

Consolidated Financial Statements

The Shikoku Bank, Ltd.

31st March, 2022 and 2023

Independent Auditor's Report

The Board of Directors
The Shikoku Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Shikoku Bank, Ltd. (the Bank) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, 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, 2023, 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.

We identified the following matter as a Key Audit Matter in the audit of the consolidated financial statements of the current period.

- **Classification of borrowers as the basis for determining the reserve for possible loan losses**

Description of Key Audit Matter

The Group is engaged in the banking business mainly in the Shikoku region, with a focus on Kochi Prefecture, and the lending business is their core business. One of the Group's strategic goals is to provide consulting services that contribute to the development of the region. To support the business growth of borrowers, the Group focuses on lending to small and medium-sized entities based on an evaluation of business potential.

The collectability of loans and other receivables recorded by the Group is affected by changes in economic trends in Japan and overseas, changes in the financial and economic environment such as real estate prices, interest rates and stock prices, and the business circumstances of borrowers. As a result, there is a possibility of default by borrowers. Furthermore, changes in the external environment, such as outbreaks of the COVID-19 pandemic and surging natural resource prices may affect the performance of borrowers.

As such, the Group calculates the amount of expected loss on nonrepayment of loans and records it as a reserve for possible loan losses.

The Bank's carrying amount of reserve for possible loan losses on a non-consolidated basis amounted to ¥14,465 million, out of the ¥15,164 million recorded on the Group's consolidated balance sheet for as of March 31, 2023. The specific calculation method for the reserve for possible loan losses is described in the "Reserve for Possible Loan Losses" of Note 1 (Summary of Significant Accounting Policies) and Note 2 (Significant Accounting Estimates) under Notes to Consolidated Financial Statements.

The reserve for possible loan losses is calculated in accordance with the Group's predetermined guidelines for self-assessment, and write-offs and reserves. The calculation process includes the borrower classification which is determined by assessing the relevant borrower's ability to repay loans based on considerations such as its repayment status, financial position, business performance, and prospects thereof. The Group deems the "outlook for the future performance of the borrowers in determining borrower classification" to be a key assumption and determines the borrower's classification by evaluating individual borrower's ability to earn profit, among other factors.

In particular, when assessing the appropriate classification of a borrower, whose repayment status, financial position, or business performance is deteriorating, among borrowers to which the general reserve for possible loan losses applies, factors such as the reasonableness and feasibility of business improvement plan, which details the outlook for the future performance, or the prospect of formulating such plans and so forth, may be a more important factor in the judgment.

Since the reasonableness and feasibility of business improvement plans, or the prospect of formulating such plans and so forth are affected by changes in the business environment surrounding the borrower and the success or failure of the borrower's business strategy, there is a high degree of uncertainty in estimates and reliance on management's judgment.

In particular, the impacts of changes in the external environment, such as outbreaks of the COVID-19 pandemic and surging natural resource prices are significant, and some borrowers have not recovered in their business performance. Therefore, the reasonableness and feasibility of future business improvement plans, or the prospect of formulating such plans and so forth involve a higher degree of uncertainty in estimates and more reliance on management's judgment than in the past.

Accordingly, among borrowers to which the general reserve for possible loan losses applies, we have determined the adequacy of the classification of borrowers as a basis for determining the reserve for possible loan losses, particularly with respect to borrowers demonstrating a deterioration in repayment status, financial position, or business performance, to be a Key Audit Matter.

How the matter was addressed in our audit

In considering the adequacy of the classification of borrowers and the timeliness and appropriateness of changes in estimates related to estimated loss ratio, we mainly performed the following audit procedures:

We evaluated the Bank's internal controls to ensure the reliability of determining borrower classification and the credit ratings that serve as the premises for such classification, as well as information related to borrowers that forms the basis for such determination.

We selected a sample of those borrowers deemed necessary to be assessed by taking into account the borrower's industry, repayment status, financial position, the degree of deterioration in their business performance, and the impacts of changes in the external environment, such as outbreaks of the COVID-19 pandemic and surging natural resource prices to test management's classification of borrowers. We also considered the quantitative impact of the changes in borrower classification on the recorded amounts of the reserve for possible loan losses.

We evaluated data regarding the recent repayment status, financial position, and business performance of sampled borrowers, by inspecting a set of materials related to the Bank's self-assessment, such as borrower-related explanatory materials including a description of the business, borrowing and repayment status, research materials that provide details of actual financial position, and the borrower's financial statements and trial balances. In addition, we made inquiries of the department responsible for credit screening as necessary.

In order to examine the reasonableness and feasibility of business improvement plans and so forth, for a borrower's performance, we evaluated the reliability of estimates based on trend analysis of past performance and the degree of achievement of management improvement plan targets in prior years. Where necessary, we compared the borrower's performance to available external information, such as performance trends of other companies in the same industry and industry trend analysis. We also held discussions with the director responsible for credit screening, and personnel from the department responsible for credit screening.

With regard to borrowers whose business performance has deteriorated due to the impacts of changes in the external environment, such as outbreaks of the COVID-19 pandemic and surging natural resource prices and who are considering revising their existing business improvement plans and so forth or who are delaying the formulation of such plans, in order to consider the possibility of revising or formulating these business improvement plans, we evaluated the current repayment capacity by inspecting the funding schedules of borrowers. Where necessary, we also discussed with the director responsible for credit screening and the department responsible for business support regarding specific measures for responding to the impacts during and after the COVID-19 pandemic and surging natural resource prices, and the provision of support and consulting function of the Group to the debtor.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, 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, 2023 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 5 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 13, 2023

大村真敏

Masatoshi Omura
Designated Engagement Partner
Certified Public Accountant

刀禰哲朗

Tetsuro Tone
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements

The Shikoku Bank, Ltd.

31st March, 2022 and 2023

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	At 31st March,		
	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 5)</i>
Assets			
Cash and due from banks <i>(Note 26)</i>	¥ 643,722	¥ 411,090	\$ 3,078,641
Call loans and bills purchased <i>(Note 14)</i>	–	466	3,493
Debt purchased <i>(Note 14)</i>	13,718	12,473	93,413
Trading account securities <i>(Notes 14 and 15)</i>	9	26	196
Money held in trust <i>(Note 14)</i>	1,980	2,000	14,978
Securities <i>(Notes 6, 7, 12, 14 and 15)</i>	945,823	809,131	6,059,546
Loans and bills discounted <i>(Notes 6, 7, 8 and 14)</i>	1,912,228	1,979,584	14,825,015
Foreign exchange	14,433	15,422	115,496
Other assets <i>(Notes 6 and 7)</i>	69,176	63,466	475,296
Tangible fixed assets <i>(Notes 9 and 10)</i>	34,597	34,452	258,012
Intangible fixed assets	2,380	1,945	14,568
Net defined benefit asset <i>(Note 17)</i>	3,968	5,607	41,994
Deferred income tax assets <i>(Note 20)</i>	19	19	146
Customers' liabilities for acceptances and guarantees	5,446	4,104	30,742
Reserve for possible loan losses	(14,807)	(15,164)	(113,565)
Total assets	¥3,632,696	¥3,324,626	\$24,897,971
Liabilities			
Deposits <i>(Notes 7 and 14)</i>	¥3,071,775	¥3,088,011	\$23,125,977
Call money and bills sold <i>(Note 14)</i>	13,487	–	–
Payables under securities lending transactions <i>(Notes 7 and 14)</i>	57,330	33,874	253,687
Borrowed money <i>(Notes 7, 11 and 14)</i>	281,177	8,359	62,602
Foreign exchange	2,642	7	54
Other liabilities	39,425	35,310	264,439
Net defined benefit liability <i>(Note 17)</i>	75	76	574
Reserve for retirement benefits for directors and corporate auditors	5	7	59
Reserve for reimbursement of deposits	524	402	3,016
Deferred income tax liability <i>(Note 20)</i>	2,038	368	2,763
Deferred income tax liability for land revaluation excess <i>(Note 9)</i>	4,146	4,141	31,015
Acceptances and guarantees	5,446	4,104	30,742
Total liabilities	3,478,074	3,174,666	23,774,928
Net assets <i>(Note 13)</i>			
Common stock	25,000	25,000	187,224
Capital surplus	9,699	9,699	72,641
Retained earnings	99,997	103,783	777,227
Treasury stock, at cost	(1,466)	(1,418)	(10,624)
Total shareholders' equity	133,231	137,064	1,026,468
Unrealized gains on securities <i>(Note 15)</i>	13,820	3,871	28,994
Net deferred hedge losses	(1,951)	(1,145)	(8,582)
Land revaluation excess <i>(Note 9)</i>	8,651	8,640	64,709
Remeasurements of defined benefit plans <i>(Note 17)</i>	663	1,332	9,980
Total accumulated other comprehensive income	21,184	12,698	95,101
Stock acquisition rights <i>(Note 19)</i>	69	58	435
Non-controlling interests	137	138	1,039
Total net assets	154,622	149,959	1,123,043
Total liabilities and net assets	¥3,632,696	¥3,324,626	\$24,897,971

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended 31st March,		
	2022 <i>(Millions of yen)</i>	2023	2023 <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i>
Income (Note 21)			
Interest and dividend income:			
Interest on loans and discounts	¥19,026	¥20,453	\$153,175
Interest and dividends on securities	11,032	9,941	74,449
Other interest income	371	333	2,498
Trust fees	0	0	2
Fees and commissions	7,925	8,049	60,283
Other operating income	1,678	16,074	120,382
Other income	3,555	5,931	44,424
Total income	43,590	60,784	455,213
Expenses			
Interest expense:			
Interest on deposits	250	368	2,759
Interest on call money and borrowings	138	1,130	8,466
Other interest expense	701	291	2,181
Fees and commissions	2,276	2,246	16,822
Other operating expenses	3,525	25,560	191,424
General and administrative expenses (Note 19)	22,884	22,353	167,407
Other expenses (Note 25)	3,287	942	7,055
Total expenses	33,064	52,893	396,114
Profit before income taxes	10,526	7,891	59,099
Income taxes (Note 20):			
Current	1,205	224	1,681
Deferred	1,371	2,114	15,837
	2,577	2,339	17,518
Profit	7,948	5,552	41,581
Profit attributable to non-controlling interests	3	2	20
Profit attributable to shareholders of The Shikoku Bank, Ltd.	¥ 7,945	¥ 5,549	\$ 41,561
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Per share amounts (Note 24)			
Basic earnings per share	¥191.07	¥133.28	\$1.00
Diluted earnings per share	¥190.78	¥133.11	\$1.00

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended 31st March,		
	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i>
Profit	¥ 7,948	¥ 5,552	\$ 41,581
Other comprehensive income (Note 27):	(10,455)	(8,474)	(63,466)
Unrealized losses on securities	(12,840)	(9,957)	(74,575)
Net deferred hedge gains	1,818	805	6,031
Remeasurements of defined benefit plans (Note 17)	762	669	5,012
Share of other comprehensive income (loss) of companies accounted for by equity method	(196)	8	66
Comprehensive income	<u>¥(2,506)</u>	<u>¥(2,922)</u>	<u>\$(21,885)</u>
 Total comprehensive income attributable to:			
Shareholders of The Shikoku Bank, Ltd.	¥(2,509)	¥(2,925)	\$(21,905)
Non-controlling interests	3	2	20

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at 1st April, 2021	¥25,000	¥9,699	¥93,369	¥(1,518)	¥126,551
Cumulative effects of changes in accounting policies	-	-	(192)	-	(192)
Restated balance	25,000	9,699	93,177	(1,518)	126,358
Changes during the year					
Cash dividends	-	-	(1,250)	-	(1,250)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	7,945	-	7,945
Acquisition of treasury stock	-	-	-	(1)	(1)
Disposition of treasury stock	-	-	(9)	53	44
Reversal of land revaluation excess	-	-	134	-	134
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	6,819	52	6,872
Balance at 31st March, 2022	¥25,000	¥9,699	¥99,997	¥(1,466)	¥133,231

	Accumulated other comprehensive income							Total net assets
	Unrealized gains on securities	Net deferred hedge losses	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	
	<i>(Millions of yen)</i>							
Balance at 1st April, 2021	¥26,858	¥(3,770)	¥8,785	¥(99)	¥31,774	¥77	¥135	¥158,537
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	(192)
Restated balance	26,858	(3,770)	8,785	(99)	31,774	77	135	158,345
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(1,250)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	-	-	-	-	-	7,945
Acquisition of treasury stock	-	-	-	-	-	-	-	(1)
Disposition of treasury stock	-	-	-	-	-	-	-	44
Reversal of land revaluation excess	-	-	-	-	-	-	-	134
Net changes in items other than shareholders' equity	(13,037)	1,818	(134)	762	(10,589)	(7)	2	(10,595)
Total changes during the year	(13,037)	1,818	(134)	762	(10,589)	(7)	2	(3,723)
Balance at 31st March, 2022	¥13,820	¥(1,951)	¥8,651	¥663	¥21,184	¥69	¥137	¥154,622

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at 1st April, 2022	¥25,000	¥9,699	¥ 99,997	¥(1,466)	¥133,231
Changes during the year					
Cash dividends	-	-	(1,774)	-	(1,774)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	5,549	-	5,549
Acquisition of treasury stock	-	-	-	(1)	(1)
Disposition of treasury stock	-	-	(0)	48	48
Reversal of land revaluation excess	-	-	10	-	10
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	3,785	47	3,832
Balance at 31st March, 2023	¥25,000	¥9,699	¥103,783	¥(1,418)	¥137,064

	Accumulated other comprehensive income							Total net assets
	Unrealized gains on securities	Net deferred hedge losses	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	
	<i>(Millions of yen)</i>							
Balance at 1st April, 2022	¥13,820	¥(1,951)	¥8,651	¥ 663	¥21,184	¥69	¥137	¥154,622
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(1,774)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	-	-	-	-	-	5,549
Acquisition of treasury stock	-	-	-	-	-	-	-	(1)
Disposition of treasury stock	-	-	-	-	-	-	-	48
Reversal of land revaluation excess	-	-	-	-	-	-	-	10
Net changes in items other than shareholders' equity	(9,949)	805	(10)	669	(8,485)	(11)	1	(8,495)
Total changes during the year	(9,949)	805	(10)	669	(8,485)	(11)	1	(4,662)
Balance at 31st March, 2023	¥ 3,871	¥(1,145)	¥8,640	¥1,332	¥12,698	¥58	¥138	¥149,959

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 5)</i>				
Balance at 1st April, 2022	\$187,224	\$72,641	\$748,877	\$(10,979)	\$ 997,763
Changes during the year					
Cash dividends	-	-	(13,287)	-	(13,287)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	41,561	-	41,561
Acquisition of treasury stock	-	-	-	(9)	(9)
Disposition of treasury stock	-	-	(4)	364	360
Reversal of land revaluation excess	-	-	80	-	80
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	28,350	355	28,705
Balance at 31st March, 2023	\$187,224	\$72,641	\$777,227	\$(10,624)	\$1,026,468

	Accumulated other comprehensive income							
	Unrealized gains on securities	Net deferred hedge losses	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 5)</i>							
Balance at 1st April, 2022	\$103,503	\$(14,613)	\$64,788	\$4,968	\$158,646	\$521	\$1,027	\$1,157,957
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(13,287)
Profit attributable to shareholders of The Shikoku Bank, Ltd.	-	-	-	-	-	-	-	41,561
Acquisition of treasury stock	-	-	-	-	-	-	-	(9)
Disposition of treasury stock	-	-	-	-	-	-	-	360
Reversal of land revaluation excess	-	-	-	-	-	-	-	80
Net changes in items other than shareholders' equity	(74,509)	6,031	(79)	5,012	(63,545)	(86)	12	(63,619)
Total changes during the year	(74,509)	6,031	(79)	5,012	(63,545)	(86)	12	(34,914)
Balance at 31st March, 2023	\$ 28,994	\$ (8,582)	\$64,709	\$ 9,980	\$ 95,101	\$435	\$1,039	\$1,123,043

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended 31st March,		
	2022 <i>(Millions of yen)</i>	2023	2023 <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i>
Cash flows from operating activities			
Profit before income taxes	¥ 10,526	¥ 7,891	\$ 59,099
Adjustments to reconcile profit before income taxes to net cash used in operating activities:			
Depreciation	2,212	2,124	15,909
Impairment loss	456	66	499
Equity in earnings of unconsolidated subsidiaries and affiliates	(182)	(113)	(852)
Reserve for possible loan losses	821	356	2,672
Net defined benefit asset	(1,528)	(1,639)	(12,275)
Net defined benefit liability	(0)	1	8
Reserve for retirement benefits for directors and corporate auditors	0	2	18
Reserve for reimbursement of deposits	(141)	(121)	(910)
Reserve for point loyalty programs	(65)	-	-
Accrued interest and dividend income	(30,430)	(30,728)	(230,121)
Accrued interest expenses	1,090	1,790	13,406
(Gains) losses on investment securities – net	1,807	3,322	24,880
(Gains) losses on money held in trust	(140)	(113)	(849)
Foreign exchange (gains) losses – net	(2)	(1)	(11)
(Gains) losses on disposal of fixed assets	(34)	(54)	(405)
Net (increase) decrease in loans	(35,150)	(67,356)	(504,427)
Net increase (decrease) in deposits	167,398	16,236	121,595
Net increase (decrease) in borrowed money (exclusive of subordinated loans)	147,474	(272,818)	(2,043,122)
Net (increase) decrease in due from banks (exclusive of the Bank of Japan)	(389)	324	2,433
Net (increase) decrease in call loans and others	(1,316)	778	5,828
Net (increase) decrease in trading account securities	(0)	(17)	(129)
Net increase (decrease) in call money and others	(5,333)	(13,487)	(101,006)
Net increase (decrease) in payables under securities lending transactions	(4,306)	(23,455)	(175,656)
Net (increase) decrease in foreign exchange (assets)	(4,542)	(988)	(7,405)
Net increase (decrease) in foreign exchange (liabilities)	2,622	(2,635)	(19,736)
Interest and dividends received	27,761	28,599	214,179
Interest paid	(1,144)	(1,677)	(12,559)
Other – net	24,392	(8,344)	(62,492)
Subtotal	301,853	(362,057)	(2,711,429)
Income taxes paid	(2,622)	(177)	(1,331)
Net cash provided by (used in) operating activities	299,231	(362,234)	(2,712,760)
Cash flows from investing activities			
Purchases of securities	(239,093)	(505,313)	(3,784,272)
Proceeds from sales of securities	185,756	589,667	4,415,992
Proceeds from redemption of securities	65,466	49,017	367,088
Payments for money held in trust	(35)	(19)	(146)
Purchases of tangible fixed assets	(1,019)	(1,324)	(9,916)
Proceeds from sales of tangible fixed assets	216	245	1,837
Purchases of intangible fixed assets	(1,392)	(477)	(3,575)
Payments for asset retirement obligations	(1)	(6)	(50)
Net cash provided by investing activities	9,896	131,788	986,958
Cash flows from financing activities			
Dividends paid	(1,250)	(1,770)	(13,257)
Dividends paid to non-controlling interests	(1)	(1)	(8)
Purchases of treasury stock	(1)	(1)	(8)
Proceeds from sales of treasury stock	36	36	274
Repayment of lease obligations	(201)	(125)	(942)
Net cash used in financing activities	(1,417)	(1,861)	(13,941)
Effect of currency rate changes on cash and cash equivalents	2	1	11
Net increase in cash and cash equivalents	307,712	(232,306)	(1,739,732)
Cash and cash equivalents at beginning of year	327,645	635,358	4,758,167
Cash and cash equivalents at end of year <i>(Note 26)</i>	¥635,358	¥403,051	\$3,018,435

The accompanying notes are an integral part of these statements.

The Shikoku Bank, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Shikoku Bank, Ltd. (the “Bank”) and consolidated subsidiaries (collectively the “Group”) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Financial Instruments and Exchange Law, the Banking Law of Japan and other applicable rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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.

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Law for the convenience of readers outside Japan.

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its following four significant subsidiaries.

The Shigin Agency Company Limited
The Shikoku Guarantee Company Limited
The Shigin Computer Service Company Limited
Shigin Regional Economic Research Institute Incorporated

One unconsolidated subsidiary is excluded from the scope of consolidation because it is deemed that it has insignificant effect on the consolidated financial statements in terms of total assets, ordinary income, profit, and retained earnings when excluded from the scope of consolidation. All material intercompany balances and transactions are eliminated in consolidation. Difference between the cost of investments in the consolidated subsidiaries and the corresponding net assets at the acquisition date of the equity is charged to income as incurred.

The Shigin Leasing Company Limited is accounted for by the equity method and is included in securities in the balance sheets.

One subsidiary and three affiliates, of which two are limited partnerships, are not accounted for by the equity method and carried at cost since profit and retained earnings of these subsidiary and affiliates are not significant and would not have a material impact on the consolidated financial statements of the Bank.

1. Summary of Significant Accounting Policies (continued)

c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the year end and cost is determined by the moving average method.

d. Securities

Securities other than trading account securities are classified into three categories: held-to-maturity bonds, equity of unconsolidated subsidiaries and affiliates, or available-for-sale securities. Held-to-maturity bonds are carried at amortized cost. Equity of unconsolidated subsidiaries and affiliates is stated at cost determined by the moving average method except for those accounted for by the equity method. Available-for-sale securities are generally carried at fair value with unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of shareholders' equity; however, shares, etc. that do not have a market price are carried at cost determined by the moving average method.

Securities managed as assets held in unconsolidated money trusts whose primary purpose is investments in securities are carried at fair value.

e. Derivatives

Derivatives are stated at fair value.

f. Method of Depreciation and Amortization

(i) Tangible fixed assets (Except for leased assets)

The Bank's tangible fixed assets, including improvements, are stated at cost less accumulated depreciation. Depreciation is mainly computed by the declining-balance method based on the estimated useful lives of the respective assets, except for buildings(excluding facilities attached to buildings) acquired on or after 1st April, 1998 as well as facilities attached to buildings and structures acquired on and after 1st April, 2016 which are depreciated by the straight-line method.

The estimated useful lives principally applied are as follows:

Buildings	19 years to 50 years
Other	5 years to 15 years

(ii) Intangible fixed assets (Except for leased assets)

Cost of intangible fixed assets obtained or developed for internal use is capitalized and amortized using the straight-line method over the estimated useful lives of five years.

1. Summary of Significant Accounting Policies (continued)

f. Method of Depreciation and Amortization (continued)

(iii) Leased assets

Leased assets in tangible fixed assets capitalized under finance leases that do not transfer ownership are depreciated to a residual value of zero by the straight-line method over the contract term.

g. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date.

As regards translation differences related to bonds among available-for-sale securities denominated in foreign currencies, those related to changes in fair value in original foreign currencies are treated as valuation differences, and the remainder is treated as gains or losses from foreign exchange transactions.

h. Reserve for Possible Loan Losses

The reserve for possible loan losses is provided in accordance with the internal policies and guidelines for write-offs and reserves for possible loan losses.

The reserve for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in a legal sense is provided at 100% of the amount remaining after write-offs and deduction of expected collection from the disposal of collateral and from guarantees.

In addition, a reserve is provided for loans to borrowers who, although not actually bankrupt in a legal sense, are experiencing serious financial difficulties and whose failure is imminent. In such cases, the reserve is provided at the amount deemed necessary based on the borrower's capability of repayment after deduction of expected collection from the disposal of collateral and from guarantees.

A reserve is also provided for certain large loans who have restructured loans or loans past due for three months or more at the amount of difference between the carrying value and the estimated future cash flows discounted by the original contractual interest rates if the future cash flows from the repayment of principal and interest is in reasonably estimated.

For all other loans, a reserve is provided as estimated loss amounts mainly for future one year or three years by each group based on the combination of borrower classification, credit rating, industry, and region. The estimated loss amounts are calculated based on the average of the past probability of default obtained from the actual default results for one year or three years, taking into account the long-term perspective, using the estimated loss ratio calculated by considering necessary adjustments.

1. Summary of Significant Accounting Policies (continued)

h. Reserve for Possible Loan Losses (continued)

The above classification of borrowers and the calculation of the provision for the possible loan losses are based on the result of self-assessment of asset, which is a comprehensive review process of Bank's asset quality performed by the relevant department in accordance with the internal guidelines for self-assessment and is independently reviewed by the internal audit unit.

For loans to bankrupt and substantially bankrupt borrowers, amounts deemed uncollectible, which are calculated after deduction of expected collection from the disposal of collateral and from guarantees, are written off. The amounts written off for the years ended 31st March, 2022 and 2023 were ¥15,801 million and ¥6,270 million (U.S.\$46,956 thousand), respectively.

Reserve for possible loan losses of the consolidated subsidiaries are provided at the amount deemed necessary for general receivables based on the past credit loss history, and at the amount deemed uncollectable for certain types of receivables such as doubtful receivables based on assessments of individual receivables.

i. Reserve for Retirement Benefits for Directors and Corporate Auditors of the Bank's Consolidated Subsidiaries

Reserve for retirement benefits for directors and corporate auditors of its consolidated subsidiaries is provided at the amount which would be required to be paid in accordance with the internal rules if they retired at the balance sheet date.

j. Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided at an estimate of the future payments for the reimbursement claims from the customers whose deposit accounts had been derecognized and credited from liability to income.

k. Retirement Benefit Plans

The benefit formula method is used to attribute expected benefits to the periods through the end of the fiscal year in calculating projected benefit obligation.

Prior service cost is amortized by the straight-line method over a certain period (10 years) that is shorter than the average remaining service years of the eligible employees.

Actuarial gain or loss is amortized from the next year of its occurrence primarily by the straight-line method over a certain period (10 years) that is shorter than the average remaining service years of the eligible employees.

Consolidated subsidiaries apply the simplified method, which assumes the projected benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, in computing net defined benefit liability and severance benefit expenses.

1. Summary of Significant Accounting Policies (continued)

l. Significant revenue and expenses

Revenue from contracts with customers is recorded when control of promised goods or services is transferred to customers. The recorded amount of revenue from contracts with customers is calculated based on the amount expected to be received in exchange for the goods or services. Credit card merchant commissions are recognized as the amount expected to be collected for third parties, net of the amount of points granted and expected to be used in the future.

m. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax basis of the assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the year when the temporary differences are expected to reverse.

n. Earnings per Share

Earnings per share was computed based on the profit attributable to common shareholders of The Shikoku Bank, Ltd. and the average number of shares of common stock outstanding during the year.

o. Hedge Accounting

(i) Hedges of interest rate risk

The Bank adopts the deferred method of hedge accounting for interest rate risk arising from financial assets and liabilities. The Bank identifies hedging relationship on an individual transaction basis by designating hedging interest rate swaps as hedges of certain loans and securities in accordance with its policy for calculating fair value of financial instruments and hedge accounting.

The Bank centralizes management of hedged items and corresponding hedging instruments and assesses hedge effectiveness by examining whether interest rate risk of the relevant hedged items are offset by the relevant hedging transactions or not.

1. Summary of Significant Accounting Policies (continued)

o. Hedge Accounting (continued)

(ii) Hedges of foreign exchange risk

The Bank adopts the standard treatment under the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Committee Practical Guidelines No. 25 “Accounting and Auditing Treatment for Accounting for Foreign Currency Transaction in Banking Industry,” issued on 8th October, 2020, for foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies. Under that treatment, the Bank applies the deferred method of hedge accounting. The Bank enters into currency swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at inception of the hedge and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of the hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedged items exceeds the foreign currency position of the hedging instruments that offsets foreign exchange risk of the foreign currency-denominated monetary claims designated as the hedged items.

p. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consists of cash and deposits with the Bank of Japan included in “Cash and due from banks” on the consolidated balance sheets.

q. Accounting Policies and Procedures Adopted When Requirements Under the Relating Accounting Standards Are Not Clearly Defined

Gains or losses on cancellation and redemption of investment trusts (excluding listed investment trusts) are recorded in “Interest and dividends on securities” in the case of gains, and in “Losses on redemption of bonds” in “Other operating expenses” in the case of losses, for each investment trust issue.

Gains on cancellation and redemption of investment trusts (excluding listed investment trusts) of ¥2,570 million and ¥1,936 million (U.S.\$14,501 thousand) were recorded in “Interest and dividends on securities” and losses on cancellation and redemption of investment trusts (excluding listed investment trusts) of ¥1,639 million and ¥2,388 million (U.S.\$17,887 thousand) were recorded in “Losses on redemption of bonds” for the years ended 31st March, 2022 and 2023, respectively.

2. Significant Accounting Estimates

Reserve for Possible Loan Losses

(1) Carrying amount in the current year financial statements

The Bank's carrying amount of reserve for possible loan losses as of 31st March, 2022 and 2023 were ¥14,211 million and ¥14,465 million (U.S.\$108,335 thousand), respectively.

(2) Information on the nature of significant accounting estimates for identified items

(i) Method of calculation

The Bank conducts self-assessment, which is a process where financial institutions examine their own assets individually and classify them according to the degree of risk of uncollection or risk of impairment of value, and records reserve for possible loan losses in accordance with predetermined guidelines for write-offs and provisions. See Note 1 "h. Reserve for Possible Loan Losses for specific details of borrower classification."

(ii) Key assumptions

A key assumption is made for the "outlook for the future performance of the borrowers in determining the borrower classification" which is determined by individually evaluating each borrower's ability to earn income and other factors. For certain borrowers, the rationale for and feasibility of the business improvement plans, which detail the outlook for the future performance, or the prospect of formulating such plans, may be a more important factor in the judgment.

With regard to the impact on individual borrowers of changes in the external environment, such as outbreaks of the COVID-19 pandemic and surging natural resource prices, the Bank assesses the current impact and, if necessary, reflects the impact in its outlook for the future performance to determine the borrower classification.

(iii) Effects on the next year financial statements

If the assumption used in the initial estimates changes due to changes in the performance of individual borrowers or other factors, this may have a significant impact on the reserve for possible loan losses in the next year financial statements.

3. Changes in Accounting Policies

Implementation Guidance on Accounting Standard for Fair Value Measurement

The Group adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on 17th June, 2021; hereinafter the “Guidance on Fair Value Measurement”) effective April 1, 2022, and applied prospectively the new accounting policies stipulated by the Guidance on Fair Value Measurement in accordance with the transitional treatment provided in Paragraph 27-2 of the Guidance on Fair Value Measurement. This does not affect the consolidated financial statements.

In 3. Fair value information by level within the fair value hierarchy of 14. Financial Instruments and Related Disclosures, disclosure of investment trusts for the year ended March 31, 2022 are omitted in accordance with Paragraph 27-3 of the Guidance on Fair Value Measurement.

4. Accounting Standards Issued But Not Yet Effective

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, issued on 28th October, 2022)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on 28th October, 2022)

“Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, issued on 28th October, 2022)

(1) Summary

These establish the classification of income taxes to be recorded when other comprehensive income is taxed and the treatment of tax effects on sales of shares of subsidiaries and other securities when the group taxation regime is applied.

(2) Effective date

The Group expects to adopt the new standards and guidance effective the beginning of the year ending 31st March, 2025.

(3) Effects of adopting the standards and guidance

The amount of impact has not yet been determined at the time of preparation of these consolidated financial statements.

5. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, omitting amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements do not necessarily add up to the sum of the respective account balances.

The U.S. dollar amounts included in the accompanying consolidated financial statements represent the arithmetic results of translating yen into U.S. dollars at $¥133.53 = \text{U.S.}\$1.00$, the approximate exchange rate in effect on 31st March, 2023. The inclusion of the U.S. dollar amounts is solely for convenience and is not intended to imply that assets and liabilities originating in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

6. Loans and Bills Discounted

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

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Bankrupt or quasi-bankrupt loans	¥ 3,810	¥ 3,964	\$ 29,688
Doubtful loans	37,595	40,861	306,013
Loans past due for three months or more	—	—	—
Restructured loans	4,605	5,714	42,794
Total	<u>¥46,011</u>	<u>¥50,540</u>	<u>\$378,495</u>

Bankrupt or quasi-bankrupt loans mean loans to borrowers with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Doubtful loans mean loans whose borrowers are not yet in the status of failure in business although such borrowers’ financial status and business performance are worsening, and for which it is unlikely that the principal or interest is collected in accordance with the contract, excluding bankrupt or quasi-bankrupt loans.

Loans past due for three months or more mean loans for which payments of principal or interest has been delayed for three months or more from the date when they are due, excluding bankrupt or quasi-bankrupt loans and doubtful loans.

Restructured loans mean loans which have been restructured to support business rehabilitation of borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.), excluding bankrupt or quasi-bankrupt loans, doubtful loans and the loans past due for three months or more.

The above loan amounts are before deduction of reserve for possible loan losses.

6. Loans and Bills Discounted (continued)

- (2) Bills discounted are accounted for as finance transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24, issued on 17th March, 2022. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at 31st March, 2022 and 2023 totalled ¥5,315 million and ¥5,387 million (U.S.\$40,347 thousand), respectively.

7. Pledged Assets

Assets pledged as collateral at 31st March, 2022 and 2023 were as follows:

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Assets pledged as collateral:			
Securities	¥207,011	¥121,303	\$908,436
Loans and bills discounted	221,140	—	—
Total	<u>¥428,152</u>	<u>¥121,303</u>	<u>\$908,436</u>
Liabilities secured by the above assets:			
Deposits	¥17,227	¥13,241	\$99,164
Payables under securities lending transactions	57,330	33,874	253,687
Borrowed money	274,026	1,567	11,740

In addition, securities of ¥202 million and ¥201 million (U.S.\$1,511 thousand) at 31st March, 2022 and 2023, respectively, were pledged as collateral principally to clearing organizations for exchange transactions and futures transactions.

Included in other assets were guarantee deposits of ¥577 million and ¥569 million (U.S.\$4,264 thousand), deposits for futures transactions of ¥12 million and ¥14 million (U.S.\$105 thousand), cash collateral paid for financial instruments of ¥7,773 million and ¥1,644 million (U.S.\$12,312 thousand), and deposit for central counterparty of ¥50,000 million and ¥50,000 million (U.S.\$374,448 thousand) at 31st March, 2022 and 2023, respectively.

8. Loan Commitments

Overdraft agreements and loan commitments are agreements under which the Bank and its consolidated subsidiaries are obliged to extend loans up to a prearranged limit unless the customer is in breach of contract. The loan commitments not yet drawn down at 31st March, 2022 and 2023 totalled ¥569,788 million and ¥559,982 million (U.S.\$4,193,680 thousand), respectively, of which ¥546,824 million and ¥534,633 million (U.S.\$4,003,844 thousand), respectively, related to agreements whose contractual terms were for one year or less or which were unconditionally cancellable at any time.

As the majority of these agreements expire without the right to extend the loans being exercised, the undrawn commitment balance does not affect the future cash flows of the Bank or of its consolidated subsidiaries. These agreements usually include provisions which stipulate that the Bank and its consolidated subsidiaries have the right either to refuse the execution of the loans or to reduce the contractual commitments when there is a change in the borrower's financial condition, or when additional assurance of the financial soundness and creditworthiness of a borrower is necessary, or when other unforeseen circumstances arise.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of entering into the agreement, monitoring a customer's business on a regular basis in accordance with established internal procedures, and amending the loan commitment agreements when necessary.

9. Land Revaluation Excess

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for business operations was revalued at fair value at 31st March, 1998. Net unrealized gain was classified in a separate component of stockholders' equity, net of applicable income taxes, as "Land revaluation excess" and in liabilities as "Deferred income tax liability for land revaluation excess" in the accompanying consolidated balance sheets. Under the Law, once the Bank revalued the land, it is not permitted to revalue the land. Such unrealized revaluation loss as of 31st March, 2022 and 2023 were ¥9,494 million and ¥9,481 million (U.S.\$71,008 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of 31st March, 2022 and 2023 were ¥29,250 million and ¥29,348 million (U.S.\$219,786 thousand), respectively.

Balance of advanced depreciation of tangible fixed assets as of 31st March, 2022 and 2023 were ¥3,135 million and ¥3,036 million (U.S.\$22,739 thousand), respectively. There was no advanced depreciation for the years ended 31st March, 2022 and 2023.

11. Borrowed Money

At 31st March, 2022 and 2023, borrowed money included borrowings of ¥5,000 million and ¥5,000 million (U.S.\$37,445 thousand) subordinate to all other debts of the Bank.

12. Guarantee Obligations for Corporate Bonds Acquired

The amount of guarantee obligations for privately placed corporate bonds the Bank owns as of 31st March, 2022 and 2023 were ¥34,534 million and ¥39,025 million (U.S.\$292,259 thousand), respectively.

13. Net Assets

The Bank is subject to the Companies Act of Japan (the “Act”) and the Banking Law. The Act requires that at least 50% of the paid-in capital of new share issues be transferred to the “Common stock” account and the amount not exceeding 50% of the paid-in capital be included in capital surplus as “Additional paid-in capital.”

Under the Act, companies can pay dividends at any time during the year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Interim dividends may be paid at any time during the year upon resolution by the Board of Directors if the company has prescribed so in its articles of incorporation.

The Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The Banking Law requires that an amount equal to 20% of dividends be appropriated as a legal reserve (a component of retained earnings) or as capital reserve (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and capital reserve equals 100% of capital stock.

Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

13. Net Assets (continued)

The changes in the number of issued shares of common stock and treasury stock during the years ended 31st March, 2022 and 2023 were as follows:

	Number of shares (in thousands)			
	1st April, 2022	Increase	Decrease	31st March, 2023
Outstanding shares issued:				
Common stock	42,900	—	—	42,900
Treasury stock:				
Common stock	1,295	2	53	1,245

The increase in treasury stock is due to gratis acquisition of restricted stock and acquisition of shares less than one unit by 1 thousand shares and 1 thousand shares, respectively.

The decrease in treasury stock is due to allotment of restricted stock, exercise of stock acquisition rights and responding to call options of shares of less than one unit by 43 thousand shares, 9 thousand shares and 0 thousand shares, respectively.

	Number of shares (in thousands)			
	1st April, 2021	Increase	Decrease	31st March, 2022
Outstanding shares issued:				
Common stock	42,900	—	—	42,900
Treasury stock:				
Common stock	1,352	1	58	1,295

The increase in treasury stock is due to acquisition of shares less than one unit.

The decrease in treasury stock is due to allotment of restricted stock, exercise of stock acquisition rights and responding to call options of shares of less than one unit by 51 thousand shares, 6 thousand shares and 0 thousand shares, respectively.

13. Net Assets (continued)

Stock acquisition rights and the Bank's own stock acquisition rights as of 31st March, 2022 and 2023 were as follows:

Classification	Detail of stock acquisition rights	Class of shares issued or transferred upon exercise of stock acquisition rights	Number of shares issued or transferred upon exercise of stock acquisition rights (Shares)			Balance at 31st March, 2023		
			1st April, 2022	Increase	Decrease	31st March, 2023	(Millions of yen)	(Thousands of U.S. dollars)
The Bank	Stock acquisition rights granted as stock options			—			¥58	\$435
Total				—			¥58	\$435

Classification	Detail of stock acquisition rights	Class of shares issued or transferred upon exercise of stock acquisition rights	Number of shares issued or transferred upon exercise of stock acquisition rights (Shares)			Balance at 31st March, 2022	
			1st April, 2021	Increase	Decrease	31st March, 2022	(Millions of yen)
The Bank	Stock acquisition rights granted as stock options			—			¥69
Total				—			¥69

Year ended 31st March, 2023

The following cash dividend payments were approved during the year:

General shareholders' meeting held on 29th June, 2022:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollars)	Dividend record date	Effective date
Common stock	¥1,043 million (\$7,812 thousand)	¥25.00 (\$0.19)	31st March, 2022	30th June, 2022

Board of Directors meeting held on 11th November, 2022:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollars)	Dividend record date	Effective date
Common stock	¥731 million (\$5,475 thousand)	¥17.50 (\$0.13)	30th September, 2022	2nd December, 2022

13. Net Assets (continued)

Year ended 31st March, 2022

The following cash dividend payments were approved during the year:

General shareholders' meeting held on 29th June, 2021:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥625 million	¥15.00	31st March, 2021	30th June, 2021

Board of Directors meeting held on 12th November, 2021:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥625 million	¥15.00	30th September, 2021	3rd December, 2021

14. Financial Instruments and Related Disclosures

1. General information

a) Policy for financial instruments

The Group operates mainly in Shikoku especially Kochi prefecture, engaging in financial service business with its focus on banking. The Group raises funds mostly by taking deposits from local small and mid-sized enterprises and individuals and through fund investments mostly by originating loans to local small and mid-sized enterprises and individuals and investing in securities, primarily bonds.

Since these financial assets and liabilities are primarily subject to interest rate fluctuation risk, the Group implements comprehensive asset and liability management (ALM) to prevent adverse effects from interest rate fluctuations, and as part of such management, the Group conducts derivative transactions.

b) Content of financial instruments and their risks

- Nature of financial instruments

The financial assets held by the Group consist primarily of loans and securities. The loans primarily consist of those extended to enterprises and individuals in Japan, while the securities include national government bonds, local government bonds, corporate bonds, stocks and other securities.

The financial liabilities of the Group primarily consist of deposits taken from enterprises and individuals in Japan.

The Group engages in derivative transactions including interest rate swaps, currency swaps, and forward foreign exchange contracts, in order to hedge risks arising from the Group's assets and liabilities.

- Risks of financial instruments

Credit risk represents risk of loss from a financial asset becoming a nonperforming asset due to poor performance of a debtor of a loan or an issuer of a security instrument. The Group's loans and securities are widely spread across different types of industry and enterprises, and there is no significant concentration.

Market risk encompasses interest rate risk that represents risk of a decrease in financial profit due to fluctuation of interest rates. It also encompasses price fluctuation risk that represents risk of loss from fluctuation of bond or stock prices. The Bank holds little foreign exchange risk.

Liquidity risk consists of funding liquidity risk representing risk that an entity faces the difficulty in funding when necessary and market liquidity risk representing risk that an entity cannot conduct normal trading due to market disorder.

14. Financial Instruments and Related Disclosures (continued)

The Group's derivative transactions are only for hedging purposes, and the risks are estimated to be limited.

c) Risk management structure for financial instruments

- Credit risk management

The Bank has established the Credit Risk Management Rules to control credit risk appropriately through individual credit management and credit portfolio management, and to ensure the soundness and appropriateness of operations by securing appropriate revenue commensurate with risk.

In credit risk management, the credit risk management department is responsible for developing credit rating systems, quantifying credit risk, and managing the credit portfolio for the purpose of assessing the risk of loans objectively, and the credit screening department, which is independent of the credit risk management and sales departments, is responsible for screening and managing individual cases and borrower ratings.

In addition, the credit risk management department and the credit screening department periodically report on the status of credit risk to the Asset Liability Management Committee and other committees, and the Asset Liability Management Committee assesses the status of credit risk and deliberates on adjustments to asset and liability strategies.

- Market risk management

The Bank has established the Market Risk Management Principles and Market Risk Management Rules, and has developed a system to appropriately manage market risk, with the basic stance of securing stable revenue by assuming a certain amount of manageable risk and improving the soundness of assets.

The market risk management system is designed to ensure effective checks and balances by establishing front offices for executing market transactions, back offices for managing the administration of market transactions, and middle offices for managing market risks separately in the departments in charge of markets.

In addition, the Bank has established a market risk management control department, which is independent of the market and sales departments, to supervise and manage overall market risk.

The market risk management control department measures, analyses, and evaluates market risks by identifying risks to be managed based on the scale and characteristics of the risks faced by the Bank. The department also reports to the Asset Liability Management Committee on the status of market risk, the status of compliance with limits, and the results of assessments such as stress tests under the assumption of significant market fluctuations, and deliberates on asset and liability strategies and measures to control market risk.

14. Financial Instruments and Related Disclosures (continued)

Quantitative information on market risk management

The Bank employs Value-at-Risk (“VaR”) to control major market risk, such as interest rate risk and price fluctuation risk. Financial instruments that are affected by interest rate risk are bonds included in securities, loans and deposits, and those which are affected by price risk are stocks and investment trusts included in securities. The Bank employs the variance and covariance method, (the 6 month holding period, the 99% confidence interval and the 1 year observation period) and verifies the effectiveness of the VaR by periodical back testing. The VaR, as at 31st March, 2022 and 2023 was ¥39,798 million and ¥29,918 million (U.S.\$224,059 thousand), respectively, which comprises interest rate risk of ¥20,452 million and ¥19,235 million (U.S.\$144,057 thousand), respectively, and price fluctuation risk of ¥19,346 million and ¥10,682 million (U.S.\$80,002 thousand), respectively. The VaR represents the risk volume that is calculated statistically based on the probabilities derived from the past market movements. Accordingly, under extremely volatile market conditions, risk may be underestimated.

- Management of liquidity risk related to fund raising

The Bank manages its liquidity risk by diversifying its funding sources and adjusting the balance of long and short-term funding in consideration of market conditions. The Bank also strives to secure liquidity by holding highly liquid assets such as government bonds to ensure appropriate and stable cash management.

In addition, the Bank has formulated measures to deal with liquidity crises in accordance with the degree of tightness of cash flow, and has established a system to respond promptly and appropriately in the event of unforeseen circumstances.

- d) Supplementary explanation about fair value of financial instruments

Since certain assumptions are used in calculating the fair value of financial instruments, the result of such calculation may vary if different assumptions are used.

14. Financial Instruments and Related Disclosures (continued)

2. Fair value of financial instruments

The carrying value, the fair value and the difference as of 31st March, 2022 and 2023 are summarized in the following table. Shares, etc. that do not have a market price and investments in partnership are not included in the following table (see *1). Cash and due from banks, call loans and bills purchased, debt purchased, foreign exchange (assets and liabilities), call money and bills sold, and payables under securities lending transactions are mainly settled in a short period of time and therefore are not stated because their fair value approximates their carrying value.

<u>At 31st March, 2023</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
	<i>(Millions of yen)</i>		
Trading account securities:			
Trading securities	¥ 26	¥ 26	¥ –
Money held in trust	2,000	2,000	–
Securities:			
Available-for-sale securities (*1)	787,041	787,041	–
Loans and bills discounted	1,979,584		
Reserve for possible loan losses (*2)	(15,103)		
	<u>1,964,480</u>	<u>1,963,985</u>	<u>(495)</u>
Total assets	<u>¥ 2,753,547</u>	<u>¥ 2,753,052</u>	<u>¥ (495)</u>
Deposits	¥ 3,088,011	¥ 3,088,039	¥ 27
Borrowed money	8,359	8,360	1
Total liabilities	<u>¥ 3,096,370</u>	<u>¥ 3,096,399</u>	<u>¥ 28</u>
Derivative transactions (*3)			
To which hedge accounting is not applied	¥ (1,688)	¥ (1,688)	¥ –
To which hedge accounting is applied (*4)	(1,647)	(1,647)	–
Total derivative transactions	<u>¥ (3,336)</u>	<u>¥ (3,336)</u>	<u>¥ –</u>

14. Financial Instruments and Related Disclosures (continued)

At 31st March, 2023	Carrying value	Fair value	Difference
<i>(Thousands of U.S. dollars)</i>			
Trading account securities:			
Trading securities	\$ 196	\$ 196	\$ –
Money held in trust	14,978	14,978	–
Securities:			
Available-for-sale securities (*1)	5,894,115	5,894,115	–
Loans and bills discounted	14,825,015		
Reserve for possible loan losses (*2)	(113,112)		
	<u>14,711,903</u>	<u>14,708,194</u>	<u>(3,709)</u>
Total assets	<u>\$ 20,621,192</u>	<u>\$20,617,483</u>	<u>\$(3,709)</u>
Deposits	\$ 23,125,977	\$23,126,184	\$ 207
Borrowed money	62,602	62,612	10
Total liabilities	<u>\$ 23,188,579</u>	<u>\$23,188,796</u>	<u>\$ 217</u>
Derivative transactions (*3)			
To which hedge accounting is not applied	\$ (12,647)	\$ (12,647)	\$ –
To which hedge accounting is applied (*4)	(12,339)	(12,339)	–
Total derivative transactions	<u>\$ (24,986)</u>	<u>\$ (24,986)</u>	<u>\$ –</u>

(*1) Available-for-sale securities include investment trusts to which the treatment in Paragraph 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on 17th June, 2021) is applied to deem the net asset value to be the fair value.

(*2) General and specific reserves for possible loan losses are deducted from the related loans.

(*3) Derivative transactions include all derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis.

(*4) Interest rate swaps, etc., designated as hedging instruments to fix the cash flows of securities and other items that are the hedged items, are mainly accounted for as deferred hedges. “Revised Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, issued on 17th March, 2022) is applied to these hedging relationships.

14. Financial Instruments and Related Disclosures (continued)

At 31st March, 2022	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
Trading account securities:			
Trading securities	¥ 9	¥ 9	¥ –
Money held in trust	1,980	1,980	–
Securities:			
Available-for-sale securities	926,669	926,669	–
Loans and bills discounted	1,912,228		
Reserve for possible loan losses (*1)	(14,747)		
	<u>1,897,480</u>	<u>1,919,210</u>	<u>21,730</u>
Total assets	<u>¥ 2,826,140</u>	<u>¥ 2,847,870</u>	<u>¥21,730</u>
Deposits	¥ 3,071,775	¥ 3,071,814	¥ 39
Borrowed money	281,177	281,179	2
Total liabilities	<u>¥ 3,352,952</u>	<u>¥ 3,352,994</u>	<u>¥ 41</u>
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (6,533)	¥ (6,533)	¥ –
To which hedge accounting is applied (*3)	(2,805)	(2,805)	–
Total derivative transactions	<u>¥ (9,338)</u>	<u>¥ (9,338)</u>	<u>¥ –</u>

(*1) General and specific reserves for possible loan losses are deducted from the related loans.

(*2) Derivative transactions include all derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis.

(*3) Interest rate swaps, etc., designated as hedging instruments to fix the cash flows of securities and other items that are the hedged items, are mainly accounted for as deferred hedges. “Revised Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, issued on 17th March, 2022) is applied to these hedging relationships.

14. Financial Instruments and Related Disclosures (continued)

(Note 1) The carrying amounts of shares, etc. that do not have a market price and investments in partnership are summarized in the following table. These are not included in “Available-for-sale securities” as part of the fair value information of financial instruments.

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Shares, etc. that do not have a market price (*1)(*2)	¥11,182	¥11,061	\$82,837
Investments in partnership (*3)	7,972	11,028	82,594

(*1) Shares, etc. that do not have a market price include unlisted equity securities and are not subject to fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on 31st March, 2020).

(*2) The Group recognized impairment losses on unlisted equity securities in the aggregate amount of ¥45 million and nil for the years ended 31st March, 2022 and 2023, respectively.

(*3) Investments in partnership are not subject to fair value disclosure in accordance with Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on 17th June, 2021).

14. Financial Instruments and Related Disclosures (continued)

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities

At 31st March, 2023	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
<i>(Millions of yen)</i>						
Due from banks	¥379,612	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	466					
Debt purchased	12,473	–	–	–	–	–
Securities:	25,117	89,582	228,649	65,470	145,793	128,055
Available-for-sale securities with maturities:	25,117	89,582	228,649	65,470	145,793	128,055
Government bonds	–	500	–	–	5,500	109,000
Local government bonds	3,352	30,104	100,098	27,664	72,248	3,761
Corporate bonds	14,059	30,945	70,877	26,801	7,000	–
Other	7,705	28,032	57,673	11,004	61,044	15,294
Loans and bills discounted (*)	375,841	342,240	297,169	190,111	244,863	499,519
Total	¥793,511	¥431,822	¥525,818	¥255,582	¥390,656	¥627,575
<i>(Thousands of U.S. dollars)</i>						
At 31st March, 2023	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	\$2,842,899	\$ –	\$ –	\$ –	\$ –	\$ –
Call loans and bills purchased	3,493					
Debt purchased	93,413	–	–	–	–	–
Securities:	188,104	670,876	1,712,344	490,307	1,091,839	959,004
Available-for-sale securities with maturities:	188,104	670,876	1,712,344	490,307	1,091,839	959,004
Government bonds	–	3,745	–	–	41,189	816,296
Local government bonds	25,104	225,449	749,630	207,178	541,064	28,166
Corporate bonds	105,294	231,746	530,797	200,717	52,423	–
Other	57,706	209,936	431,917	82,412	457,163	114,542
Loans and bills discounted (*)	2,814,663	2,563,023	2,225,486	1,423,738	1,833,772	3,740,879
Total	\$5,942,572	\$3,233,899	\$3,937,830	\$1,914,045	\$2,925,611	\$4,699,883

(*) Loans and bills discounted do not include ¥8,695 million (U.S.\$65,122 thousand) of receivables such as those due from bankrupt or effectively bankrupt borrowers, since it is not certain when they can be collected or redeemed and ¥21,142 million (U.S.\$158,331 thousand) of receivables which do not have fixed maturity dates.

14. Financial Instruments and Related Disclosures (continued)

At 31st March, 2022	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
<i>(Millions of yen)</i>						
Due from banks	¥610,124	¥ –	¥ –	¥ –	¥ –	¥ –
Debt purchased	13,718	–	–	–	–	–
Securities:	51,286	96,617	213,746	182,267	166,040	87,415
Available-for-sale securities						
with maturities:	51,286	96,617	213,746	182,267	166,040	87,415
Government bonds	–	22,500	–	–	5,500	79,000
Local government bonds	12,291	13,754	93,275	91,236	79,126	5,596
Corporate bonds	13,670	26,041	43,382	55,145	23,100	–
Other	25,323	34,321	77,087	35,885	58,313	2,819
Loans and bills discounted (*)	368,359	315,424	269,013	196,404	242,623	489,580
Total	¥1,043,488	¥412,041	¥482,759	¥378,671	¥408,663	¥576,996

(*) Loans and bills discounted do not include ¥8,488 million of receivables such as those due from bankrupt or effectively bankrupt borrowers, since it is not certain when they can be collected or redeemed and ¥22,333 million of receivables which do not have fixed maturity dates.

14. Financial Instruments and Related Disclosures (continued)

(Note 3) Repayment schedule of bonds, borrowed money and other interest bearing liabilities

At 31st March, 2023	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
<i>(Millions of yen)</i>						
Deposits (*)	¥2,861,553	¥204,522	¥20,893	¥424	¥617	¥–
Payables under securities lending transactions	33,874	–	–	–	–	–
Borrowed money	7,076	878	276	45	43	39
Total	¥2,902,504	¥205,401	¥21,170	¥469	¥660	¥39

At 31st March, 2023	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
<i>(Thousands of dollars)</i>						
Deposits (*)	\$21,430,039	\$1,531,662	\$156,473	\$ 3,177	\$ 4,626	\$ –
Payables under securities lending transactions	253,687	–	–	–	–	–
Borrowed money	52,999	6,578	2,068	341	323	293
Total	\$21,736,725	\$1,538,240	\$158,541	\$ 3,518	\$4,949	\$293

(*) Demand deposits are classified into “Due in one year or less” of deposits.

At 31st March, 2022	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
<i>(Millions of yen)</i>						
Deposits (*)	¥2,802,340	¥247,725	¥20,621	¥527	¥559	¥–
Call money and bills sold	13,487	–	–	–	–	–
Payables under securities lending transactions	57,330	–	–	–	–	–
Borrowed money	274,386	6,021	619	49	50	49
Total	¥3,147,544	¥253,746	¥21,241	¥577	¥609	¥49

(*) Demand deposits are classified into “Due in one year or less” of deposits.

14. Financial Instruments and Related Disclosures (continued)

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.

(1) Financial instruments measured at fair value

At 31st March, 2023	Fair Value			
	Level 1	Level 2	Level 3	Total
	<i>(Millions of yen)</i>			
Money held in trust	¥ –	¥ 2,000	¥ –	¥ 2,000
Trading account securities and securities:				
Trading securities				
Government bonds and local government bonds	26	–	–	26
Available-for-sale securities				
Government bonds and local government bonds	112,266	235,102	–	347,368
Corporate bonds	–	108,229	40,555	148,785
Stocks	40,233	–	–	40,233
Other securities	57,686	179,036	–	236,722
Derivative transactions:				
Foreign exchange related	–	1,699	–	1,699
Total assets	¥ 210,211	¥ 526,068	¥ 40,555	¥ 776,836
Derivative transactions:				
Interest rate related	¥ –	¥ 1,647	¥ –	¥ 1,647
Foreign exchange related	–	3,383	–	3,383
Credit derivatives	–	–	4	4
Total liabilities	¥ –	¥ 5,031	¥ 4	¥ 5,035

14. Financial Instruments and Related Disclosures (continued)

At 31st March, 2023	Fair Value			Total
	Level 1	Level 2	Level 3	
		<i>(Thousands of dollars)</i>		
Money held in trust	\$ –	\$ 14,978	\$ –	\$ 14,978
Trading account securities and securities:				
Trading securities				
Government bonds and local government bonds	196	–	–	196
Available-for-sale securities				
Government bonds and local government bonds	840,756	1,760,672	–	2,601,428
Corporate bonds	–	810,528	303,721	1,114,249
Stocks	301,306	–	–	301,306
Other securities	432,009	1,340,798	–	1,772,807
Derivative transactions:				
Foreign exchange related	–	12,725	–	12,725
Total assets	<u>\$ 1,574,267</u>	<u>\$3,939,701</u>	<u>\$ 303,721</u>	<u>\$ 5,817,689</u>
Derivative transactions:				
Interest rate related	\$ –	\$ 12,339	\$ –	\$ 12,339
Foreign exchange related	–	25,340	–	25,340
Credit derivatives	–	–	32	32
Total liabilities	<u>\$ –</u>	<u>\$ 37,679</u>	<u>\$ 32</u>	<u>\$ 37,711</u>

(*1) Not included in the table above are investment trusts to which the treatment in Paragraph 24-9 of the Guidance on Fair Value Measurement is applied whereby net asset value is treated as fair value. The amount of such investment trusts in the consolidated balance sheets is ¥13,930 million (U.S.\$104,325 thousand).

14. Financial Instruments and Related Disclosures (continued)

(*2) A reconciliation from the beginning balances to the ending balances of investment trusts to which the treatment in Paragraph 24-9 is applied

For the year ended 31st March, 2023	<i>(Millions of yen)</i>	<i>(Thousands of dollars)</i>
Beginning balance.....	¥13,208	\$ 98,921
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (a)	—	—
Recorded in other comprehensive income (b)	371	2,781
Purchases, sales, issuances, and settlements (net)	350	2,623
The amount by which the net asset value of the investment trusts is deemed to be the fair value	—	—
The amount by which the net asset value of the investment trusts is not deemed to be the fair value ..	—	—
Ending balance.....	¥13,930	\$104,325
Gains or losses on valuation of investment trusts held at the end of the fiscal year included in profit or loss for the period (a).....	¥—	\$—

- (a) Included in “other operating income” and “other operating expenses” in the consolidated statements of income.
- (b) Included in “unrealized losses on securities” under “other comprehensive income” in the consolidated statements of comprehensive income.

14. Financial Instruments and Related Disclosures (continued)

At 31st March, 2022	Fair Value			
	Level 1	Level 2	Level 3	Total
	<i>(Millions of yen)</i>			
Money held in trust	¥ –	¥ 1,980	¥ –	¥ 1,980
Trading account securities and securities:				
Trading securities				
Government bonds and local government bonds	9	–	–	9
Available-for-sale securities				
Government bonds and local government bonds	112,749	295,058	–	407,808
Corporate bonds	–	124,910	36,173	161,084
Stocks	48,981	–	–	48,981
Other securities	57,479	84,954	–	142,433
Derivative transactions:				
Foreign exchange related	–	203	–	203
Total assets	¥ 219,219	¥ 507,107	¥ 36,173	¥ 762,500
Derivative transactions:				
Interest rate related	¥ –	¥ 2,805	¥ –	¥ 2,805
Foreign exchange related	–	6,736	–	6,736
Total liabilities	¥ –	¥ 9,542	¥ –	¥ 9,542

(*) Not included in the table above is investment trusts to which the transitional measures stipulated in Article 5, Paragraph 6 of the Supplementary Provisions of the “Cabinet Office Ordinance for Partial Revision of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 9, issued on 6th March, 2020) are applied. The amount of such investment trusts in the consolidated balance sheets is ¥166,362 million.

14. Financial Instruments and Related Disclosures (continued)

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

At 31st March, 2023	Fair Value			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Loans and bills discounted	¥ –	¥ –	¥ 1,963,985	¥ 1,963,985
Total assets	¥ –	¥ –	¥ 1,963,985	¥ 1,963,985
Deposits	¥ –	¥ 3,088,039	¥ –	¥ 3,088,039
Borrowed money	–	8,360	–	8,360
Total liabilities	¥ –	¥ 3,096,399	¥ –	¥ 3,096,399

At 31st March, 2023	Fair Value			Total
	Level 1	Level 2	Level 3	
	<i>(Thousands of dollars)</i>			
Loans and bills discounted	\$ –	\$ –	\$ 14,708,194	\$ 14,708,194
Total assets	\$ –	\$ –	\$ 14,708,194	\$ 14,708,194
Deposits	\$ –	\$ 23,126,184	\$ –	\$ 23,126,184
Borrowed money	–	62,612	–	62,612
Total liabilities	\$ –	\$ 23,188,796	\$ –	\$ 23,188,796

At 31st March, 2022	Fair Value			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Loans and bills discounted	¥ –	¥ –	¥ 1,919,210	¥ 1,919,210
Total assets	¥ –	¥ –	¥ 1,919,210	¥ 1,919,210
Deposits	¥ –	¥ 3,071,814	¥ –	¥ 3,071,814
Borrowed money	–	281,179	–	281,179
Total liabilities	¥ –	¥ 3,352,994	¥ –	¥ 3,352,994

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

Assets:

Money held in trust

For money held in trust whose main purpose is to manage securities, securities that are components of assets held in trust are classified as Level 2 fair value based on the level of the components, which is based on prices quoted by correspondent financial institutions.

Trading account securities and securities

Trading account securities and securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 fair value. This mainly includes listed equities and government bonds. If the market is not active, even if published quoted market prices are used, the securities are classified as Level 2 fair value. This mainly includes local government bonds and corporate bonds. Investment trusts that do not have trading prices in the market are classified as Level 2 fair value with the net asset value as the fair value if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests.

14. Financial Instruments and Related Disclosures (continued)

For privately placed bonds guaranteed by the Bank, the fair value is calculated by discounting the total amount of principal, interest, etc. by the discount rate that incorporates credit risk and other risk factors for each category based on internal rating and term, and is classified as Level 3 fair value because the discount rate is unobservable.

Loans and bills discounted

For loans and bills discounted, the fair value is calculated by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk, etc., for each loan category based on loan type, internal rating and term. Of these, those with floating interest rates reflect market interest rates in a short period of time, and if the credit conditions of the borrower have not changed significantly since the loan was executed, the carrying value is used as the fair value because the fair value approximates carrying value. For loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers, reserve for possible loan losses is provided based on the present value of estimated future cash flows or the amount expected to be collected through collateral and guarantees, etc. As the fair value approximates the amount of loans less the amount of reserve for possible loan losses on the consolidated balance sheets as of the end of the fiscal year, this value is used as the fair value and classified as Level 3 fair value.

Liabilities:

Deposits

For demand deposits, the carrying value is used as the fair value. The fair value of time deposits and negotiable certificates of deposit is calculated based on the discounted present value of estimated future cash flows discounted at the rate applicable to new acceptances of the same type of deposits for the remaining period of time, broken down by a certain period. For foreign currency deposits and nonresident yen deposits, the carrying value is used as fair value because the contractual maturity is short and the fair value and carrying value approximate each other. These transactions are classified as Level 2 fair value.

Borrowed money

For transactions with short remaining maturities, the carrying value is used as fair value because fair value is assumed to approximate the carrying value. For transactions with long remaining maturities, the present value of estimated future cash flows discounted by the replacement rate for similar instruments in the market up to the remaining maturity is used as fair value. These transactions are classified as Level 2 fair value.

Derivative transactions

Derivative transactions are mainly over-the-counter transactions and there are no published quoted market prices. Therefore, the fair value of derivative transactions is based on the discounted present value of future cash flows and option pricing models using inputs such as interest rates, foreign exchange rates, and volatility, depending on the type of transaction and maturity of the transaction. When unobservable inputs are not used or their effects are not material, the fair value is classified as Level 2 fair value, which includes interest rate swap transactions and currency swap transactions. When unobservable inputs are used, the fair value is classified as Level 3 fair value. This includes credit derivatives.

14. Financial Instruments and Related Disclosures (continued)

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

(1) Quantitative information on significant unobservable inputs

For the year ended 31st March, 2023	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Trading account securities and securities Available-for-sale securities Corporate bonds	Present value technique	Probability of default	0.06% to 12.65%	0.93%
		Loss given default	43.65% to 81.54%	64.02%
		Rate of prepayment prior to maturity	—	—
Derivative transactions Credit derivatives	Present value technique	Probability of default	0.34% to 12.65%	7.53%

For the year ended 31st March, 2022	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Trading account securities and securities Available-for-sale securities Corporate bonds	Present value technique	Probability of default	0.03% to 12.39%	0.62%
		Loss given default	36.72% to 81.44%	63.22%
		Rate of prepayment prior to maturity	—	—

14. Financial Instruments and Related Disclosures (continued)

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

	Securities	
	Available-for-sale securities	
	Corporate bonds	
	(Millions of yen)	(Thousands of dollars)
For the year ended 31st March, 2023		
Beginning balance.....	¥36,173	\$270,902
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	1	12
Recorded in other comprehensive income (*2)	(371)	(2,784)
Purchases, sales, issuances, and settlements (net)	4,752	35,591
Transfer into Level 3 (*3).....	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance.....	¥40,555	\$303,721
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period (*1).....	¥—	\$—
Derivative transactions		
Credit derivatives		
	(Millions of yen)	(Thousands of dollars)
For the year ended 31st March, 2023		
Beginning balance.....	¥—	\$—
Profit or loss or other comprehensive income for the period		
Recorded in profit or loss (*1)	(4)	(32)
Recorded in other comprehensive income (*2)	—	—
Purchases, sales, issuances, and settlements (net)	—	—
Transfer into Level 3 (*3).....	—	—
Transfer out of Level 3 (*4)	—	—
Ending balance.....	¥(4)	\$(32)
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period (*1).....	¥(4)	\$(32)

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

(*2) Included in “unrealized losses on securities” under “other comprehensive income” in the consolidated statements of comprehensive income.

(*3) Transferred from Level 2 fair value into Level 3 fair value. Not applicable for the year ended 31st March, 2023.

(*4) Transferred from Level 3 fair value into Level 2 fair value. Not applicable for the year ended 31st March, 2023.

14. Financial Instruments and Related Disclosures (continued)

	Securities Available-for-sale securities Corporate bonds
For the year ended 31st March, 2022	<i>(Millions of yen)</i>
Beginning balance.....	¥34,464
Profit or loss or other comprehensive income for the period	
Recorded in profit or loss (*1)	1
Recorded in other comprehensive income (*2)	41
Purchases, sales, issuances, and settlements (net)	1,666
Transfer into Level 3 (*3).....	—
Transfer out of Level 3 (*4)	—
Ending balance.....	¥36,173
Gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the period (*1).....	¥—

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

(*2) Included in “unrealized losses on securities” under “other comprehensive income” in the consolidated statements of comprehensive income.

(*3) Transferred from Level 2 fair value into Level 3 fair value. Not applicable for the year ended 31st March, 2022.

(*4) Transferred from Level 3 fair value into Level 2 fair value. Not applicable for the year ended 31st March, 2022.

14. Financial Instruments and Related Disclosures (continued)

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

The Group's back office has established policies and procedures regarding the calculation of fair value and the use of fair value models, and calculates fair value in accordance with these policies and procedures. The fair value calculated is verified by an independent valuation department to ensure the appropriateness of the valuation techniques and inputs used to calculate fair value and the appropriateness of the classification of fair value levels. The results of the verification are reported to the back office each period to ensure the appropriateness of the fair value calculation policies and procedures.

In calculating fair value, the Group uses valuation models that most appropriately reflect the nature, characteristics, and risks of individual assets.

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

Probability of default

The probability of default is an estimate of the likelihood that a bankruptcy event will occur and the contract amount will not be recovered. For privately placed bonds guaranteed by the Bank, a significant increase (decrease) in the probability of default will result in a significant decrease (increase) in fair value. For credit derivatives, a significant increase (decrease) in the probability of default will result in a significant increase (decrease) in fair value.

Loss given default

The loss given default is the ratio of losses expected to be incurred in bankruptcy to the total outstanding amount of bonds or loans, and is an estimate calculated based on the actual defaults of counterparties in the past. For privately placed bonds guaranteed by the Bank, a significant increase (decrease) in the loss given default will result in a significant decrease (increase) in fair value.

15. Fair Value of Securities

Fair value and valuation differences of securities as of 31st March, 2022 and 2023 and other relevant information were summarized as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposit included in “Cash and due from banks.” The same definition was applied in the following tables.

(a) Trading securities

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Valuation loss included in income for the year	¥(0)	¥(0)	\$(0)

(b) Available-for-sale securities

Available-for-sale securities, whose carrying values exceeded the acquisition costs at 31st March, 2022 and 2023 were summarized as follows:

	<u>2023</u>					
	<u>Carrying value</u>	<u>Acquisition cost</u>	<u>Difference</u>	<u>Carrying value</u>	<u>Acquisition cost</u>	<u>Difference</u>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Stocks	¥ 34,669	¥ 19,059	¥15,610	\$ 259,640	\$ 142,735	\$116,905
Bonds:						
National government bonds	80,264	78,733	1,530	601,096	589,634	11,462
Local government bonds	70,018	69,831	187	524,363	522,962	1,401
Corporate bonds	57,193	57,100	93	428,320	427,621	699
Other securities	71,288	68,353	2,935	533,878	511,893	21,985
Total	<u>¥313,434</u>	<u>¥293,077</u>	<u>¥20,356</u>	<u>\$2,347,297</u>	<u>\$2,194,845</u>	<u>\$152,452</u>
	<u>2022</u>					
	<u>Carrying value</u>	<u>Acquisition cost</u>	<u>Difference</u>			
	<i>(Millions of yen)</i>					
Stocks	¥ 41,432	¥ 21,166	¥20,266			
Bonds:						
National government bonds	78,843	73,612	5,230			
Local government bonds	117,326	116,933	392			
Corporate bonds	91,590	91,243	347			
Other securities	143,344	137,379	5,965			
Total	<u>¥472,537</u>	<u>¥440,335</u>	<u>¥32,201</u>			

15. Fair Value of Securities (continued)

Available-for-sale securities, whose carrying values did not exceed the acquisition costs at 31st March, 2022 and 2023 were summarized as follows:

	2023					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Stocks	¥ 5,563	¥ 6,365	¥ (802)	\$ 41,666	\$ 47,674	\$ (6,008)
Bonds:						
National government bonds	32,001	32,921	(919)	239,660	246,546	(6,886)
Local government bonds	165,084	167,474	(2,390)	1,236,308	1,254,207	(17,899)
Corporate bonds	91,592	92,574	(981)	685,930	693,284	(7,354)
Other securities	179,364	189,076	(9,712)	1,343,254	1,415,988	(72,734)
Total	¥473,606	¥488,412	¥(14,805)	\$3,546,818	\$3,657,699	\$ (110,881)

	2022		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Stocks	¥ 7,548	¥ 8,532	¥ (983)
Bonds:			
National government bonds	33,906	35,118	(1,211)
Local government bonds	177,731	178,955	(1,223)
Corporate bonds	69,493	70,093	(600)
Other securities	165,451	173,656	(8,204)
Total	¥454,132	¥466,356	¥(12,223)

15. Fair Value of Securities (continued)

(c) Available-for-sale securities sold during the year

Proceeds and aggregate gains and losses of available-for-sale securities for the years ended 31st March, 2022 and 2023 were as follows:

	2023					
	Proceeds from sales	Gains	Losses	Proceeds from sales	Gains	Losses
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Stocks	¥ 11,894	¥ 4,033	¥ 44	\$ 89,076	\$ 30,210	\$ 330
Bonds:						
National government bonds	321,200	13,878	11,908	2,405,454	103,934	89,181
Local government bonds	73,550	1,057	380	550,815	7,917	2,850
Corporate bonds	14,328	12	675	107,307	94	5,057
Other securities	162,404	3,682	10,576	1,216,243	27,579	79,208
Total	¥583,378	¥22,664	¥23,584	\$4,368,895	\$169,734	\$176,626

	2022		
	Proceeds from sales	Gains	Losses
	<i>(Millions of yen)</i>		
Stocks	¥ 3,044	¥ 1,212	¥ 52
Bonds:			
National government bonds	43,213	45	159
Local government bonds	15,959	69	87
Corporate bonds	26,041	214	1
Other securities	102,495	3,520	3,057
Total	¥190,753	¥5,063	¥3,357

15. Fair Value of Securities (continued)

(d) Impairment on securities

Certain available-for-sale securities, with the exception of shares, etc. that do not have a market price and investments in partnership, whose fair value significantly declined from the acquisition cost are valued at fair value and losses on devaluation of those securities are recognized in the consolidated statement of income unless the value is considered recoverable.

Impairment loss on securities for the years ended 31st March, 2022 and 2023 were ¥842 million and ¥29 million (U.S.\$221 thousand) on equity securities.

Determining whether the fair value is “significantly declined” is based on the comparison of average fair values of one month before year end date and acquisition costs. When the fair value declined more than 50% of the acquisition cost, the Group determined those to be significantly declined, and when the fair value declined between 30% and 50% of the acquisition cost, the Group examines the credit risks of the issuers and the trend of the fair value and business results during a certain past period to make a determination.

(e) Unrealized gains on securities

Unrealized gains on available-for-sale securities at 31st March, 2022 and 2023 consisted of the following:

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Valuation differences			
Available-for-sale securities	¥19,788	¥5,395	\$40,408
Deferred tax liabilities	(6,179)	(1,744)	(13,065)
Non-controlling interests	-	-	-
Bank’s ownership share in unrealized gains on available-for-sale securities held by companies accounted for by the equity method	211	220	1,651
Unrealized gains on available-for-sale securities	<u>¥13,820</u>	<u>¥3,871</u>	<u>\$28,994</u>

Notes:

Unrealized gains on available-for-sale securities for the investment business limited partnerships and associations of ¥86 million and ¥121 million (U.S.\$907 thousand) for the years ended 31st March, 2022 and 2023, respectively, were included in “Available-for-sale securities” in the breakdown of “Valuation differences.”

16. Derivatives

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

The following shows contract amount or notional principal, fair value and related valuation gain or loss and computation method of fair value with respect to derivatives to which hedge accounting is not applied. Contract amount or notional principal does not represent the market risk exposure of derivative transactions.

a) Interest rate related transactions at 31st March, 2022 and 2023

Nil.

b) Foreign exchange related transactions at 31st March, 2022 and 2023

	2023			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over one year		
	<i>(Millions of yen)</i>			
Over-the-counter:				
Currency swaps	¥135,659	¥104,787	¥ 0	¥ 0
Forward exchange contracts:				
Sold	126,329	86	(1,713)	(1,713)
Bought	3,579	16	27	27
Total			<u>¥(1,684)</u>	<u>¥(1,684)</u>

	2023			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over one year		
	<i>(Thousands of U.S. dollars)</i>			
Over-the-counter:				
Currency swaps	\$1,015,949	\$784,749	\$ 7	\$ 7
Forward exchange contracts:				
Sold	946,079	645	(12,831)	(12,831)
Bought	26,809	122	209	209
Total			<u>\$(12,615)</u>	<u>\$(12,615)</u>

Note: Transactions in the table above are stated at the fair value and the related valuation gains (losses) are reported in the consolidated statement of income.

	2022			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over one year		
	<i>(Millions of yen)</i>			
Over-the-counter:				
Currency swaps	¥85,623	¥59,187	¥ 0	¥ 0
Forward exchange contracts:				
Sold	147,370	7	(6,726)	(6,726)
Bought	3,984	-	193	193
Total			<u>¥(6,533)</u>	<u>¥(6,533)</u>

Note: Transactions in the table above are stated at the fair value and the related valuation gains (losses) are reported in the consolidated statement of income.

16. Derivatives (continued)

c) Equity related transactions at 31st March, 2022 and 2023

Nil

d) Bond related transactions at 31st March, 2022 and 2023

Nil

e) Commodity related transactions at 31st March, 2022 and 2023

Nil

f) Credit derivatives at 31st March, 2023

	2023			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over one year		
	<i>(Millions of yen)</i>			
Over-the-counter:				
Credit default swap:				
Sold	¥ -	¥ -	¥ -	¥ -
Bought	215	215	(4)	(4)
Total			¥(4)	¥(4)

	2023			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over one year		
	<i>(Thousands of U.S. dollars)</i>			
Over-the-counter:				
Credit default swap:				
Sold	\$ -	\$ -	\$ -	\$ -
Bought	1,610	1,610	(32)	(32)
Total			\$(32)	\$(32)

- Notes: 1. Transactions in the table above are stated at the fair value and the related valuation gains (losses) are reported in the consolidated statement of income.
2. "Sold" represents credit risk-taking transactions and "Bought" represents credit risk-averting transactions.

Credit derivatives at 31st March, 2022 was nil.

16. Derivatives (continued)

(2) Derivative transactions to which hedge accounting is applied

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

a) Interest rate related transactions at 31st March, 2022 and 2023

2023					
Hedge accounting method	Transaction type	Major hedged item	Contract amount		Fair value
			Total	Over one year	
<i>(Millions of yen)</i>					
Principal method	Interest rate swaps	Loans and securities (bonds)	¥100,000	¥100,000	¥(1,647)
	Receivable floating rate/ Payable fixed rate				
	Total				

2023					
Hedge accounting method	Transaction type	Major hedged item	Contract amount		Fair value
			Total	Over one year	
<i>(Thousands of U.S. dollars)</i>					
Principal method	Interest rate swaps	Loans and securities (bonds)	\$748,895	\$748,895	\$(12,339)
	Receivable floating rate/ Payable fixed rate				
	Total				

2022					
Hedge accounting method	Transaction type	Major hedged item	Contract amount		Fair value
			Total	Over one year	
<i>(Millions of yen)</i>					
Principal method	Interest rate swaps	Loans and securities (bonds)	¥145,994	¥132,508	¥(2,805)
	Receivable floating rate/ Payable fixed rate				
	Total				

Note: For interest risks arising from financial assets and liabilities, the Bank applied the deferred method of hedge accounting.

16. Derivatives (continued)

b) Foreign exchange related transactions at 31st March, 2022 and 2023

Nil

c) Equity related transactions at 31st March, 2022 and 2023

Nil

d) Bond related transactions at 31st March, 2022 and 2023

Nil

17. Retirement Benefit Plans

The Bank maintains the cash balance pension plan as a defined benefit plan. On 1st October, 2017, the Bank transferred a part of its defined benefit corporate pension plan to a defined contribution pension plan.

The consolidated subsidiaries have lump-sum payment plans and net defined benefit liability and severance benefit expenses are calculated using the simplified method where liabilities are recognized at the amount which would be required to be paid in accordance with the internal rules if eligible employees retired at the balance sheet date.

Defined benefit plans

(1) The changes in projected benefit obligation (excluding the plans to which the simplified method is applied) for the years ended 31st March, 2022 and 2023 were as follows:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at beginning of year	¥ 28,982	¥ 27,282	\$ 204,315
Service cost	583	546	4,092
Interest cost	194	226	1,696
Actuarial (gain) loss	(483)	(1,598)	(11,974)
Retirement benefits paid	(1,993)	(1,965)	(14,723)
Balance at end of year	<u>¥ 27,282</u>	<u>¥ 24,490</u>	<u>\$ 183,406</u>

(2) The changes in plan assets (excluding the plans to which the simplified method is applied) for the years ended 31st March, 2022 and 2023 were as follows:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at beginning of year	¥ 31,422	¥ 31,250	\$ 234,033
Expected return on plan assets	722	812	6,085
Actuarial gain (loss)	602	(484)	(3,630)
Contributions from employer	496	485	3,635
Retirement benefits paid	(1,993)	(1,965)	(14,723)
Balance at end of year	<u>¥ 31,250</u>	<u>¥ 30,097</u>	<u>\$ 225,400</u>

17. Retirement Benefit Plans (continued)

(3) The changes in net defined benefit liability (including the plans to which the simplified method is applied) for the years ended 31st March, 2022 and 2023 were as follows:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at beginning of year	¥ 75	¥ 75	\$ 566
Severance benefit expenses	4	4	32
Retirement benefits paid	(4)	(3)	(24)
Balance at end of year	<u>¥ 75</u>	<u>¥ 76</u>	<u>\$ 574</u>

(4) Reconciliation between the balances of projected benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets (including the plans to which the simplified method is applied) as of 31st March, 2022 and 2023 was as follows:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded projected benefit obligation	¥ 27,282	¥ 24,490	\$ 183,406
Plan assets at fair value	(31,250)	(30,097)	(225,400)
	<u>(3,968)</u>	<u>(5,607)</u>	<u>(41,994)</u>
Unfunded projected benefit obligation	75	76	574
Net liability (asset) recorded on the consolidated balance sheets	(3,892)	(5,530)	(41,420)
Net defined benefit liability	75	76	574
Net defined benefit asset	(3,968)	(5,607)	(41,994)
Net liability (asset) recorded on the consolidated balance sheets	<u>¥ (3,892)</u>	<u>¥ (5,530)</u>	<u>\$ (41,420)</u>

17. Retirement Benefit Plans (continued)

(5) Components of severance benefit expenses for the years ended 31st March, 2022 and 2023 were as follows:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 583	¥ 546	\$ 4,092
Interest cost	194	226	1,696
Expected return on plan assets	(722)	(812)	(6,085)
Amortization of actuarial loss	104	(57)	(429)
Amortization of prior service cost	(94)	(94)	(708)
Severance benefit expenses calculated using the simplified method	4	4	32
Total	¥ 69	¥ (187)	\$(1,402)

(6) The components of remeasurements of defined benefit plans in other comprehensive income (before applicable tax effect) for the years ended 31st March, 2022 and 2023 were as follows:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ (94)	¥ (94)	\$ (708)
Actuarial gain (loss)	1,191	1,056	7,914
Total	¥1,096	¥ 962	\$7,206

(7) The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before applicable tax effect) as of 31st March, 2022 and 2023 were as follows

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ 94	¥ -	\$ -
Unrecognized actuarial gain (loss)	859	1,916	14,349
Total	¥953	¥1,916	\$14,349

17. Retirement Benefit Plans (continued)

(8) Plan assets

a) The components of plan assets as of 31st March, 2022 and 2023 were as follows:

	<u>2022</u>	<u>2023</u>
Bonds	26%	26%
Stocks	34	31
Life insurance general account	32	31
Others	8	12
Total	<u>100%</u>	<u>100%</u>

There were no retirement benefit trusts established for corporate pension plans.

b) Expected long-term rate of return

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and long-term rate of return derived from various components of the plan assets.

(9) Principal assumptions used for the actuarial calculation (Each figure is the weighted average rate.) for the years ended 31st March, 2022 and 2023 were as follows:

	<u>2022</u>	<u>2023</u>
Discount rate	0.8%	1.3%
Expected long-term rate of return on plan assets	2.3	2.6
Retirement rate	4.6	5.9
Estimated rate of increase in salary	5.2	5.2

Defined contribution plans

The amount to be contributed to the Bank's defined contribution plan for the years ended 31st March, 2022 and 2023 were ¥117 million and ¥115 million (U.S.\$866 thousand), respectively.

18. Leases Transactions (Lessees' Accounting)

(1) Finance leases

Lease assets under finance leases that do not transfer ownership consist of automated teller machines and office equipment.

(2) Operating leases

Future minimum lease payments subsequent to 31st March, 2022 and 2023 for non-cancellable operating leases are summarized as follows:

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Year ending 31st March,			
Due within one year	¥147	¥112	\$842
Due after one year	327	345	2,589
Total	<u>¥475</u>	<u>¥458</u>	<u>\$3,431</u>

19. Stock Option Plans

The following stock option plan for certain directors of the Bank was approved at the general shareholders' meeting.

Expenses related to stock options for the years ended 31st March, 2022 and 2023 were nil. The stock option outstanding during the year ended 31st March, 2023 was as follows:

	2012 stock option	2013 stock option	2014 stock option	2015 stock option
Title and number of persons granted	9 directors of the Bank	10 directors of the Bank	10 directors of the Bank	9 directors (excluding outside directors) of the Bank
Number of options granted (*)	50,900	44,900	47,260	34,720
Date of grant	8th August, 2012	6th August, 2013	12th August, 2014	11th August, 2015
Exercise price	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)
The fair value of an option granted under the plan at the grant date (*)	¥865 (U.S.\$6.48)	¥1,120 (U.S.\$8.39)	¥1,090 (U.S.\$8.16)	¥1,230 (U.S.\$9.21)
Rights execution period	From 9th August, 2012 to 8th August, 2042	From 7th August, 2013 to 6th August, 2043	From 13th August, 2014 to 12th August, 2044	From 12th August, 2015 to 11th August, 2045
	2016 stock option	2017 stock option		
Title and number of persons granted	10 directors (excluding outside directors) of the Bank	9 directors (excluding outside directors) of the Bank		
Number of options granted (*)	52,440	31,920		
Date of grant	9th August, 2016	8th August, 2017		
Exercise price	¥ 1 (U.S.\$0.01)	¥ 1 (U.S.\$0.01)		
The fair value of an option granted under the plan at the grant date (*)	¥955 (U.S.\$7.15)	¥1,435 (U.S.\$10.75)		
Rights execution period	From 10th August, 2016 to 9th August, 2046	From 9th August, 2017 to 8th August, 2047		

(*) Number of options granted and the fair value of an option granted under the plan at the grant date have been adjusted to reflect the consolidation of shares at a ratio of one share for every five shares on 1st October, 2017.

19. Stock Option Plans (continued)

Movements in stock option and exercise price for the year ended 31st March, 2023 are summarized as follows:

	2012 stock option	2013 stock option	2014 stock option	2015 stock option	2016 stock option	2017 stock option
Not vested:						
Outstanding as of 1st April, 2022	4,180	3,320	8,140	10,640	21,180	14,000
Granted	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–
Vested	–	–	–	3,080	4,060	2,700
Outstanding as of 31st March, 2023	4,180	3,320	8,140	7,560	17,120	11,300
Vested:						
Outstanding as of 1st April, 2022	–	–	–	–	–	–
Vested	–	–	–	3,080	4,060	2,700
Exercised	–	–	–	3,080	4,060	2,700
Forfeited	–	–	–	–	–	–
Outstanding as of 31st March, 2023	–	–	–	–	–	–

There were no stock options granted for the year ended 31st March, 2023.

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the reasonable number of stock options that will be forfeited in the future.

20. Income Taxes

Income taxes applicable to the Bank and its consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax.

Major components of deferred income tax assets and liabilities as of 31st March, 2022 and 2023 were as follows:

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred income tax assets:			
Reserve for possible loan losses	¥ 7,114	¥ 5,263	\$ 39,421
Net defined benefit liability	17	17	130
Loss on devaluation of securities	386	299	2,242
Tax loss carryforwards	–	116	874
Deferred hedge losses	854	501	3,757
Other	1,966	1,862	13,949
Subtotal	<u>10,338</u>	<u>8,061</u>	<u>60,373</u>
Valuation allowance for gross deductible temporary differences	(4,942)	(4,912)	(36,787)
Valuation allowance	<u>(4,942)</u>	<u>(4,912)</u>	<u>(36,787)</u>
Total: Deferred income tax assets	5,396	3,149	23,586
Deferred income tax liabilities:			
Unrealized gains on other securities	(6,179)	(1,744)	(13,064)
Net defined benefit asset	(1,208)	(1,707)	(12,787)
Other	(28)	(46)	(352)
Total: Deferred income tax liabilities	<u>(7,415)</u>	<u>(3,498)</u>	<u>(26,203)</u>
Net: Deferred income tax assets (liabilities)	<u>¥ (2,019)</u>	<u>¥ (349)</u>	<u>\$ (2,617)</u>

20. Income Taxes (continued)

A reconciliation of the statutory tax rate to the effective tax rate for the year ended 31st March, 2022 is as follows:

	<u>2022</u>
Statutory tax rate	30.5%
Change in valuation allowance	(5.3)
Permanent non-deductible differences, such as entertainment expenses	0.4
Permanent non-taxable differences, such as dividend income	(2.2)
Per capita portion of inhabitants' taxes	0.3
Equity in earnings of unconsolidated subsidiaries and affiliates	(0.5)
Elimination of dividends received from subsidiaries	1.0
Reversal of land revaluation excess	(0.7)
Other	0.8
Effective tax rate	<u>24.4%</u>

For the year ended 31st March, 2023, such difference is less than or equal to 5/100 of the statutory tax rate and a reconciliation is therefore omitted.

21. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

The Group has a single segment of commercial banking business and information on the disaggregation of revenue from contracts with customers is as follows.

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Fees and commissions:			
Deposit and loan services	¥1,221	¥1,243	\$9,309
Foreign exchange services	1,961	1,800	13,487
Trust related services	–	–	–
Securities related services	1,128	886	6,642
Agency services	872	1,218	9,124
Safe-deposit and safe-deposit box services	70	67	506
Others	1,713	1,791	13,416
Subtotal	<u>6,968</u>	<u>7,008</u>	<u>52,484</u>
Other income:			
Other incidental services not included in fees and commissions	186	180	1,348
Subtotal	<u>186</u>	<u>180</u>	<u>1,348</u>
Ordinary income from contracts with customers	7,154	7,188	53,832
Ordinary income other than the above	36,373	53,507	400,714
Ordinary income	<u>¥43,527</u>	<u>¥60,695</u>	<u>\$454,546</u>

- Notes: 1. “Others” under “Fees and commissions” include credit card services and internet banking services, etc., which are not classified above.
2. “Ordinary income other than the above” includes mainly income based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

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

a) Recognition period of revenues

Revenue is recognized when control of promised goods or services is transferred to a customer. Certain fees and commissions (e.g., fees for bond administration services and annual fees for credit card services) are recognized over time because the performance obligation is satisfied over a specified period of time.

b) Amount of revenues recognized

The recorded amount of revenues is calculated based on the amount expected to be received in exchange for goods or services. Among fees and commissions, credit card merchant commissions are calculated based on the amount of points granted, less the amount expected to be collected for third parties in the future, which is calculated based on actual usage in prior years.

These revenues do not include a financial component.

21. Revenue Recognition (*continued*)

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

a) Balance of contract liabilities, etc.

The balances of receivables and contract liabilities arising from contracts with customers are as follows. There is no balance of contract assets.

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
	At 1st April, 2022	At 31st March, 2023	At 1st April, 2022	At 31st March, 2023
Receivables arising from contracts with customers	¥ 372	¥ 318	\$2,788	\$2,388
Contract liabilities	¥ 289	¥ 318	\$2,171	\$2,385

	<i>(Millions of yen)</i>	
	At 1st April, 2021	At 31st March, 2022
Receivables arising from contracts with customers	¥ 331	¥ 372
Contract liabilities	¥ 279	¥ 289

Notes: 1. In the consolidated balance sheets, receivables arising from contracts with customers and contract liabilities are included in “Other assets” and “Other liabilities,” respectively. The balance of contract liabilities at 1st April, 2021, includes the cumulative effect of ¥276 million.

2. Contract liabilities consist mainly of the portion of administrative fees for bonds and annual fees for credit cards for which consideration was received from customers before fulfillment of performance obligations.

3. Of the revenue recognized in the year ended 31st March, 2022, the amount included in the balance of contract liabilities at 1st April, 2021 was ¥135 million. Of the revenue recognized in the year ended 31st March, 2023, the amount included in the balance of contract liabilities at 1st April, 2022 was ¥138 million (U.S.\$1,037 thousand).

4. No revenue was recognized in the years ended 31st March, 2022 and 2023 from performance obligations that were satisfied (or partially satisfied) in prior years.

b) Transaction price allocated to the remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations relates to bond administration fees and the expected period of revenue recognition is as follows. The amount of annual fees for credit cards, etc., for which the initial expected term of the contract is one year or less, has been omitted. The amount of consideration received from contracts with customers does not include the amount of variable consideration not included in the transaction price.

21. Revenue Recognition (continued)

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within one year	¥77	¥87	\$653
Over one year	158	170	1,280
Total	¥236	¥258	\$1,933

22. Segment Information

(1) Reportable segment information

Though the Group has other businesses in addition to its principal commercial banking business, reportable segment information has been omitted as such other businesses have only an immaterial effect on the accompanying consolidated financial statements of the Bank and as such the Group has effectively single segment.

(2) Other segment related information

a. Information by service

	2023			
	Banking	Securities investment	Other	Total
	<i>(Millions of yen)</i>			
Ordinary income from external customers	¥ 21,453	¥ 30,784	¥ 8,457	¥ 60,695

	2023			
	Banking	Securities investment	Other	Total
	<i>(Thousands of U.S. dollars)</i>			
Ordinary income from external customers	\$ 160,668	\$ 230,544	\$ 63,334	\$ 454,546

	2022			
	Banking	Securities investment	Other	Total
	<i>(Millions of yen)</i>			
Ordinary income from external customers	¥ 21,052	¥ 13,830	¥ 8,644	¥ 43,527

Note: "Ordinary income" corresponds to net sales of non-banking industries.

22. Segment Information (continued)

b. Information by geographic region

i. Ordinary income

Information as to ordinary income from domestic customers was omitted, because the amount of ordinary income from domestic customers was more than 90% of consolidated ordinary income.

ii. Tangible fixed assets

Information as to tangible fixed assets was omitted, because there was no tangible fixed asset located abroad.

c. Major customer's segment information

Major customer's segment information is not shown since there is no customer accounting for more than 10% of the sales to customers in the consolidated statements of income.

d. Information on impairment of fixed assets for each reportable segment

Information on impairment of fixed assets has been omitted since the Group has only one reportable segment.

e. Segment information on amortization of goodwill and its remaining balance

Not applicable.

f. Information on gain in negative goodwill for each reportable segment

Not applicable.

23. Related Party Transactions

Significant transactions with related parties for the years ended 31st March, 2022 and 2023 were as follows:

Name	Description of business or occupation	Relationship with the Bank	Description of the Bank's transactions	Transaction Amount		Account	Balance	
				(Millions of yen)	(Thousands of U.S. dollars)		(Millions of yen)	(Thousands of U.S. dollars)
<u>For the year ended 31st March, 2023</u>								
Tonan Building Co., Ltd. (Note 2)	Real estate leasing	Companies, etc. in which the majority of voting rights are held by the Bank's directors and their close relatives	Lending of funds Receipt of interest	¥ (6) 2	\$ (47) 21	Loans and bills discounted (Note 3)	¥ 142	\$ 1,068
Hamada Animal Hospital Co., Ltd. (Note 4)	Other professional services	Companies, etc. in which the majority of voting rights are held by the Bank's directors and their close relatives	Lending of funds Receipt of interest	(2) 0	(21) 2	Loans and bills discounted (Note 5)	30	229
Tadokoro Interior Decorations Co., Ltd. (Note 6)	Facility construction business	Companies, etc. in which the majority of voting rights are held by the Bank's directors and their close relatives	Lending of funds Receipt of interest	(6) 0	(45) 1	Loans and bills discounted (Note 7)	14	105

- Notes: 1. Terms and conditions of the above transactions are determined in the same manner as general transactions with third parties.
2. 100% of the voting rights are owned by close relatives of Director Hiroyuki Hamada.
3. Director Hiroyuki Hamada and his close relatives have guaranteed the debt.
4. 100% of the voting rights are owned by close relatives of Director Masahiro Hamada.
5. A close relative of Director Masahiro Hamada has guaranteed the debt.
6. 98% of the voting rights are owned by close relatives of Director Mitsufumi Ito.
7. A close relative of Director Mitsufumi Ito has guaranteed the debt.

23. Related Party Transactions (continued)

<u>Name</u>	<u>Description of business or occupation</u>	<u>Relationship with the Bank</u>	<u>Description of the Bank's transactions</u>	<u>Transaction Amount</u> <i>(Millions of yen)</i>	<u>Account</u>	<u>Balance</u> <i>(Millions of yen)</i>
<u>For the year ended 31st March, 2022</u>						
Tonan Building Co., Ltd. (Note 2)	Real estate leasing	Companies, etc. in which the majority of voting rights are held by the Bank's directors and their close relatives	Lending of funds Receipt of interest	¥ (6) 3	Loans and bills discounted (Note 3)	¥ 148
Hamada Animal Hospital Co., Ltd. (Note 4)	Other professional services	Companies, etc. in which the majority of voting rights are held by the Bank's directors and their close relatives	Lending of funds Receipt of interest	(2) 0	Loans and bills discounted (Note 5)	33

- Notes: 1. Terms and conditions of the above transactions are determined in the same manner as general transactions with third parties.
2. 100% of the voting rights are owned by close relatives of Director Hiroyuki Hamada.
3. Director Hiroyuki Hamada and his close relatives have guaranteed the debt.
4. 100% of the voting rights are owned by close relatives of Director Masahiro Hamada.
5. A close relative of Director Masahiro Hamada has guaranteed the debt.

24. Per Share Data

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net assets per share	¥ 3,711.54	¥ 3,595.38	\$ 26.93
Basic earnings per share	191.07	133.28	1.00
Diluted earnings per share	190.78	133.11	1.00

Note 1: The net assets per share is calculated on the basis of the following

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net assets	¥ 154,622	¥ 149,959	\$ 1,123,043
Amount excluded from net assets	206	196	1,474
(stock acquisition rights thereof)	69	58	435
(non-controlling interests thereof)	137	138	1,039
Net assets attributable to common stock at year end	154,415	149,763	1,121,569
Number of shares of common stock at year end used for calculation of net assets per share (in thousands)	41,604	41,654	

Note 2: Earnings per share is calculated on the basis of the following

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit attributable to shareholders of The Shikoku Bank, Ltd.	¥ 7,945	¥ 5,549	\$ 41,561
Amount not attributable to common stockholders	—	—	—
Profit attributable to common shareholders of The Shikoku Bank, Ltd.	7,945	5,549	41,561
Average number of shares of common stock during the year (in thousands)	41,582	41,637	
Increase in number of shares of common stock to calculate diluted earnings per share (in thousands)	63	51	
(stock acquisition rights thereof) (in thousands)	63	51	

25. Impairment Loss

Because the Bank does not expect recovery of investment due to continuous decline of land value and decrease in cash flows from operating activities, the Bank reduced carrying value of the following assets to the recoverable amounts and recognized impairment losses of ¥456 million and ¥66 million (U.S.\$499 thousand) for the years ended 31st March, 2022 and 2023, respectively.

(1) Kochi prefecture

a) Major use

	<u>2022</u>	<u>2023</u>
(i) Number of branches used in business operation:	4	4
(ii) Number of idle assets:	2	1

b) Type

Land and buildings for the years ended 31st March, 2022 and 2023

c) Impairment loss

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Operating assets	¥ 377	¥ 38	\$ 291
Land thereof	317	19	148
Buildings thereof	60	19	143
Idle assets	¥ 11	¥ 1	\$ 10
Land thereof	9	1	10
Buildings thereof	2	—	—

(2) Outside of Kochi prefecture

a) Major use

	<u>2022</u>	<u>2023</u>
Number of branches used in business operations:	6	2

b) Type

Land and buildings for the years ended 31st March, 2022 and 2023

c) Impairment loss

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Operating assets	¥ 67	¥ 26	\$ 198
Land thereof	53	13	104
Buildings thereof	14	12	94

25. Impairment Loss (continued)

At the Bank, the smallest unit of an asset group for recognition and measurement of impairment loss is each branch (each branch group in case that branch groups operate in association with each other) for which profit and loss is managed on a regular basis for managerial accounting in case of operating branches, and is each asset in case of idle assets including asset group for which the decision of future disposal has been made. And as for consolidated subsidiaries, each subsidiary is considered as the smallest grouping unit.

The recoverable amount used to measure the impairment loss is primarily net selling price, which is measured mainly based on appraisal value estimated by real estate appraisers.

26. Cash and Cash Equivalents

A reconciliation between cash and due from banks in the consolidated balance sheets at 31st March, 2022 and 2023 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

	<u>2022</u>	<u>2023</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and due from banks	¥643,722	¥411,090	\$3,078,641
Due from banks other than the Bank of Japan	(8,364)	(8,039)	(60,206)
Cash and cash equivalents	<u>¥635,358</u>	<u>¥403,051</u>	<u>\$3,018,435</u>

27. Other Comprehensive Income

Other comprehensive income for the years ended 31st March, 2022 and 2023 consisted of the following:

	2022	2023	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrealized losses on securities:			
Losses recognized during the year	¥(17,478)	¥(20,176)	\$ (151,102)
Reclassification adjustment to net income	(913)	5,784	43,316
Amount before tax effect	(18,391)	(14,392)	(107,786)
Tax effect	5,550	4,434	33,211
Unrealized losses on securities	(12,840)	(9,957)	(74,575)
Net deferred hedge gains:			
Gains recognized during the year	2,115	5,607	41,994
Reclassification adjustment to net income	499	(4,449)	(33,323)
Amount before tax effect	2,615	1,157	8,671
Tax effect	(796)	(352)	(2,640)
Net deferred hedge gains	1,818	805	6,031
Remeasurements of defined benefit plans:			
Gains recognized during the year	1,086	1,114	8,343
Reclassification adjustment to net income	10	(151)	(1,137)
Amount before tax effect	1,096	962	7,206
Tax effect	(334)	(293)	(2,194)
Remeasurements of defined benefit plans	762	669	5,012
Share of other comprehensive income of companies accounted for by equity method:			
Gains (losses) recognized during the year	(112)	8	66
Reclassification adjustment to net income	(84)	-	-
Amount before tax effect	(196)	8	66
Tax effect	-	-	-
Share of other comprehensive income (loss) of companies accounted for by equity method	(196)	8	66
Total other comprehensive income	¥(10,455)	¥(8,474)	\$(63,466)

28. Subsequent Event

Appropriation of retained earnings

The following appropriation of retained earnings as of 31st March, 2023 was approved at the Company's shareholders' meeting held on 29th June, 2023:

	Total amount	Per share	Dividend record	Effective
	Millions of yen (Thousands of U.S. dollars)	amount Yen (U.S. dollars)		
Common stock	¥ 731 million (\$5,475 thousand)	¥17.50 (\$0.13)	31st March, 2023	30th June, 2023