			
Reserve fund for deferred income of fixed assets	(0)	(1)	(6)
Unrealized losses on securities attributable to partition of corporation, net	(22)	(23)	(187)
Gains on establishment of a retirement benefit trust	(3,647)	(3,647)	(29,803)
Asset retirement obligations	(131)	(60)	(1,071)
Capital gain adjustments	(1,081)	(1,081)	(8,840)
Share of retained earnings of affiliates accounted for by the equity method	(103)	(98)	(846)
Unrealized gains on securities available for sale, net	(17,050)	(28,229)	(139,309)
Others	(2)	(1)	(22)
Total deferred tax liabilities	(22,040)	(33,143)	(180,087)
Net deferred tax assets (liabilities)	(¥1,265)	(¥13,368)	(\$10,340)

The reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statement of income for the year ended 31st March, 2022 is as follows:

	2022	2021
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently not deductible for tax purposes such as entertainment expenses	0.3	0.5
Non-taxable dividend income and others	(0.7)	(0.8)
Inhabitant tax on per capita basis	0.3	0.4
Increase in valuation allowance	2.8	(2.8)
Others	(0.0)	0.3
Effective tax rate	33.2%	28.1%

Notes to Consolidated Financial Statements

32. Asset Retirement Obligations

Information on asset retirement obligations is as follows:

Asset retirement obligations that are recorded in the consolidated balance sheet

(1) Outline of asset retirement obligations

The Group recognizes asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Group also recognizes asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

(3) Changes in total asset retirement obligations for the years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of the year	¥813	¥804	\$6,649
Increase due to acquisition of tangible fixed assets	250	6	2,046
Adjustment for passage of time	11	10	94
Decrease due to fulfillment of asset retirement obligation	6	7	50
Balance at end of the year	¥1,069	¥813	\$8,740

33. Revenue recognition

(1) Disaggregation of revenue from contracts with customers

<In 2022>

	Millions of yen		
	Reporting segment Banking	Other	Total
Fees and commissions	¥22,205	¥7,469	¥29,674
Deposit-taking and lending	7,936	4,186	12,122
Forex businesses	7,292	—	7,292
Securities-related businesses	3,378	2,960	6,338
Agency transactions	1,865	6	1,872
Ordinary revenues other than fees and commissions	27	14	41
Revenue from contracts with customers	22,232	7,483	29,716
Ordinary revenues other than the above	103,159	5,609	108,768
Ordinary revenues from third party customers	¥125,391	¥13,093	¥138,484

Note: "Other" is a business segment that is not included in reporting segments and includes credit guarantees, credit cards, financial instruments transactions, and other financial businesses.

<In 2022>

	Thousands of U.S. dollars		
	Reporting segment Banking	Other	Total
Fees and commissions	\$181,428	\$61,028	\$242,457
Deposit-taking and lending	64,841	34,202	99,044
Forex businesses	59,585	—	59,585
Securities-related businesses	27,601	24,189	51,790
Agency transactions	15,242	53	15,296
Ordinary revenues other than fees and commissions	223	119	342
Revenue from contracts with customers	181,651	61,148	242,799
Ordinary revenues other than the above	842,873	45,829	888,703
Ordinary revenues from third party customers	\$1,024,525	\$106,977	\$1,131,503

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in “2. Summary of Significant Accounting Policies, (17) Recognition of earnings.”

(3) Balance of contract liabilities and the transaction price allocated to the remaining performance obligations

i) Balance of contract liabilities, etc.

<In 2022>

	Millions of yen	Thousands of U.S. dollars
Receivables from contracts with customers (beginning balance)	¥844	\$6,896
Receivables from contracts with customers (ending balance)	810	6,623
Contract liabilities (beginning balance)	445	3,640
Contract liabilities (ending balance)	348	2,845

Notes: 1. Contract liabilities are mainly related to advances received from customers and their balance decreases as they are appropriated when recognizing earnings.
2. Of the amount of revenue recognized in the reporting period, ¥445 million (\$3,640 thousand) was included in the balance of contract liabilities (beginning balance).

ii) Transaction price allocated to the remaining performance obligations

The Group does not have significant transactions with an original expected duration of one year or more. Accordingly, the Group has applied the practical expedient and omitted information on the remaining performance obligations.

34. Business Segment Information**(1) Segment Information**

i) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of 7 consolidated subsidiaries and 1 affiliate. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the “banking business” which Nishi-Nippon City Bank and The Bank of Nagasaki are engaged in.

The “banking business” is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

ii) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in “2. Summary of Significant Accounting Policies”. The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

Notes to Consolidated Financial Statements

iii) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

<In 2022>

	Millions of yen				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥125,391	¥13,093	¥138,484	¥—	¥138,484
Internal ordinary income among segments	1,534	11,671	13,205	(13,205)	—
Total ordinary income	126,925	24,764	151,690	(13,205)	138,484
Segment profit	32,367	11,681	44,049	(6,180)	37,868
Segment assets	13,106,794	501,223	13,608,017	(480,111)	13,127,906
Segment liabilities	12,578,718	89,100	12,667,818	(70,637)	12,597,181
Other items					
Depreciation	5,472	202	5,674	—	5,674
Interest and dividend income	96,301	8,289	104,591	(6,363)	98,228
Interest expenses	848	130	979	(123)	855
Increase in tangible and intangible fixed assets	4,849	486	5,335	—	5,335

	Thousands of U.S. dollars				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	\$1,024,525	\$106,977	\$1,131,503	\$—	\$1,131,503
Internal ordinary income among segments	12,533	95,362	107,896	(107,896)	—
Total ordinary income	1,037,059	202,340	1,239,399	(107,896)	1,131,503
Segment profit	264,463	95,447	359,910	(50,502)	309,408
Segment assets	107,090,406	4,095,294	111,185,701	(3,922,803)	107,262,897
Segment liabilities	102,775,703	728,001	103,503,705	(577,150)	102,926,555
Other items					
Depreciation	44,715	1,650	46,366	—	46,366
Interest and dividend income	786,842	67,734	854,577	(51,991)	802,585
Interest expenses	6,931	1,069	8,001	(1,012)	6,988
Increase in tangible and intangible fixed assets	39,619	3,972	43,592	—	43,592

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

Notes to Consolidated Financial Statements

<In 2021>

	Millions of yen				Consolidated
	Reportable segment Banking	Other	Total	Adjustments	
Ordinary income					
Ordinary income from third party customers	¥122,757	¥12,192	¥134,949	¥—	¥134,949
Internal ordinary income among segments	1,328	10,179	11,508	(11,508)	—
Total ordinary income	124,085	22,372	146,457	(11,508)	134,949
Segment profit	21,167	10,023	31,191	(4,427)	26,763
Segment assets	12,054,300	489,276	12,543,576	(468,009)	12,075,567
Segment liabilities	11,506,845	79,340	11,586,186	(61,525)	11,524,660
Other items					
Depreciation	5,526	202	5,729	—	5,729
Interest and dividend income	92,159	6,568	98,727	(4,637)	94,090
Interest expenses	2,052	125	2,178	(113)	2,064
Increase in tangible and intangible fixed assets	4,748	84	4,833	—	4,833

Notes: 1. Ordinary income is presented instead of net sales.

2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange.

3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

(2) Related Information

Ordinary income by services:

<In 2022>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥87,420	¥17,969	¥33,094	¥138,484

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$714,278	\$146,819	\$270,404	\$1,131,503

Note: Ordinary income is presented instead of net sales.

<In 2021>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥87,683	¥17,924	¥29,341	¥134,949

Note: Ordinary income is presented instead of net sales.

(3) Impairment Losses on Tangible Fixed Assets by Reportable Segments

<In 2022>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥465	¥—	¥465

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Impairment losses	\$3,806	\$—	\$3,806

Notes to Consolidated Financial Statements

<In 2021>

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥818	¥—	¥818

(4) Amortization and Balance of Goodwill by Reportable Segments

Not applicable

35. Related Party Transactions

There are no related party transactions to report for the years ended 31st March, 2022 and 2021.

36. Reconciliation of Cash and Cash Equivalents

The reconciliation between “Cash and cash equivalents” in the consolidated statement of cash flows and each account in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks on the consolidated balance sheet	¥2,614,747	¥1,738,761	\$21,364,060
Due from banks, exclusive of central bank	(6,672)	(5,693)	(54,520)
Cash and cash equivalents on the consolidated statement of cash flows	¥2,608,074	¥1,733,067	\$21,309,539

37. Per Share Information

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share at end of the year	¥3,618.43	¥3,663.71	\$29.564
Profit (loss) attributable to owners of parent per share*	164.31	121.03	1.342

(Note 1) Basis for net assets per share as of 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net assets	¥530,724	¥550,906	\$4,336,342
Items to be deducted from net assets	8,555	8,114	69,901
Non-controlling interests	8,555	8,114	69,901
Net assets attributable to common stock	522,169	542,792	4,266,440
	Shares		
	2022	2021	
Number of shares of common stock outstanding at end of the year	144,308,044	148,153,621	

Notes to Consolidated Financial Statements

(Note 2) Basis for profit (loss) attributable to owners of parent per share for the years ended 31st March, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Basis:			
Profit (loss) attributable to owners of parent	¥24,236	¥18,088	\$198,026
Items not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent available for shareholders of common stock	24,236	18,088	198,026
	Shares		
	2022	2021	
Average number of shares of common stock outstanding during the year	147,500,789	149,450,688	

(Note 3) Diluted profit (loss) attributable to owners of parent per share for the years ended 31st March, 2022 and 2021 was not presented because the Group had no dilutive shares during the years.

38. Cash Dividends

Cash dividends paid during the years ended 31st March, 2022 and 2021 are as follows:

<In 2022>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
29th June, 2021 Ordinary General Meeting of Shareholders	Cash dividends (¥15.0 per share)	¥2,222	\$18,160	31st March, 2021	30th June, 2021
9th November, 2021 Meeting of Board of Directors	Cash dividends (¥15.0 per share)	¥2,222	\$18,159	30th September, 2021	10th December, 2021

<In 2021>

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
26th June, 2020 Ordinary General Meeting of Shareholders	Cash dividends (¥17.5 per share)	¥2,617	\$21,150	31st March, 2020	29th June, 2020
6th November, 2020 Meeting of Board of Directors	Cash dividends (¥15.0 per share)	¥2,243	\$18,159	30th September, 2020	10th December, 2020

39. Subsequent Event

The following appropriation of earned surplus for the year ended 31st March, 2022 was approved at the shareholders' meeting held on 29th June, 2022:

Resolution	Types	Millions of yen	Thousands of U.S. dollars	Cut-off date	Effective date
29th June, 2022 Ordinary General Meeting of Shareholders	Cash dividends (¥20.0 per share)	¥2,886	\$23,585	31st March, 2022	30th June, 2022

Quarterly Information (Unaudited)

Nishi-Nippon Financial Holdings, Inc. and Subsidiaries
Year ended 31st March, 2022

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2021 to 30th June, 2021	from 1st April, 2021 to 30th September, 2021	from 1st April, 2021 to 31st December, 2021	from 1st April, 2021 to 31st March, 2022
Ordinary income	¥36,558	¥70,040	¥105,168	¥138,484
Profit (loss) before income taxes	14,269	23,029	30,497	37,154
Profit (loss) attributable to owners of parent	9,678	15,655	20,040	24,236

	Yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2021 to 30th June, 2021	from 1st April, 2021 to 30th September, 2021	from 1st April, 2021 to 31st December, 2021	from 1st April, 2021 to 31st March, 2022
Profit (loss) attributable to owners of parent per share	¥65.33	¥105.67	¥135.33	¥164.31

	Yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2021 to 30th June, 2021	from 1st July, 2021 to 30th September, 2021	from 1st October, 2021 to 31st December, 2021	from 1st January, 2022 to 31st March, 2022
Profit (loss) attributable to owners of parent per share	¥65.33	¥40.33	¥29.64	¥28.79

	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2021 to 30th June, 2021	from 1st April, 2021 to 30th September, 2021	from 1st April, 2021 to 31st December, 2021	from 1st April, 2021 to 31st March, 2022
Ordinary income	\$298,704	\$572,269	\$859,285	\$1,131,503
Profit (loss) before income taxes	116,586	188,163	249,183	303,572
Profit (loss) attributable to owners of parent	79,083	127,913	163,746	198,026

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2021 to 30th June, 2021	from 1st April, 2021 to 30th September, 2021	from 1st April, 2021 to 31st December, 2021	from 1st April, 2021 to 31st March, 2022
Profit (loss) attributable to owners of parent per share	\$0.53	\$0.86	\$1.10	\$1.34

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2021 to 30th June, 2021	from 1st July, 2021 to 30th September, 2021	from 1st October, 2021 to 31st December, 2021	from 1st January, 2022 to 31st March, 2022
Profit (loss) attributable to owners of parent per share	\$0.53	\$0.32	\$0.24	\$0.23

Non-Consolidated Balance Sheet (Unaudited)

The Nishi-Nippon City Bank, Ltd.
31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥2,559,666	¥1,710,262	\$20,914,020
Call loans and bills bought	40,000	30,000	326,824
Trading account assets	—	131	—
Money held in trust	11,682	11,273	95,451
Securities	1,753,670	1,489,922	14,328,541
Loans and bills discounted	8,236,035	8,318,793	67,293,369
Foreign exchange assets	22,757	11,074	185,940
Other assets	78,110	102,551	638,208
Tangible fixed assets	111,825	113,463	913,683
Intangible fixed assets	3,706	2,998	30,282
Prepaid pension cost	25,862	23,276	211,312
Customers' liabilities for acceptances and guarantees	15,849	14,600	129,496
Reserve for possible loan losses	(36,995)	(38,432)	(302,277)
Reserve for devaluation of securities	(458)	(458)	(3,750)
Total assets	¥12,821,711	¥11,789,458	\$104,761,102
Liabilities and Net assets:			
Liabilities:			
Deposits	¥9,591,957	¥9,262,757	\$78,372,069
Call money and bills sold	510,000	208,128	4,167,007
Payables under repurchase agreements	251,120	194,294	2,051,805
Guarantee deposits received under securities lending transactions	87,188	41,135	712,380
Borrowed money	1,732,473	1,419,110	14,155,350
Foreign exchange liabilities	201	210	1,645
Borrowed money from trust account	4,794	3,205	39,177
Other liabilities	79,138	75,920	646,610
Reserve for employee retirement benefits	192	212	1,570
Reserve for reimbursement of deposits	775	1,129	6,332
Reserve for other contingent losses	1,082	1,220	8,840
Deferred tax liabilities	5,938	15,669	48,524
Deferred tax liabilities on revaluation of premises	14,381	14,476	117,508
Acceptances and guarantees	15,849	14,600	129,496
Total liabilities	12,295,093	11,252,071	100,458,320
Net assets:			
Capital stock	85,745	85,745	700,593
Capital surplus			
Capital reserve	85,684	85,684	700,090
Earned surplus			
Legal reserve	61	61	502
Reserve for deferred capital gains	1	2	15
Unappropriated retained earnings	289,868	275,004	2,368,403
Total shareholders' equity	461,362	446,498	3,769,605
Net unrealized gains on securities available for sale, net of taxes	35,824	62,724	292,709
Net deferred gains (losses) on hedging instruments, net of taxes	(8)	(1,428)	(67)
Revaluation of premises, net of taxes	29,438	29,592	240,534
Total valuation and translation adjustments	65,255	90,888	533,176
Total net assets	526,617	537,386	4,302,781
Total liabilities and net assets	¥12,821,711	¥11,789,458	\$104,761,102

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥77,121	¥78,091	\$630,130
Interest and dividends on securities	12,546	9,761	102,511
Other interest income	2,800	529	22,878
Trust fees	0	0	0
Fees and commissions	24,817	23,727	202,772
Trading income	0	—	0
Other operating income	2,373	4,614	19,393
Other income	2,827	3,303	23,103
Total income	122,486	120,027	1,000,792
Expenses:			
Interest expenses:			
Interest on deposits	455	774	3,721
Interest on call money and bills sold	(113)	(39)	(926)
Interest on payables under repurchase agreements	383	911	3,131
Interest on borrowings	47	241	390
Interest on guarantee deposits received under securities lending transactions	13	44	111
Other interest expenses	72	194	594
Fees and commissions	14,694	15,313	120,065
Trading expenses	—	4	—
Other operating expenses	1,653	1,854	13,506
General and administrative expenses	67,084	69,366	548,122
Other expenses	6,827	11,137	55,782
Total expenses	91,119	99,804	744,500
Income before income taxes	31,367	20,223	256,291
Income taxes			
Current	9,056	5,229	74,000
Deferred	1,267	155	10,354
Total income taxes	10,324	5,384	84,355
Net income	¥21,043	¥14,838	\$171,935

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$700,593
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$700,593
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$700,090
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$700,090
Total capital surplus			
Balance at beginning of the year	¥85,684	¥85,684	\$700,090
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$700,090
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$502
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$502
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥2	¥2	\$22
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(7)
Total changes during the year	(0)	(0)	(7)
Balance at end of the year	¥1	¥2	\$15
Unappropriated retained earnings			
Balance at beginning of the year	¥275,004	¥264,335	\$2,246,948
Cumulative effect of change in accounting principle	(93)	—	(766)
Restated balance at beginning of the year	¥274,910	¥264,335	\$2,246,182
Changes during the year			
Cash dividends paid	(6,239)	(4,523)	(50,979)
Transfer from reserve for deferred capital gains	0	0	7
Net income	21,043	14,838	171,935
Reversal of revaluation of premises	153	353	1,257
Total changes during the year	14,958	10,668	122,221
Balance at end of the year	¥289,868	¥275,004	\$2,368,403

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total earned surplus			
Balance at beginning of the year	¥275,068	¥264,399	\$2,247,474
Cumulative effect of change in accounting principle	(93)	—	(766)
Restated balance at beginning of the year	¥274,974	¥264,399	\$2,246,707
Changes during the year			
Cash dividends paid	(6,239)	(4,523)	(50,979)
Net income	21,043	14,838	171,935
Reversal of revaluation of premises	153	353	1,257
Total changes during the year	14,957	10,668	122,214
Balance at end of the year	¥289,932	¥275,068	\$2,368,922
Total shareholders' equity			
Balance at beginning of the year	¥446,498	¥435,829	\$3,648,157
Cumulative effect of change in accounting principle	(93)	—	(766)
Restated balance at beginning of the year	¥446,404	¥435,829	\$3,647,391
Changes during the year			
Cash dividends paid	(6,239)	(4,523)	(50,979)
Net income	21,043	14,838	171,935
Reversal of revaluation of premises	153	353	1,257
Total changes during the year	14,957	10,668	122,214
Balance at end of the year	¥461,362	¥446,498	\$3,769,605
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥62,724	¥45,263	\$512,492
Changes during the year			
Net changes in items other than shareholders' equity	(26,899)	17,460	(219,783)
Total changes during the year	(26,899)	17,460	(219,783)
Balance at end of the year	¥35,824	¥62,724	\$292,709
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥1,428)	(¥1,841)	(\$11,667)
Changes during the year			
Net changes in items other than shareholders' equity	1,419	413	11,600
Total changes during the year	1,419	413	11,600
Balance at end of the year	(¥8)	(¥1,428)	(\$67)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,592	¥29,946	\$241,792
Changes during the year			
Net changes in items other than shareholders' equity	(153)	(353)	(1,257)
Total changes during the year	(153)	(353)	(1,257)
Balance at end of the year	¥29,438	¥29,592	\$240,534
Total valuation and translation adjustments			
Balance at beginning of the year	¥90,888	¥73,368	\$742,617
Changes during the year			
Net changes in items other than shareholders' equity	(25,633)	17,520	(209,440)
Total changes during the year	(25,633)	17,520	(209,440)
Balance at end of the year	¥65,255	¥90,888	\$533,176

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd.
Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total net assets			
Balance at beginning of the year	¥537,386	¥509,197	\$4,390,774
Cumulative effect of change in accounting principle	(93)	—	(766)
Restated balance at beginning of the year	¥537,293	¥509,197	\$4,390,008
Changes during the year			
Cash dividends paid	(6,239)	(4,523)	(50,979)
Net income	21,043	14,838	171,935
Reversal of revaluation of premises	153	353	1,257
Net changes in items other than shareholders' equity	(25,633)	17,520	(209,440)
Total changes during the year	(10,675)	28,189	(87,226)
Balance at end of the year	¥526,617	¥537,386	\$4,302,781

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Nagasaki, Ltd.
31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Assets:			
Cash and due from banks	¥52,921	¥38,703	\$432,398
Securities	9,029	6,758	73,778
Loans and bills discounted	275,993	263,067	2,255,037
Other assets	1,834	2,348	14,989
Tangible fixed assets	4,490	4,633	36,688
Intangible fixed assets	285	358	2,336
Deferred tax assets	132	233	1,083
Customers' liabilities for acceptances and guarantees	12	18	98
Reserve for possible loan losses	(396)	(379)	(3,235)
Reserve for devaluation of securities	(43)	(43)	(354)
Total assets	¥344,261	¥315,699	\$2,812,820
Liabilities and net assets:			
Liabilities:			
Deposits	¥262,977	¥252,918	\$2,148,688
Call money and bills sold	40,000	30,000	326,824
Borrowed money	20,900	15,600	170,765
Other liabilities	1,184	1,207	9,676
Reserve for employee retirement benefits	14	118	115
Reserve for retirement benefits for directors and corporate auditors	100	98	823
Reserve for reimbursement of deposits	50	55	409
Reserve for other contingent losses	14	34	119
Deferred tax liabilities on revaluation of premises	509	509	4,160
Acceptances and guarantees	12	18	98
Total liabilities	325,763	300,559	2,661,681
Net assets:			
Capital stock	7,621	6,121	62,273
Capital surplus			
Capital reserve	3,500	2,000	28,597
Other capital surplus	2,463	2,463	20,131
Earned surplus			
Legal reserve	210	210	1,720
Unappropriated retained earnings	3,380	3,201	27,618
Total shareholders' equity	17,176	13,997	140,342
Net unrealized gains on securities available for sale, net of taxes (Note 30)	169	44	1,385
Revaluation of premises, net of taxes	1,151	1,097	9,412
Total valuation and translation adjustments	1,321	1,141	10,797
Total net assets	18,497	15,139	151,139
Total liabilities and net assets	¥344,261	¥315,699	\$2,812,820

See accompanying Notes to Non Consolidated Financial Statements.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥3,525	¥3,576	\$28,805
Interest and dividends on securities	239	164	1,956
Other interest income	115	150	943
Fees and commissions	700	631	5,724
Other income	57	208	470
Total income	4,638	4,731	37,901
Expenses:			
Interest expenses:			
Interest on deposits	55	60	453
Interest on call money and bills sold	(23)	(22)	(192)
Interest on borrowings	0	0	0
Other interest expenses	3	2	31
Fees and commissions	969	991	7,924
Other operating expenses	0	0	7
General and administrative expenses	3,262	3,310	26,654
Other expenses	59	263	485
Total expenses	4,328	4,606	35,364
Income before income taxes	310	125	2,536
Income taxes			
Current	32	(18)	262
Deferred	45	64	372
Total income taxes	77	45	635
Net income	¥232	¥79	\$1,901

See accompanying Notes to Non Consolidated Financial Statements.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.

Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥6,121	¥6,121	\$50,017
Changes during the year			
Issuance of new shares	1,500	—	12,255
Total changes during the year	1,500	—	12,255
Balance at end of the year	¥7,621	¥6,121	\$62,273
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥2,000	¥2,000	\$16,341
Changes during the year			
Issuance of new shares	1,500	—	12,255
Total changes during the year	1,500	—	12,255
Balance at end of the year	¥3,500	¥2,000	\$28,597
Other capital surplus			
Balance at beginning of the year	¥2,463	¥2,463	\$20,131
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥2,463	¥2,463	\$20,131
Total capital surplus			
Balance at beginning of the year	¥4,463	¥4,463	\$36,473
Changes during the year			
Issuance of new shares	1,500	—	12,255
Total changes during the year	1,500	—	12,255
Balance at end of the year	¥5,963	¥4,463	\$48,729
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥210	¥210	\$1,720
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥210	¥210	\$1,720
Other earned surplus:			
Unappropriated retained earnings			
Balance at beginning of the year	¥3,201	¥3,122	\$26,159
Changes during the year			
Net income	232	79	1,901
Reversal of revaluation of premises	(54)	—	(442)
Total changes during the year	178	79	1,458
Balance at end of the year	¥3,380	¥3,201	\$27,618
Total earned surplus			
Balance at beginning of the year	¥3,412	¥3,332	\$27,880
Changes during the year			
Net income	232	79	1,901
Reversal of revaluation of premises	(54)	—	(442)
Total changes during the year	178	79	1,458
Balance at end of the year	¥3,590	¥3,412	\$29,339

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

The Bank of Nagasaki, Ltd.
Years ended 31st March, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total shareholders' equity			
Balance at beginning of the year	¥13,997	¥13,918	\$114,371
Changes during the year			
Issuance of new shares	3,000	—	24,511
Net income	232	79	1,901
Reversal of revaluation of premises	(54)	—	(442)
Total changes during the year	3,178	79	25,970
Balance at end of the year	¥17,176	¥13,997	\$140,342
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥44	¥—	\$361
Changes during the year			
Net changes in items other than shareholders' equity	125	44	1,023
Total changes during the year	125	44	1,023
Balance at end of the year	¥169	¥44	\$1,385
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥1,097	¥1,097	\$8,969
Changes during the year			
Net changes in items other than shareholders' equity	54	—	442
Total changes during the year	54	—	442
Balance at end of the year	¥1,151	¥1,097	\$9,412
Total valuation and translation adjustments			
Balance at beginning of the year	¥1,141	¥1,097	\$9,330
Changes during the year			
Net changes in items other than shareholders' equity	179	44	1,466
Total changes during the year	179	44	1,466
Balance at end of the year	¥1,321	¥1,141	\$10,797
Total net assets			
Balance at beginning of the year	¥15,139	¥15,016	\$123,702
Changes during the year			
Issuance of new shares	3,000	—	24,511
Net income	232	79	1,901
Reversal of revaluation of premises	(54)	—	(442)
Net changes in items other than shareholders' equity	179	44	1,466
Total changes during the year	3,357	123	27,436
Balance at end of the year	¥18,497	¥15,139	\$151,139

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd.
31st March, 2022 and 2021

1. Basis of Presentation of Financial Statements

The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd. (the Banks) have been prepared from the accounts maintained by the Banks in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.

2. Other Accounting Principles and Practices Employed by the Bank

Accounting principles employed by the Banks in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.

Independent Auditor's Report

The Board of Directors
Nishi-Nippon Financial Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Nishi-Nippon Financial Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

Determination of debtor classification in self-assessments of debtors that have formulated business improvement plans and debtors affected by the COVID-19 pandemic and calculation of the reserve for possible loan losses for debtors for which the cash flow estimation method is applied	
Description of Key Audit Matter	Auditor's Response
<p>The Group recorded loans and bills discounted of ¥8,470,861 million and reserve for possible loan losses of ¥42,473 million on its consolidated balance sheet as of March 31, 2022.</p> <p>The Group has as its core subsidiary The Nishi-Nippon City Bank, Ltd., and is engaged in the loan business mainly in Fukuoka. Loans and bills discounted is a significant part of the Group's business as it accounts for approximately 70% of the total assets on the consolidated balance sheet, and loan losses may arise if, for example, the creditworthiness of debtors deteriorates or the value of collateral such as real estate declines.</p> <p>Accordingly, the Group records the amount of expected losses that won't be collected as a reserve for possible loan losses, and the details of this process are noted in Note 2 "Significant Accounting Policies (10) Reserve for Possible Loan Losses," and "(24) Significant Accounting Estimates."</p> <p>The reserve for possible loan losses is calculated in line with the write-offs and allowances method for each debtor class based on the determination of the debtor classification through self-assessment.</p> <p>The determination of the debtor classification through self-assessment is made by evaluating the relevant debtor's ability to repay loans based on the debtor's repayment status, financial position, business performance, and future prospects thereof.</p>	<p>We mainly performed the following audit procedures:</p> <p>(1) Overall procedures</p> <ul style="list-style-type: none"> • In order to confirm that the Group's policies comply with generally accepted corporate accounting standards, we verified the Group's self-assessment standards and write-offs and allowances standards with reference to Accounting Standards for Financial Instruments. • We evaluated whether the Group's internal controls ensure the accuracy and completeness of the calculation of the reserve for possible loan losses, determinations of the debtor classification and credit ratings relevant to such determinations, as well as debtor information upon which such determinations are made. • We sampled debtors that formulated highly feasible drastic business improvement plans (or reasonable and highly feasible business improvement plans) for which the impact of the change in debtor classification on the reserve for possible loan losses exceeded a certain amount. We also sampled debtors that were affected by the COVID-19 pandemic from the standpoint of the industry to which they belong or their operating results, and debtors for which the cash flow estimation method is applied to test management's classification of the sampled debtor.

<p>In particular, categorizing debtors as Requiring Caution when the debtor formulates ‘highly feasible drastic business improvement plans’ or ‘reasonable and highly feasible business improvement plans’ requires validation of reasonableness and feasibility of such business improvement plans. ‘Highly feasible drastic business improvement plans’ (or ‘reasonable and highly feasible business improvement plans’) are formulated based on significant assumptions such as expected future sales and future earnings levels, including profit or loss, of debtors, and are affected by factors such as changes in the operating environment surrounding debtors and the outcome of business strategies. Therefore, the determination of the debtor classification is highly dependent on judgement by the Group’s management.</p> <p>Additionally, these determinations become even more dependent on judgement by the Group’s management in cases where the COVID-19 pandemic has had a significant impact on the business conditions of the debtor. The Group includes a discussion of the impact of the COVID-19 pandemic in “(24) Significant Accounting Estimates” in Notes 2.</p> <p>Further, calculation of the reserve for possible loan losses for debtors for which the cash flow estimation method is applied is highly dependent on judgement by the Group’s management since such calculation is based on significant assumptions, such as future changes in debtor classification and amounts expected to be collected in the future.</p> <p>Therefore, we determined that the reasonableness and feasibility of highly feasible drastic business improvement plans (reasonable and highly feasible business improvement plans) and outlook on recovery of the operating results of debtors after the COVID-19 pandemic, which have a significant impact on determination of debtor classification in self-assessments conducted by The Nishi-Nippon City Bank, Ltd., a consolidated subsidiary of the Group, and future changes in debtor classification and amounts expected to be collected in the future, which are used in the cash flow estimation method and have a significant impact on the calculation of the reserve for possible loan losses, are key audit matters.</p>	<ul style="list-style-type: none"> • With regard to the determination of the debtor classification, we inspected a set of materials related to the Group’s self-assessment, that included a description of the debtor’s business, borrowing and repayment status, research materials that provide details of the actual financial position, financial statements, and the trial balance to gain an understanding of the sampled debtors’ status of recent repayments, financial position, and business performance. In addition, we made inquiries as necessary of the Credit Supervision Division and Credit Management Division and evaluated the responses we received. <p>(2) Procedures addressing key audit matters</p> <ul style="list-style-type: none"> • To examine the reasonableness and feasibility of highly feasible drastic business improvement plans (or reasonable and highly feasible business improvement plans), we analyzed trends from past results of major plan items such as sales and future earnings levels, including profit or loss, of debtors and compared the assumptions used in these business improvement plans with the actual results to evaluate whether the debtor had historically achieved its previous business improvement plans. We also made inquiries as necessary of the Credit Supervision Division and Credit Management Division regarding items such as progress of business improvement plans and evaluated the responses we received. In addition, we inspected the contact history between the Group and its debtor as well as materials such as minutes of meetings and interim trial balances to confirm whether there were new information and indications that targets set out in plans will significantly fall short of being achieved. • To examine the recoverability of future operating results of debtors affected by the COVID-19 pandemic, we inspected materials regarding the extent of the deterioration in their business performance compared to past operating results and future actions to be taken by debtors, and made inquiries as necessary of the Credit Supervision Division and Credit Management Division and evaluated the responses we received.
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	<ul style="list-style-type: none"> Regarding debtors for which the cash flow estimation method is applied in the calculation of the reserve for possible loan losses, in order to confirm whether future expectations for debtors identified through self-assessment are reflected in the calculation of the reserve for possible loan losses, we agreed the future changes of debtor classification and amounts expected to be collected in the future to supporting documentation, and made inquiries as necessary of the Credit Supervision Division and Credit Management Division about the latest information and considered the consistency of the responses we received with the basis for determination of the reserve for possible loan losses.
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Other Information

The other information comprises the information included in Financial Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 10, 2022

/s/ 小澤裕治

Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

/s/ 長尾礎樹

Motoki Nagao
Designated Engagement Partner
Certified Public Accountant

/s/ 石川琢也

Takuya Ishikawa
Designated Engagement Partner
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