



# ***Nanto Report*** ***Integrated Report***

Fiscal year ended March 2022

## Management Philosophy

1. We conduct sound, efficient management.
2. We provide superior comprehensive financial services.
3. We pursue efforts to promote regional development.
4. We seek an identity as a trustworthy bank with strong customer appeal.

## Management Vision

### “Vitality Creation Bank”

Our mission as a regional financial institution is to contribute to the growth and development of our region and customers. Maximizing all our management and staff capabilities, and creating new value unique to the Nanto Bank Group, we are reinforcing our position as the banking group of choice for customers throughout our region.

### Editorial Policy

Compiled in pursuit of further understanding among stakeholders of the Nanto Bank Group's strategies for creating sustainable value in the medium-to-long term, this Integrated Report was edited in compliance with the “International Integrated Reporting Framework” of the Value Reporting Foundation (former IIRC). The specific purpose of its creation was to illuminate the path to achievement of our Management Plan, “Nanto Mission and Objectives for the Next 10 Years.” For detailed financial information, please refer to the separately published “Disclosure Supplement.”

### Range of coverage

The Report presents key information concerning the Nanto Bank Group's management strategies, business model, business conditions, stakeholders, primary risks and opportunities, performance and outlook, and governance.

### Period of coverage

April 1, 2021 ~ March 31, 2022

### Date issued

July 2022

### Precautions concerning future predictions

This report contains forecasts and statements concerning the future prospects for the Nanto Bank Group's business strategies and financial condition. These forecasts and statements involve risks and uncertainties stemming from their dependence on future events. Please be aware that the actual results may differ materially from those foreseen by the Nanto Bank Group.





# CONTENTS

## About Nanto Bank

|                        |   |
|------------------------|---|
| Information Highlights | 2 |
|------------------------|---|

## Target Image

|                                    |    |
|------------------------------------|----|
| President's Message                | 4  |
| Progress under the Management Plan | 10 |
| Nara Prefecture's Potential        | 12 |
| Materialities and the SDGs         | 14 |
| Value Creation Process             | 16 |
| Pursuing Further Value Creation    | 18 |

## Developing with Our Region

|  |    |
|--|----|
| <b>E</b> Responses to the Effects of Accelerating Climate Change   |    |
| Meeting the Challenge of Climate Change  | 20 |
| <b>S</b> Realizing Sustainable Growth of Our Regional Economy  |    |
| Contributing to Improved Customer Productivity   | 24 |
| Facilitating Customer Commercialization  | 26 |
| Stakeholder Voice ①  | 28 |
| Pursuit of Investment Projects and Regional Contribution through Tourism Promotion and Community Development |    |
| <b>S</b> Realizing a Convenient, Prosperous Society  |    |
| Support for Customers' Asset Formation   | 32 |
| Improving Customer Convenience   | 33 |

|  |    |
|--|----|
| <b>S</b> Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources |    |
| Cultivating Unconventional Human Resources   | 34 |
| Stakeholder Voice ②  | 36 |
| Fostering Human Resources with Varied Experiences  | 36 |
| Enhancing the Group's Productivity   | 38 |

|  |    |
|--|----|
| <b>G</b> Preparing for Increasingly Varied and Complex Risks |    |
| Reinforcing Risk Management                                  | 40 |
| Risk Management Systems and Conscientious Compliance         | 42 |

## Support for Value Creation

|                          |    |
|--------------------------|----|
| Corporate Governance     |    |
| Executive Officers       | 44 |
| Corporate Governance     | 46 |
| Outside Directors' Forum | 50 |
| Stakeholder Engagement   | 54 |

## About the Nanto Bank Group

## Consolidated Financial Statements

|                                   |     |
|-----------------------------------|-----|
| Consolidated Financial Statements | 60  |
| Independent Auditors' Report      | 101 |
| Capital Management                | 107 |

### Compiling the Nanto Report

Icons representing the eight categories of content advocated in the "International Integrated Reporting Framework" published by the Value Reporting Foundation have been employed to further clarify understanding of the Nanto Bank Group's corporate culture.



**Organizational overview and external environment**  
What is the nature of the operating environment, and how is the Bank organized to respond?



**Governance**  
How does the governance structure ensure short-, medium- and long-term value creation?



**Business model**  
What is the business model, and how resilient is it?



**Risks and opportunities**  
The real risks and opportunities affecting our ability to create value in the short, medium and long term, and ways of dealing with them.



**Strategies and resources allocation**  
What are our goals, and how do we plan to reach them?



**Performance**  
To what extent is the Bank achieving its strategic objectives, and what is the effect on capital?



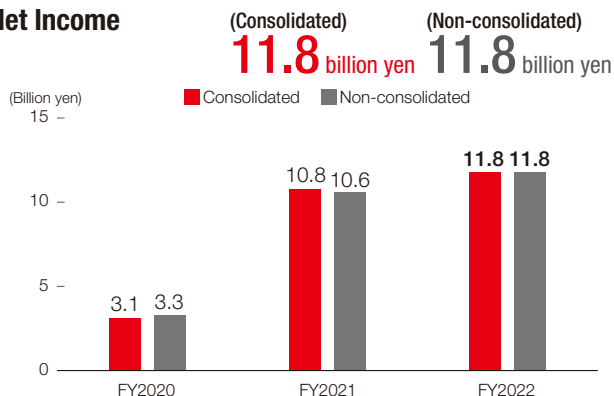
**Outlook**  
What are the challenges and uncertainties for executing strategies, and how might they impact the Bank's business model and future performance?



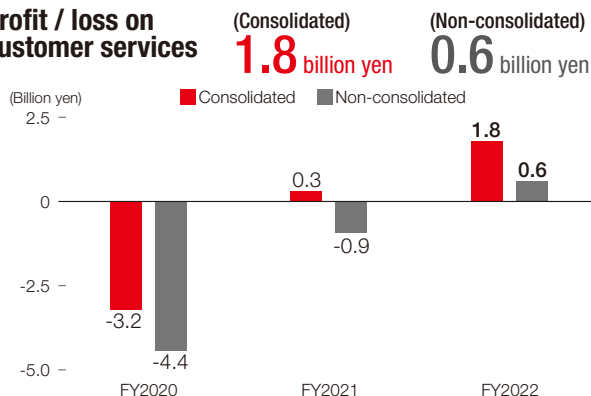
**Basis for creation and presentation**  
How were the contents of the Report quantified and evaluated, and how were they selected?

## Financial Highlights

### Net Income

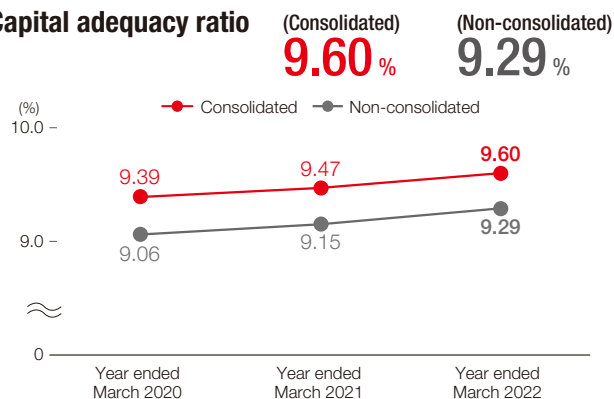


### Profit / loss on customer services

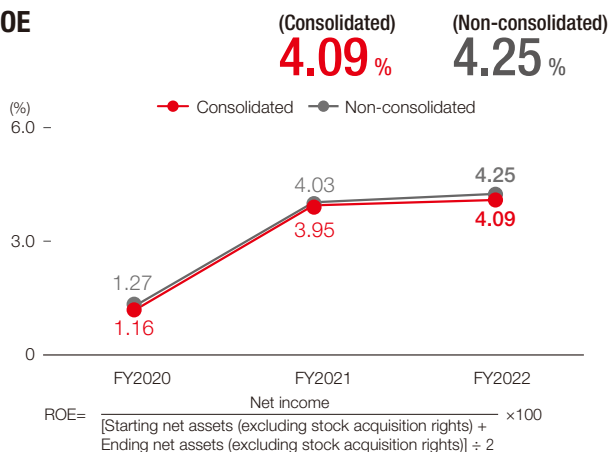


Profit / loss on customer services = Profit from main businesses (loans / commission business)  
= Average loan balance x deposits / loan yield difference + profit from service transactions - expenses

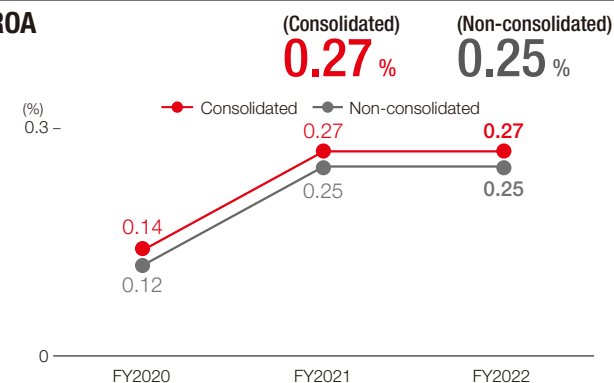
### Capital adequacy ratio



### ROE

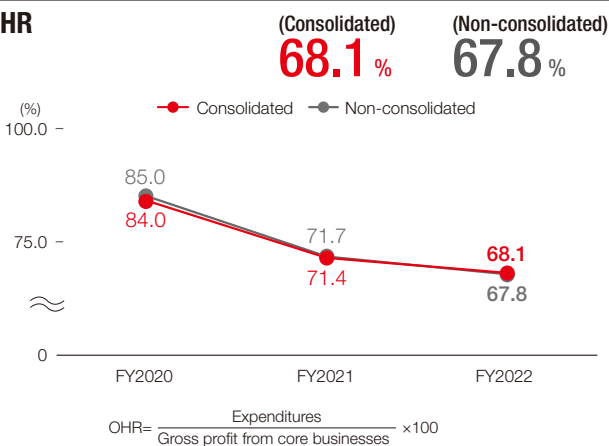


### ROA

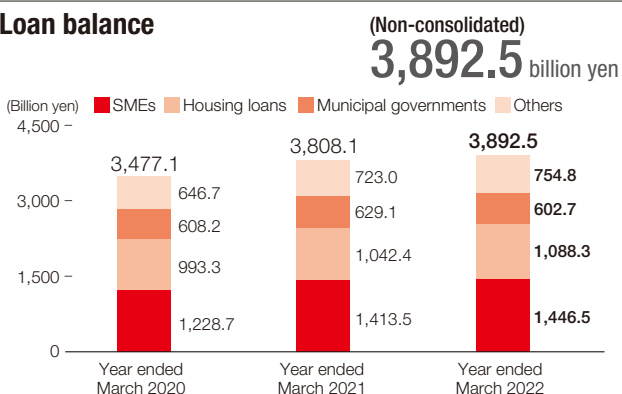


ROA =  $\frac{\text{Core business net income}}{\text{Average balance of total assets} - \text{Average balance of payments received}} \times 100$

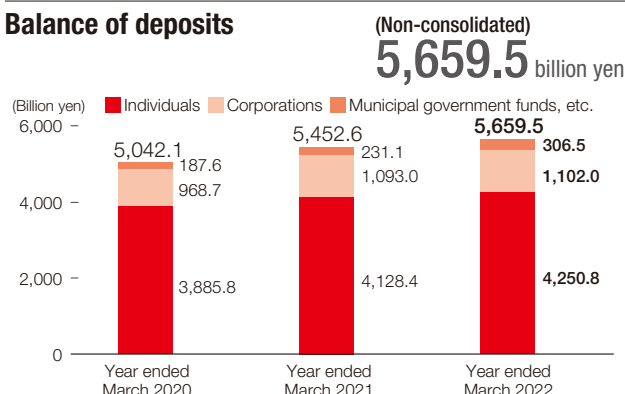
### OHR



### Loan balance



### Balance of deposits





## Non-financial Highlights (non-consolidated)



### Environment

Rate of CO<sub>2</sub> emissions reduction  
(FY2013 → FY2020)

**-33.7%**

(Emissions for scopes 1 and 2)

(Decrease of 1.2 points from the previous year)

CO<sub>2</sub> reduction through renewable  
energy-related loans  
(FY2021)

Approx. **37,000** tons CO<sub>2</sub>

(No. of loan transactions/amount: 4 loans, 5.2 billion yen)

(Decrease of approx. 320,000 t-CO<sub>2</sub> from the previous year)



### Society

(End March 2022)

Percentage of female executives

**15.1%**

(Increase of 0.6 point from the  
previous year)

Unconventional human resources  
Certified personnel participating  
in vitality creation

**559**

(Percentage of employees 24.0%)  
(Increase of 101 from the previous year  
(Increase of 5.0 points))



### Governance

(End June 2022)

Board of Directors diversification  
Human resources with work  
experience outside the Bank



**2** of **6** internal directors

Ratio of outside directors



**4** directors = **40%**

### Nanto Bank Profile (as of March 31, 2022)

Established: June 1, 1934

Capitalization: ¥37,924.15 million

Headquarters: 16 Hashimoto-cho, Nara, Japan

Homepage: <https://www.nantobank.co.jp/>



Nanto Bank Co., Ltd. was established on June 1, 1934 through a merger of Sixty-eight Bank Co., Ltd., Yoshino Bank Co., Ltd., Yagi Bank Co., Ltd. and Gose Bank Co., Ltd.

Today, the Bank and its Group offer comprehensive financial services, including leasing, trusts, securities and consulting, in addition to the banking business (deposits, loans, exchange, etc.), with Nara Prefecture and the surrounding region as its primary base of operations.



## Realizing sustainable management in cooperation with our regional community

President (Representative Director)  
**Takashi Hashimoto**



## Introduction

The outlook for the Japanese economy remains uncertain today at a time when supply constraints due to disruptions in the global supply chain are exacerbated by the prolonged coronavirus pandemic and rising resources costs.

In Nara prefecture, skies over the tourism industry are brightening, as students on school excursions return to visiting Nara's famous shrines and temples. I nevertheless expect it will be some time before tourism recovers to its pre-pandemic levels, when international visitors were driving the market.

With the recent rise in resources prices exerting negative impact on a wide range of industries in the region, creating new management issues for customers who have been working to improve their management structures in the severe environment of the pandemic, many fear additional downward pressure on the regional economy.

The Nanto Bank Group is not only continuing to pursue its business of supporting customers' cash flow, but it is also providing customers with optimal financial services and solutions, such as introduction of appropriate IT and expansion of their sales channels, that add corporate value and reinforce their core businesses.

At the same time, the increasing and intensifying risks posed by natural disasters associated with the appearance of new coronavirus variants and global warming, both in Japan and overseas, have brought growing recognition of the importance of initiatives for sustainability and the SDGs.

These trends are beginning to impose enormous changes on the economic activities and social lives of our customers, signaling that the roles and responsibilities our Group must fulfill will continue to grow in the future.

Our 10-year Management Plan introduced in April 2020 elucidated the Group's Mission as pursuit of regional development, fostering of vitality-creating human resources, and enhancement of profitability. Guided by this Mission, we are working to achieve the goals of the Plan within 10 years by providing value to our stakeholders.

Supported by intangible assets comprising the trust and confidence invested in us by our stakeholders, the Nanto Bank Group is contributing to regional development by providing financial services and solutions that only the Nanto Bank Group can offer. This approach is in harmony with the Group's goal of realizing sustainable management in cooperation with our regional community.

The objective of this integrated report is to convey not only the Nanto Bank Group's current business circumstances, but also the story of its growth aimed at improving corporate value, to our stakeholders fully and carefully in an easily understandable manner.

## Raising targets even higher

### (Progress in Management Plan implementation)

"Increasing Nara prefecture's GDP," which is one of the "Objectives for the Next 10 Years" established by our Management Plan introduced in April 2020, expresses our Group's determination to lead the way toward realizing regional development. We recognize this as a key performance indicator showing our Group's continued presence as a regional financial institution, and its progress toward achieving sustainable growth.

As an interim financial goal, meanwhile, we set our sights on moving our non-consolidated profits from customer service operations, which are our core business profits, into the black for the first time since April 2009. We are fully aware that our ability to continue developing flexible initiatives that contribute to sustainable growth of the region depends on stabilizing the Group's management by returning our core businesses to profitability.



Almost immediately after we introduced our new Management Plan in April 2020, the Japanese government declared a state of emergency to combat the spread of the coronavirus. A period of confusion stemming from such factors as new restrictions on face-to-face sales activities ensued, but our efforts to continue providing full customer support including cash flow services paid off. Our activities increased the number of contact points with new customers and significantly raised our loan balance, which is a key source of income.

When it comes to payment methods, meanwhile, the role of bank tellers and ATMs is changing dramatically due to the expansion of cashless payment systems

and other factors. We have succeeded in reducing expenses steadily according to plan by reorganizing our branch network through such means as joint branch creation and administrative reform of our branch lobbies and back offices, while also conducting a comprehensive review of our headquarters operations.

As a result, Nanto Bank's non-consolidated core business profit returned to profitability in fiscal 2021, three years ahead of schedule.

### (Resetting interim targets)

Although returning core business profit into the black had been a longstanding goal, this marks just the starting point in our efforts to transition from negative to positive results.

If we are to keep pace with the waves of change such as the easing of the Banking Law in our operating environment and to continue investing proactively in new business opportunities to expand our business domain, we must further reinforce our business structure to make it more muscular.

Our new interim targets for the three years through fiscal 2024 have been set on a consolidated basis to maximize the use of our Group's resources. Our executive officers and employees throughout the Group will work as one to achieve these even higher goals.



## Realizing sustainable management in cooperation with our regional community

While more flexible responses are required to address current issues such as the prolonged coronavirus epidemic, rising resources prices, and inflationary pressures stemming from supply constraints, I believe we, the Nanto Bank Group, should take the initiative ourselves and act to improve the regional environment from a medium- to long-term perspective through efforts to resolve such structural issues facing Japanese society as global warming, a shrinking workforce, and weak economic growth.

In December 2021, our Group formulated its Basic Sustainability Policy with reference to climate change and other global sustainability issues and to the Japanese government's SDGs Action Plan. It also identified priority materialities and specific themes to be addressed in consideration of their importance to our stakeholders and the Group as a whole.

The action plans and measures currently being implemented by the Group are based on these materialities, which we will continue to revise in a timely, appropriate manner in accordance with changes in our internal and external environments.

### Basic Sustainability Policy

Sustainability is at the core of the Nanto Bank Group's Management Philosophy itself.  
 Guided by its Management Philosophy, the Group will continue to provide the value its stakeholders seek by offering solutions to social and environmental issues.  
 We will contribute to realizing sustainable regional communities, and work at the same time to achieve sustainable growth of the Group and enhance its corporate value over the medium to long term.

## Responding to climate change issues that are not merely someone else's concern

Among efforts to address climate change, realization of a decarbonized society is attracting especially significant attention in Japan and abroad. The Japanese government has committed to achieving carbon neutrality by 2050.

Japan's large corporations are responding by accelerating efforts to reduce carbon emissions in their operations, and the impact of their actions is emerging as an urgent management issue for customers in the regions comprising their supply chains.

Committed to playing a leadership role in customer and regional decarbonization, we are proactively developing solutions to meet customers' needs for finance for their decarbonization activities, consulting services to facilitate their SDG implementation, and services to visualize and reduce their CO<sub>2</sub> emissions.

### (Enhancing disclosure according to the TCFD recommendations)

In our efforts to comply with the TCFD recommendations we endorsed last year, we are identifying opportunities and risks for our Group related to climate change issues. We have taken the initiative by setting a target of reducing our CO<sub>2</sub> emissions by 50% or more from their fiscal 2013 levels by fiscal 2030.

We realize that our Group's role in responding to climate change issues will continue to expand, and that its responsibilities in this area will only become greater. Every single Group officer and employee is determined to face these issues head-on, rather than viewing them as someone else's problem.

## Unconventional human resources creating the Nanto Bank Group's future

Our Management Plan elucidates our commitment to fostering unconventional human resources, and we are pursuing various measures to achieve this goal. We are motivated in this by the belief that human resources are among the Group's most vital management assets supporting its efforts to contribute to regional development and to achieve sustainable growth of the Group itself.

We are fortunate to have been supported since our founding by our customers and our regional community, and to be blessed with exceptional human resources. We continue to enjoy an enviably high share of the bank deposits and loans in Nara prefecture.

We realize that the definition of regional customer's trust and confidence contributing to the Nanto Bank Group's exceptional market share will change with shifts in the business environment.

In the past, when banks provided only a limited range of financial products and services, including deposits, loans, and foreign exchange, and when the widest-held expectations of banks were safety and security, we enjoyed the trust and confidence of our community simply for providing these banking services.

With online banks and cashless businesses increasing market share today by adding value through convenience, ease, and low cost, we are experiencing a strong sense of urgency stemming from the fact that our business model, founded on traditional banking products and services, will eventually reach its limits.

In this environment, I believe that one of our strengths is the information-gathering capabilities we have cultivated over many years through multiple wide-ranging contacts with customers and the regional community at large.

This information access we have established through connections with customers and the regional community in the course of our long history cannot be acquired overnight by other financial institutions or digital players.

That said, we will naturally continue to construct information-gathering systems that make full use of digital technologies to provide highly convenient financial products and services. There is some reason for concern, however, that a strategy that relies solely on digital technology will weaken our close connections with customers.

I also expect our Group to be further differentiated by our staff of unconventional human resources who are fully prepared to consult with customers about their most pressing concerns, and to work with them to resolve the issues involved.

To qualify as "unconventional," personnel require a broad perspective with experience in both banking and other fields. Our Group is creating new growth opportunities for our employees by expanding its program of external secondments, trainee dispatching, and employee exchanges among Group companies, while at the same time pursuing concerted efforts to diversify its human resources by introducing a side job system and expanding mid-career hiring.

In addition to these initiatives, Group member Nara Mirai Design, a regional revitalization company established in April 2021, engages in proactive regional development projects. These include operating the "Narawashi" e-commerce site, implementing community development projects such as old private house renovations, and conducting agricultural businesses to revitalize local agriculture. The experience and knowledge acquired by Group officers and employees in businesses outside the framework of the banking industry have been extremely useful in giving them perspectives appropriate to unconventional human resources.



## Planning a new main building to serve as a base for our transition to the future

Our Group plans to complete construction of a new main building in Nara City in fiscal 2024, the 90th anniversary of our founding, as a next-generation sustainable management headquarters. This new facility will help us realize two primary objectives: First, it will equip us to offer our customers more value than they would normally expect; and second, it will provide a venue for fostering unconventional human resources and enabling them to play active roles.

The building will be designed to allow flexible, agile reconfigurations to meet the changing needs of our customers and the diverse work styles of our executives and employees. It will be a place for generating completely original ideas where unconventional personnel can emerge and flourish naturally as they repeatedly explore new possibilities and uncover unrecognized customer needs and new roles for our Group to perform, helping to shape our future vision.

We are counting on this new main building to serve as a starting point for our Group's transition into the future.

## The future we are working with stakeholders to realize

Finally, we are committed to continuing our constructive, proactive dialogue with stakeholders, including transparent information disclosure. We complied with the revised Corporate Governance Code last year by disclosing the skill sets of all our Group's officers, including our outside officers, and we have initiated efforts this year to diversify our Board of Directors by inviting female outside directors to join it.

In conjunction with the reestablishment of interim targets, we have changed our policy on returns to shareholders to one of returning profits in accordance with our business performance, while also paying a stable dividend, after first providing guidelines to the dividend payout ratio.

We are convinced that the future of the Nanto Bank Group lies in building increasingly trusting, cooperative relationships with our stakeholders through timely and appropriate actions in response to their concerns and our awareness of the challenges facing the Group.

We look forward to your continued understanding and support as we go forward.



Artist's conception of the new main building

## Progress under the Management Plan

### Management Plan overview

In December 2019, the Nanto Bank Group announced its Nanto Mission and Nanto Goals to be achieved in 10 years.

The Nanto Mission involves three objectives: “regional development,” “creation of human resources for vitality creation,” and “improvement of profitability,” while the Nanto Goals are to “increase Nara prefecture’s GDP by 350 billion yen,” “nurture 350 management personnel,” and “increase ROA to 0.35% or above.” The Group has also identified the following indicators as interim targets for realization by 2024: profitability of its non-consolidated customer services businesses, an OHR of under 70%, an ROA of over 0.25%, and 1,000 personnel with qualifications related to vitality creation.

#### ■ Interim targets and achievements

|  | 2019/3 Actual              | 2020/3 Actual              | 2021/3 Actual              | 2022/3 Actual            | 2024/3 Target           |
|--|----------------------------|----------------------------|----------------------------|--------------------------|-------------------------|
| Profit from customer services (non-consolidated) | (3.8) billion yen decrease | (4.4) billion yen decrease | (0.9) billion yen decrease | 0.6 billion yen increase | Return to profitability |
| OHR (non-consolidated)                           | 85.7%                      | 85.0%                      | 71.7%                      | 67.8%                    | Below 70%               |
| ROA (non-consolidated)                           | 0.11%                      | 0.12%                      | 0.25%                      | 0.25%                    | Over 0.25%              |
| Number of qualified employees                    | —                          | 422                        | 458                        | 553                      | 1,000                   |

### Early return to profitability of core business and revised interim targets

As a result of its support for thorough cash management and cost and resources optimization during the coronavirus pandemic years, the Bank achieved a long-sought accomplishment, a return to profitability in its non-consolidated customer services businesses, where it recorded an increase of 0.6 billion yen in fiscal 2021 compared to a loss of 4.4 billion yen in the year immediately preceding implementation of the Management Plan.

In light of these developments, we formulated new interim targets for fiscal 2024 in December 2021. Aimed at further strengthening the Group’s capabilities, these new targets call for achieving consolidated profit from customer services of 3 billion yen, a consolidated OHR of under 70%, and a consolidated ROE of 4.5 billion yen, with ROE registering above 4.0% on a consolidated basis.

#### ■ Revised interim targets

|  | FY2021 results  | Interim target (FY2024) |
|--|-----------------|-------------------------|
| Profit from customer services (consolidated)                         | 1.8 billion yen | 3 billion yen           |
| OHR (consolidated)   | 68.1%           | Below 70%               |
| ROE (consolidated)   | 4.09%           | Above 4.0%              |
| ROA (non-consolidated)   | 0.25%           | 0.25% or above          |
| Number of employees with qualifications related to vitality creation | 553             | 1,000                   |

## Fiscal 2021 results and outlook for fiscal 2022

### Profit from customer services

As income in 2021, although the yield on loans declined, interest on loans and bills discounted increased by 0.3 billion yen from the previous year to 32.3 billion yen due to an increase in the average loan balance as a result of thorough support for financing during the coronavirus pandemic, while net fees and commissions decreased by 0.3 billion yen from the previous year to 6.4 billion yen.

In the payments category, meanwhile, personnel expenses decreased by 0.9 billion yen from the previous fiscal year due to planned reductions of the number of employees and overtime work hours, while property expenses decreased by 0.5 billion yen from the year before due to lower branch office maintenance expenses resulting from a reorganization of the branch network and limitations on the Bank’s activities stemming from the coronavirus pandemic.

As a result of these reductions, the Bank’s non-consolidated net profit from customer services increased by 1.6 billion yen from the previous fiscal year to 0.6 billion yen, raising it into the black for the first time in 13 years.

Profit from consolidated customer services increased as well, climbing by 1.4 billion yen from the previous fiscal year to 1.8 billion yen as a result of the increased profit from non-consolidated customer services.

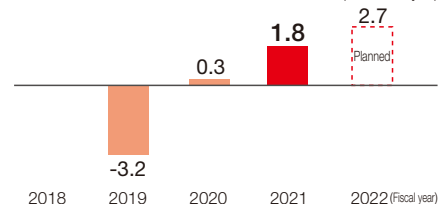
Looking to fiscal 2022, we plan to raise our interest on loans by 0.2 billion yen from the year before to 32.5 billion yen by increasing the balance of loans outstanding, primarily in the retail sector, despite expected continuing downward pressure on yields from loans to individuals, especially housing loans. We anticipate fees and commissions of 6.7 billion yen, a year-on-year increase of 0.2 billion yen, due to higher income from our corporate solutions business alliances and M&A.

In the payments category, meanwhile, we are planning for a 200 million yen decrease in personnel expenses in response to further reductions in our employee rolls, and almost unchanged property expenses due to planned strategic IT investments to improve customer convenience and Group productivity.

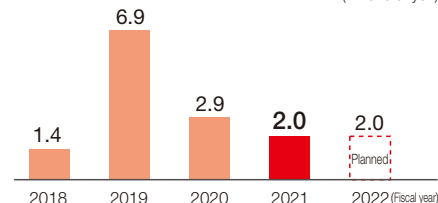
As a result of these and other factors, the Bank anticipates non-consolidated profit from customer services of 1.0 billion yen in fiscal 2022, an increase of 0.3 billion yen from the previous year.

On a consolidated basis, the Group expects to record a year-on-year increase of 0.5 billion yen through enhanced collaboration with Nanto Bank, with a resulting increase in profit from consolidated customer services of 2.7 billion yen, an increase of 0.9 billion yen from the year before.

#### ■ Trends in profit from customer services (consolidated)



#### ■ Trends in credit-related expenses (non-consolidated)



### Credit-related expenses

Public/private sector support for cash management during the coronavirus pandemic helped to maintain the number of bankruptcies in Nara prefecture last year at its lowest level since the Great Recession. Nanto Bank also saw credit-related expenses decrease by 0.9 billion yen from the previous fiscal year to 2.0 billion yen in fiscal 2021 due to a limited occurrence of non-performing loans resulting from our successful efforts to support our core businesses, including pursuit of in-depth comprehension of customers’

businesses and business matching.

The Bank's NPL balance was 53.3 billion yen at fiscal 2021 year-end, an upturn of 1.2 billion yen from the end of the previous fiscal year, while the NPL ratio was unchanged from the year before at 1.35%.

Although we plan to continue providing support for cash management of 2.0 billion yen in fiscal 2022, the same level as in the previous year, we will be paying particularly close attention to our customers' business conditions. This added scrutiny stems from our awareness of the unpredictability of our operating environment in the shadow of the prolonged pandemic, the yen's depreciation, rising resources prices, geopolitical risks, and other factors.

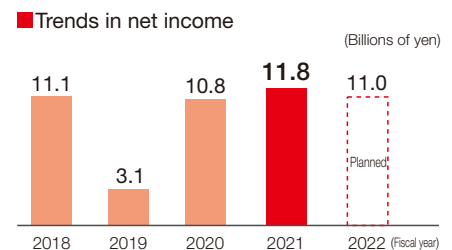
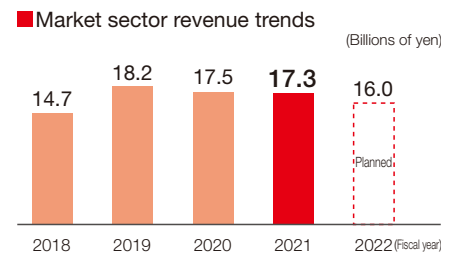
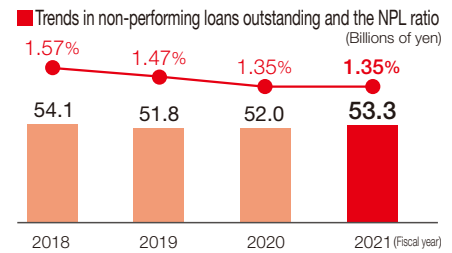
### Market sector revenue

Market sector revenue fell by 200 million yen from the previous year to 17.3 billion yen in fiscal 2021 due to a weakening of interest on securities in response to the soft market at the end of the fiscal year. These numbers include income of 17.0 billion yen and capital income of 0.3 billion yen.

In fiscal 2022, we expect market segment income to decrease by 1.3 billion yen from the previous year to 16.0 billion yen due to higher foreign currency funding costs and flexible portfolio rebalancing undertaken to prepare for rising interest rates in response to the prospect of a gradual increase in interest rates in the United States.

### Net Income

Consolidated net income for fiscal 2021 increased by 1.0 billion yen from the previous year to 11.8 billion yen, a result attributable to improvement of the Bank's non-consolidated net income from customer services and decreased credit-related expenses. Although the Bank plans to improve its profit from customer services further in fiscal 2022, consolidated net income is projected to decrease by 0.8 billion yen from the previous year to 11.0 billion yen due to an expected weakening of market segment profit in the face of higher interest rates in the United States and Europe.



## Capital policy

### Basic policy

In addition to ensuring the Group's financial soundness, we aim to raise its medium-to long-term corporate value by making returns commensurate with the cost of shareholders' equity through strategic investments expected to achieve sustainable growth and stable, flexible returns to shareholders.

### Capital adequacy ratio

The Nanto Bank Group's capital adequacy ratio improved by 0.13% point from the year before to 9.60% on a consolidated basis and by 0.14% to 9.29% on a non-consolidated basis owing to an increase in equity capital resulting from higher profits and despite an increase in risk-weighted assets.

We will continue our efforts to maintain an appropriate capital adequacy ratio and to manage capital efficiently.

### Policy on returns to shareholders

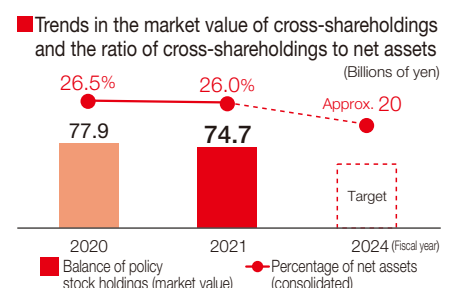
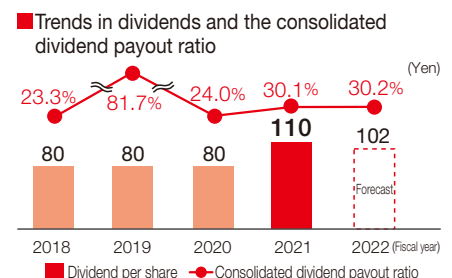
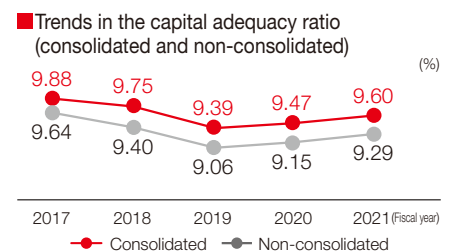
In the past, our policy on returns to shareholders called for maintaining stable dividends. In conjunction with the reestablishment of our interim targets last December, we have changed our target dividend payout ratio to 30% of net income attributable to shareholders of the parent company, while maintaining the existing stable dividend of 80 yen per share. As a result, the annual dividend per share for fiscal 2021 was 110 yen.

Looking to fiscal 2022, we predict a dividend per share of 102 yen due to expectations of lower profit resulting from weaker market sector earnings.

### Cross-shareholding

Cross-shareholding is conducted when it is determined necessary as a business strategy that contributes to attainment of sustainable growth and maintenance/enhancement of the value of the corporation issuing the stocks and the Nanto Bank Group.

The ratio of the balance of cross-shareholdings to consolidated net assets on a market value basis declined from 38.3% as of end March 2015 to 26.0% as of end March 2022. The Bank will seek to reduce this ratio to about 20% by the end of March 2025 through continued promotion of capital efficiency-conscious management.





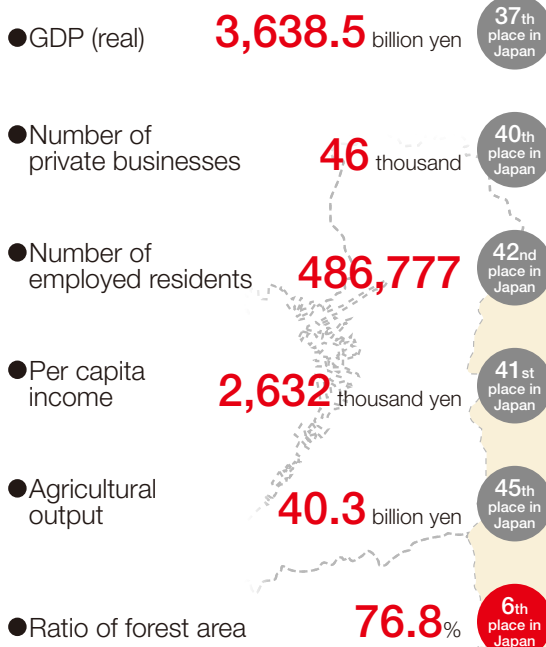
## Group-wide efforts to generate regional earning power

Nara prefecture, the Nanto Bank Group's main market, is an inland prefecture with a tall mountain range referred to as the "roof of the Kinki region" in the south. It is located in the middle of the Kii Peninsula, which itself lies near the center of Japan. Although the prefecture has no airport or port facilities, it is characterized by strong resistance to natural disasters such as earthquakes and typhoons. The Group has set the goal of increasing Nara prefecture's GDP by 10% (approximately 350 billion yen) in its commitment to revitalizing the prefecture and solving challenges facing the regional community.

### Overview of Nara prefecture

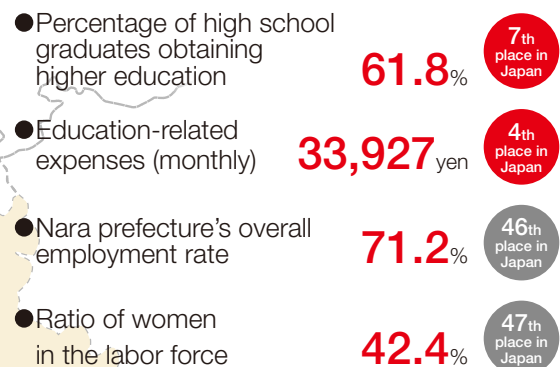
#### Economy and industry

In the national economy and industry statistics, Nara Prefecture ranks just 40th among Japan's prefectures in the number of private business establishments, a factor indicating the depth of the corporate market, and 41st in per capita income, while its (real) GDP ranks just 37th in Japan.



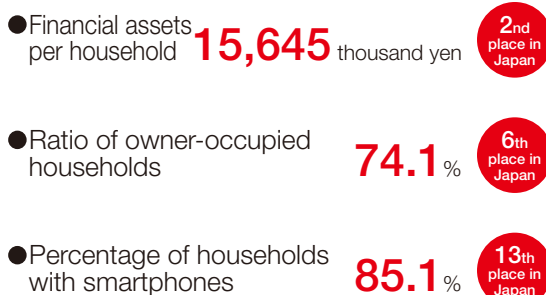
#### Human resources

When it comes to human resources, Nara prefecture has the best-educated population in the nation, as shown by its young people's high university enrollment rate and its education-related expenditures. As this suggests, the prefecture is fertile ground for nurturing outstanding human resources. Since the number of private businesses is relatively low, however, as indicated under "Economy and industry" at left, it suffers from an outflow of these excellent human resources to neighboring cities such as Osaka and Kyoto.



#### Household finances and living conditions

The residents of Nara prefecture enjoy a relatively affluent standard of living, with the second highest level of financial assets per household in Japan and a high percentage of owner-occupied houses.



#### Tourism resources

Nara is one of Japan's most richly endowed prefectures in terms of historical and cultural resources. It is the home of many World Heritage Sites, National Treasures, and other famous historical sites and attractions.



Sources: "State of Nara Prefecture 2021" / Nara Prefecture, "2018 Nara Prefecture Economic Performance," Statistics Bureau, Ministry of Internal Affairs and Communications, "2019 National Survey of Family Income and Expenditure," "2020 Household Survey"

## Special capabilities for contributing to regional community development

Since the Nanto Bank Group's establishment, the regional community and its customers have entrusted it with a large share of the prefecture's deposits and loans.

The Group's unique strengths include information capabilities cultivated over many years through many points of contact with customers and others in the region. Our unconventional human resources are adept at leveraging these strengths to help individual customers deal with such issues as business succession, including successor selection, as well as at deploying the Group companies to solve a wide range of challenges facing the region.

## Comprehensive Group strengths

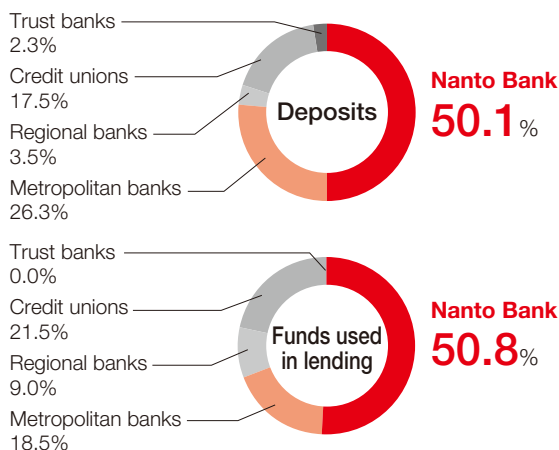
The Nanto Bank Group comprising the Bank, 11 consolidated subsidiaries, and two equity method affiliates provides customers with a comprehensive range of financial services, including banking, securities, credit card, and leasing services. We support their efforts to improve productivity by grasping the real issues they face and leveraging our Group's wealth of information resources to provide consulting services that extend to appropriate human resources introduction and expertise in financial enhancement.

In addition to these services, we collaborate with specialized institutions and a wide range of business partners in the community to resolve a variety of customer issues.

## Strong customer base

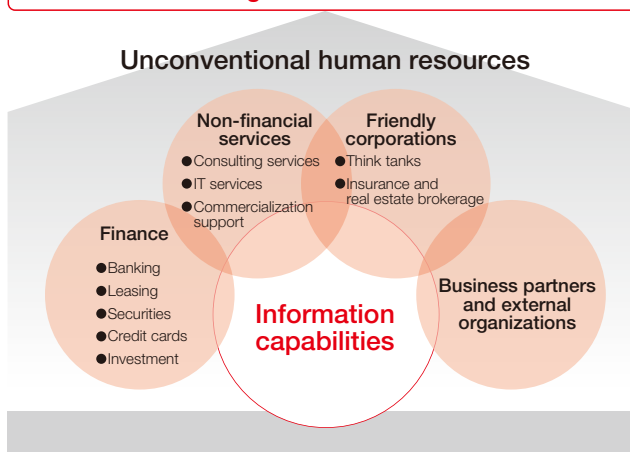
### Dominant share of Nara prefecture's deposit and loan market

Nanto Bank enjoys an unrivaled share of both deposits and loans in Nara Prefecture.



(As of end March 2022 among banks and credit unions in Nara prefecture, excluding Japan Post Bank, agricultural cooperatives, etc.)

### Solving customers' issues



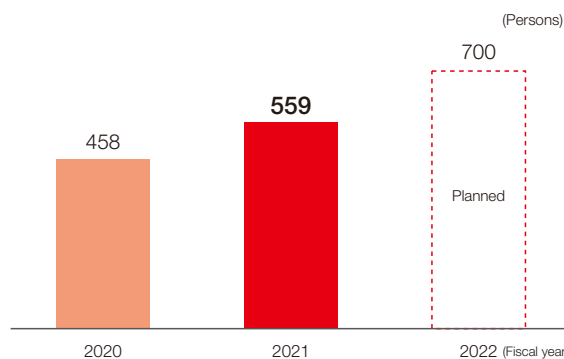
## Human resources

### Unconventional human resources

Nanto Bank personnel consult actively with customers concerning the real concerns unique to each, giving them the necessary capabilities to realize their goals.

»»» P.34

■ Number of personnel with qualifications related to vitality creation



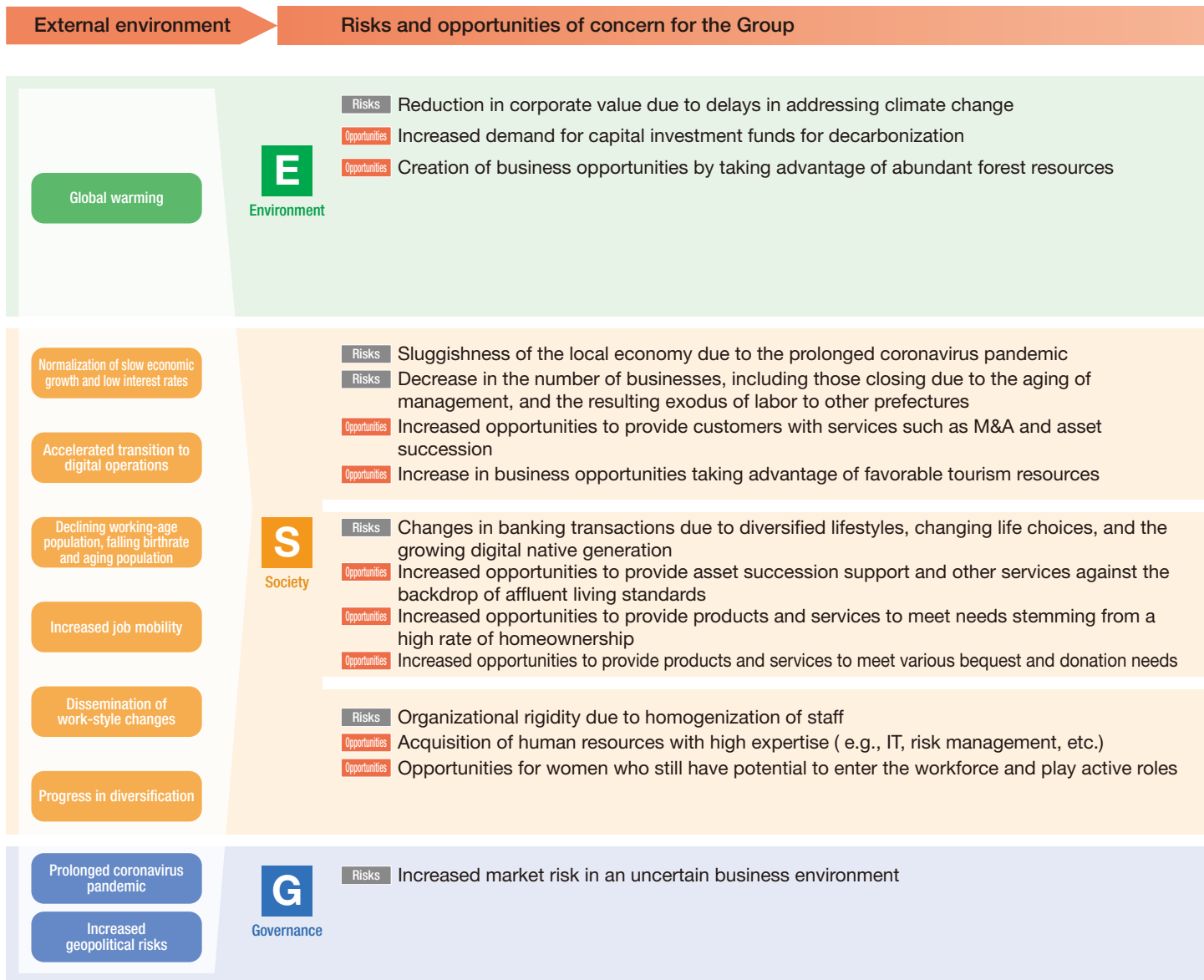
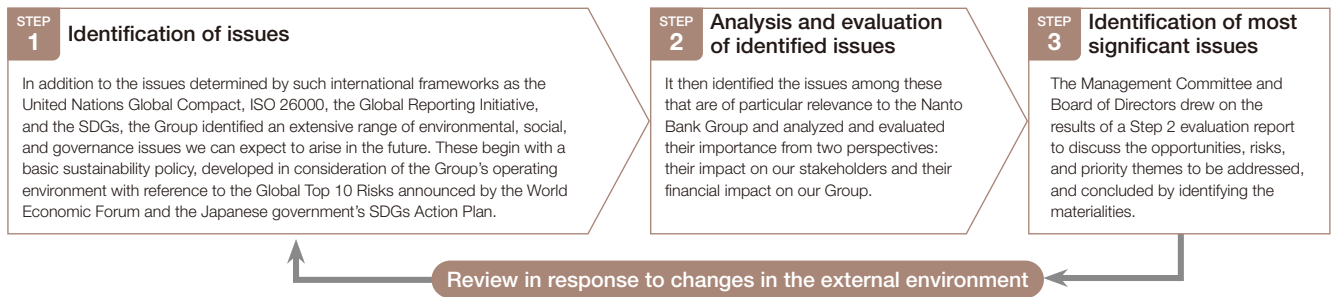
# Materialities and the SDGs

## Materialities (Priority Issues)

In its concern with adding depth to our Group’s financial businesses, the Board of Directors has discussed the sustainability issues that require global responses. They have identified the materialities and specific themes shown below to be addressed as priorities, taking into consideration their importance to our stakeholders and our Group businesses.

Please note that these materialities are subject to revision as necessary.

### Materiality determination process





## Business plan and the SDGs

### NANTO

#### Nanto Mission

- Pursuit of regional development
- Fostering of vitality-creating human resources
- Profitability enhancement

### SUSTAINABLE DEVELOPMENT GOALS

#### SDG objectives

17 goals and 169 targets



Solving regional and social issues

#### Realization of sustainable communities and societies



## SDG policy

We will work proactively to realize a sustainable regional community and to solve social problems facing our region by implementing the three facets of our Mission: regional development, fostering of vitality-creating human resources, and improvement of profitability.

## Priority action goals

Among the 17 SDGs, the Nanto Bank Group has identified seven priority goals that are particularly relevant to our areas of operation and business strategies, and to our objectives for sustainable preservation of our regional environment.

### Materialities (Priority Issues)

- Risks** Negative impact on customers' business and financial conditions of tighter regulations and changes in the tax system
- Risks** Increased credit costs due to damage to the value of real estate collateral
- Risks** Increased credit costs due to the impact of technological innovation and market changes on customers' business and financial conditions
- Risks** Suspension of business and increased risk due to damage to sales offices
- Opportunities** Increased demand for infrastructure investment funds for disaster prevention measures
- Opportunities** Increase in wind and flood disasters and environmental changes, accompanied by emerging opportunities to offer insurance products for disaster preparedness and financial products as well as for services related to environmental protection

- Opportunities** Increased business opportunities associated with the creation of new jobs through partnerships with local public bodies and outside organizations
- Opportunities** Increased demand for funds and opportunities to provide new services by supporting customers' cash management and core businesses

- Risks** Concerns about retirement funds due to the decline in the working-age population and the aging of society and declining birthrates
- Opportunities** Increased opportunities to provide various products and services to prepare for longevity
- Opportunities** Increased opportunities to provide new products and services through the use of digital technologies

- Risks** Impediments to recruitment due to delays in responding to changes in work styles
- Opportunities** Expansion of business fields prioritizing diverse experiences and advanced expertise

- Risks** Decrease in the value of the Bank's assets due to borrowers' deteriorating financial conditions
- Risks** Decrease in the value of the Bank's assets due to fluctuating interest rates, foreign exchange rates, stock prices, etc.

### Responses to the Effects of Accelerating Climate Change



### Realizing Sustainable Growth of Our Regional Economy



### Realizing a Convenient, Prosperous Society



### Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources



### Preparing for Increasingly Varied and Complex Risks

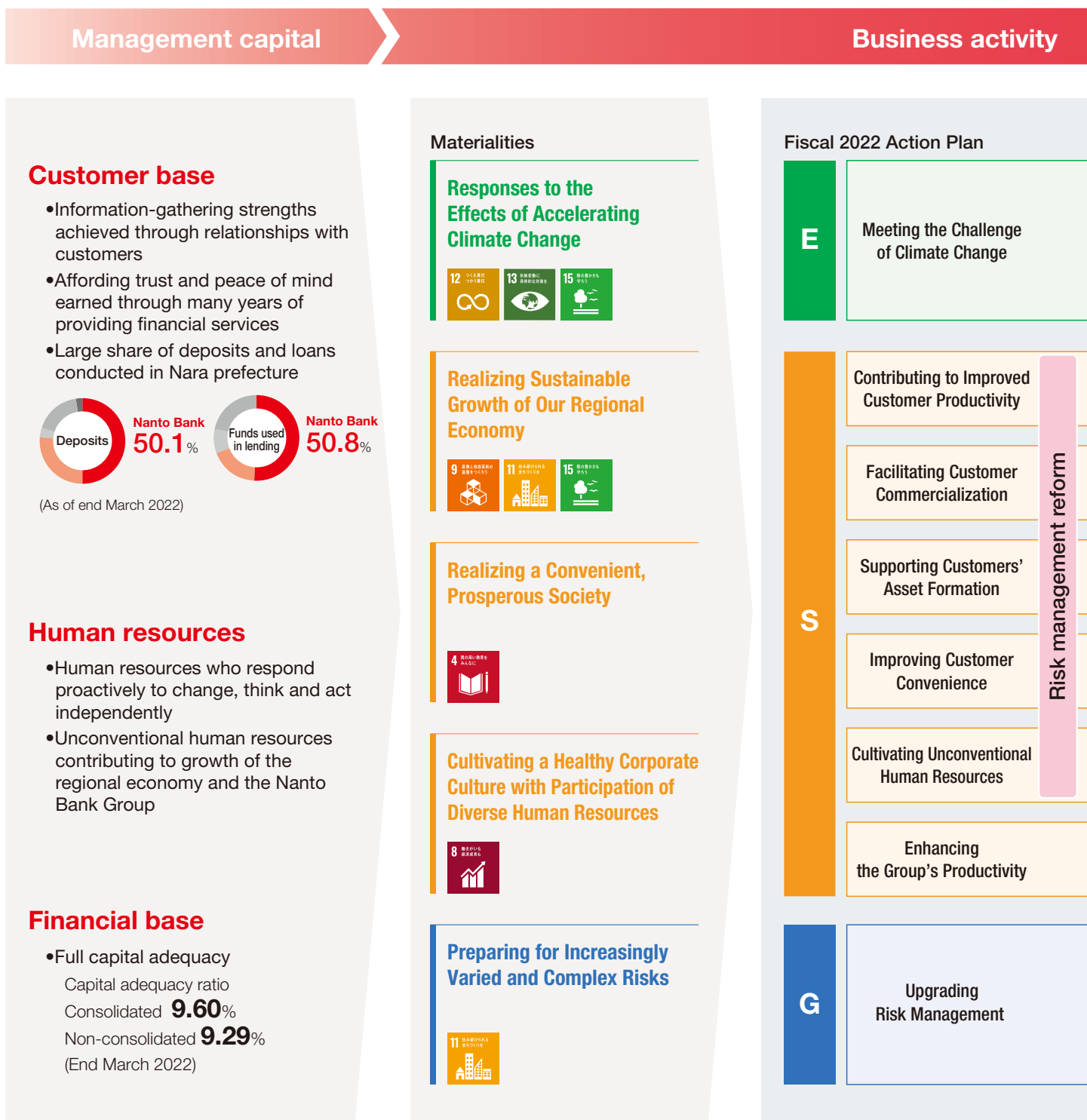


Fiscal 2022 Action Plan

P.16  
—  
17

# Realizing Sustainable Management in Cooperation with the Regional Community

The Nanto Bank Group is implementing its Management Plan focusing on the 10 years from April 2020, centered on its Management Vision as a “vitality creation bank” promoting regional revitalization. We are seeking to realize the Plan’s goals within 10 years by providing value to stakeholders through a three-faceted Nanto Mission comprising “pursuit of regional development,” “fostering of vitality-creating human resources,” and “profitability enhancement.”



People  
**come**

People  
**work**

People  
**live**



Values we provide  
for stakeholders

Goals for  
achievement  
by 2030

In addition to the Nanto Bank Group's own efforts to combat climate change, proactively supporting the environmental activities of its regional customers.

P.20  
|  
23

Sharing the actual issues facing customers, and promoting productivity improvement through unified Group-wide efforts

P.24  
|  
25

Serving as a hub for construction of a platform to revitalize the local economy in order to create and nurture local earning power

P.26  
|  
27

Acting as a life companion that provides services to optimize customers' life planning

P.32

Improving customer convenience and satisfaction by deploying digital technologies to meet diversifying customer needs

P.33

Cultivating human resources by enhancing our ability to create added value through provision of employee growth opportunities and diversification of human resources, beginning with the younger generation

P.34  
|  
35

Applying digital technologies to advise customers on effective use of their management resources, such as strategic allocation of personnel, to improve business efficiency

P.38  
|  
39

Establishing a highly responsive, sophisticated risk management system appropriate to today's highly uncertain business environment

P.40  
|  
43

### Customers

- Supply of funds in accordance with the borrower's business characteristics
- Financial products and services to support affluent living
- Provision of management personnel
- Creation of new business opportunities

### Local community

- Collaboration as a leader in regional development with local governments, businesses and educational institutions
- Lively town development and business creation

### Employees

- Realizing flexible workstyles
- Providing opportunities for active engagement outside the business of banking

### Shareholders

- High market rating
- Continuing stable dividends



Nara prefecture  
GDP\*1

Increase of approx.  
**¥350 billion**



Management  
personnel  
cultivation\*2

**350**



ROA

**0.35% or above**

\*1 Since Nara prefecture's GDP will be announced approximately two-and-a-half years after the fiscal year-end, we intend to achieve this goal by the end of fiscal 2026 for announcement during 2029.

\*2 Human resources who can share management decision-making with local customers





## **Cultivating human resources and organizations customers can trust and rely on into the future**

Vice President  
(Representative Director)  
**Satoshi Ishida**

The banking business at the core of our Group has been developed over many years by building relationships of trust with customers and the regional community. Our highly motivated personnel, inspired by a desire to contribute to regional community development, have consistently displayed ethical behavior as individuals who respect the discipline and rules of banking, thoroughly eliminating risk. The brand image of the Bank as a safe, secure institution and the “best local bank in Nara prefecture” has clearly resulted from these steady efforts by our predecessors. An asset of immense value and a source of strength for the Group as a whole, the brand has helped us secure an approximately 50% share of both deposits and loans in Nara prefecture.

### **Building on the trust and confidence of our customers into the future**

Ever since I assumed my current position, I have been discussing changes in the business environment and the appropriate responses to these changes with our management team as well as with many other executives and employees.

As the percentage of digital natives grows among customers supporting our Group, for example, their expectations for banks may differ increasingly from those of today’s customers.

Our lack of sensitivity to these changes in the business environment due to the Group’s steady recurring business has fostered a tendency to postpone structural reform.

If we are to continue building on the trust and confidence our predecessors established among customers, our management team will be required to nurture human resources who can identify gaps between our current and future situations that may result in changes in the business environment; remain constantly alert to our need for change; determine appropriate ways of changing; and implement the requisite changes quickly.

### **What changes must we make?**

In my opinion, the answer is to use our brains. This means clarifying our objectives, determining the root cause of the gaps between these and our current situation, and properly ascertaining the issues for solution.



This may seem simple at first glance, but I believe it is essential that this cycle take root and become habitual practice in our organization.

### How do we effect these changes?

It sometimes takes a drastic decision to change long-standing practices. Reorganizing our branch network is one example. If the changes involved are too radical, changing the ingrained thinking of officers and staff may be impossible, and the organizational order may be disrupted. If they are implemented too slowly, on the other hand, they may be blocked by opposing forces, thus preventing their implementation altogether. It will be essential to take a balanced approach if we are to succeed in introducing change.

### How fast can we make changes?

It is best to implement some changes immediately, but others will take time. We should formulate and implement action plans for individual fiscal years in response to periodic changes in the environment, but three years seems to me a reasonable rough estimate for realizing significant change.

A review of the past three years reveals both areas in which we have implemented changes and areas in which we have yet to change. Last fiscal year's return to profitability in our core business was just a beginning. We will continue to pursue reforms without complacency over the coming three years.

It will be incumbent on us to consider what responses to the business environment our customers want to see from us. The reasons customers choose to do business with us will change dramatically in the future, and we stand to lose their trust and confidence unless we foster personnel who can envision the added value we should provide and grow as an organization that continuously produces such personnel. As I have suggested, all of us in the Nanto Bank Group will give these issues careful consideration.





## Meeting the Challenge of Climate Change



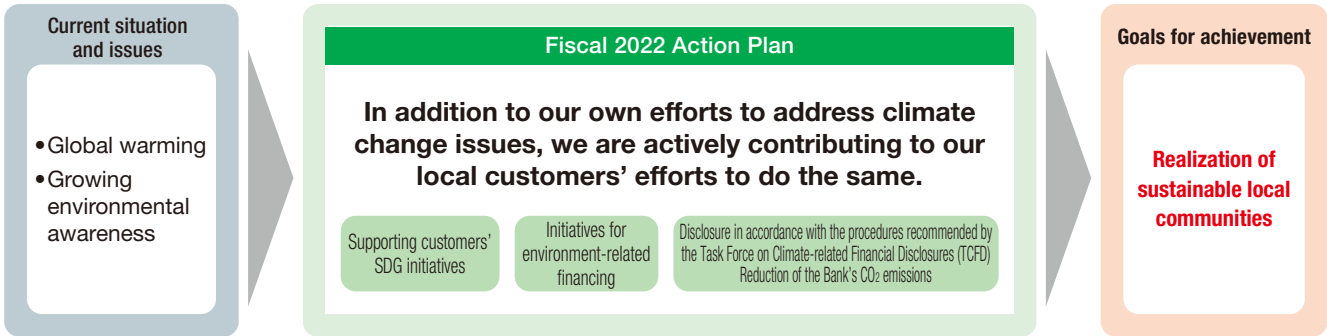
### Basic Policy

With the number and severity of natural disasters and other impacts of climate change on society growing by the day, efforts to achieve carbon neutrality are accelerating worldwide.

Determined to realize sustainable management in cooperation with its regional community, the Nanto Bank Group is working to decarbonize its operations and supporting customers' efforts to decarbonize theirs.



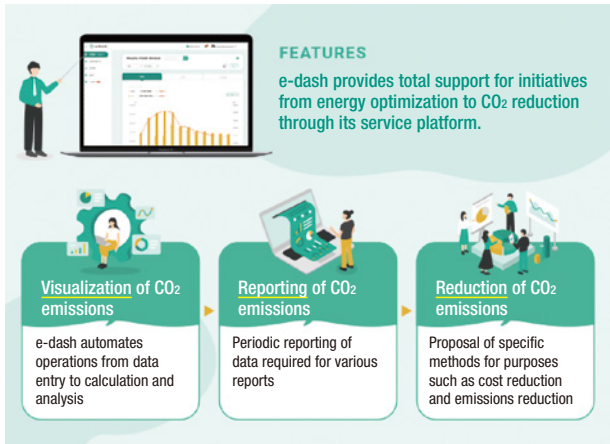
### Fiscal 2022 Action Plan



### Support for customers' SDG initiatives

#### Supporting customers' SDG initiatives with the e-dash platform

The Bank has partnered with e-dash Co., Ltd., a wholly owned subsidiary of Mitsui & Co., Ltd., to deploy its decarbonization platform that enables customers to determine their current CO<sub>2</sub> emissions easily and comprehensively, set reduction targets, and implement actions to reduce emissions.





## Efforts to address climate change issues led by the Nanto SDGs Introduction Consulting Service

We have organized the Nanto SDGs Introduction Consulting Service to support customers' efforts to contribute to realizing the SDGs by diagnosing their current situations and proposing solutions to the issues facing them.

### Service overview

|                    |   |
|--------------------|---|
| Name               | Nanto SDGs Introduction Consulting Service  |
| Eligible customers | Corporations and sole proprietorships   |
| Details            | <p>① Diagnosis of customers' SDG initiatives and support for reporting on responses to the SDGs. We deploy a diagnostic tool provided by Tokio Marine &amp; Nichido Fire Insurance Co. to examine the status of customer's efforts to respond to the SDGs, and to support SDG reporting as well as to issue diagnostic reports.</p> <p>② Proposal of consulting services on implementing SDG management. We draw on the diagnostic reports and SDG action declarations we compile to provide a menu of consulting options for optimizing SDG management</p> |

Number of contracts  
**37**  
(As of end June 2022)

## Environment-related financing initiatives

The Nanto Bank Group is proactively engaged in loan programs and project financing related to renewable energy, including solar and biomass power generation. The Group's renewable energy-related loans contributed to reduction of CO<sub>2</sub> emissions by approximately 370,000 tons of CO<sub>2</sub> in fiscal 2021.

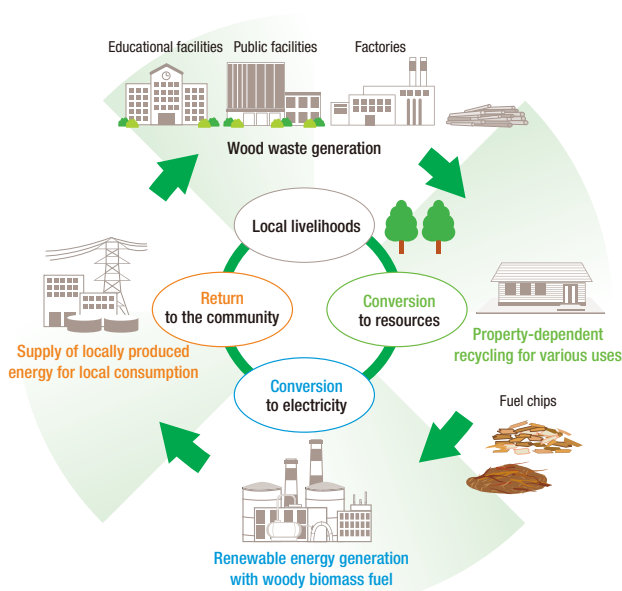
### Green loans employing external renewable energy assessments

Nanto Bank served as lead manager in organizing a syndicated green loan for a woody biomass power plant construction project conducted by BPS Ikoma Co, Ltd. This loan received the highest rating of "Green1" in the renewable energy category of an external evaluation by Japan Credit Rating Agency, Ltd.

BPS Ikoma was established as a member company of TJ Group Holdings, Inc. for the purpose of implementing a woody biomass power generation business. BPS and other TJ Group companies engage in "local production for local consumption" of electric power by processing wood waste generated in Japan's Kinki region into wood chips and supplying electricity generated by biomass power to local companies and municipalities.

A major share of the carbon-zero electric power generated by the new plant will provide customers with carbon-zero electricity outside the feed-in tariff system.\*

\*Feed-in tariff for renewable energy (FIT)



### Summary of the syndicated loan

|                    |  |
|--------------------|--|
| Date of contract   | June 17, 2022  |
| Arranger           | The Nanto Bank, Ltd.   |
| Co-arranger        | Sanjusan Bank, Ltd.  |
| Agent              | The Nanto Bank, Ltd.   |
| Origination amount | Senior loans: 4.562 billion yen<br>Consumption tax loan: 596 million yen |
| Uses of the funds  | Funding for construction of a woody biomass power plant                  |
| Lenders (initial)  | The Nanto Bank, Ltd. and Sanjusan Bank, Ltd.                             |

### Overview of the power generation facilities

(full operation scheduled for April 2025)

|                  |   |
|------------------|---|
| Name             | BPS Ikoma Kitadahara Power Plant            |
| Location         | Kitadahara-cho, Ikoma City, Nara Prefecture |
| Generated output | 9,980 kW                                    |

## Meeting the Challenge of Climate Change

### Enhanced disclosure in accordance with TCFD recommendations



**TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES**

\* The Task Force on Climate-related Financial Disclosures (TCFD) was established in December 2015 by the Financial Stability Board (FSB) at the request of the G20 finance ministers and the central bank governors. The TCFD published its final report offering recommendations to encourage voluntary disclosure by companies in June 2017. These recommendations targeted not only financial companies but the corporate sector as a whole.

**Governance**

- The Nanto Bank Group has identified addressing the escalating problem of climate change as one of its materiality issues.
- The Management Committee holds semi-annual meetings overseen by the Board of Directors to discuss specific measures, targets, and progress in the Group’s response to climate change, and to ensure realization of appropriate results from its management strategies.

**Strategy**

- The Group seeks to realize sustainable management in cooperation with the regional community. As a responsible community member, it is actively pursuing its own decarbonization efforts while also supporting those of its customers.
- In our own efforts toward decarbonization, we have set CO<sub>2</sub> emissions reduction targets for the Bank on a non-consolidated basis and are accelerating efforts to achieve them. Going forward, we will continue working to reduce CO<sub>2</sub> emissions by the Group as a whole.
- To support our customers in decarbonizing their businesses and responding to the SDGs, meanwhile, we proactively develop environment-related loans and propose problem-solving products, working closely with customers to resolve their business issues.

**Qualitative scenario analysis**

With reference to the official scenarios,\* we conducted a qualitative analysis of climate-related risks and opportunities from short- (5-year), medium- (10-year), and long-term (30-year) perspectives, as shown below.

|             |   | Contents   | Impact by scenario |           | Temporal perspective | Risk category                      |
|-------------|---|--|--------------------|-----------|----------------------|------------------------------------|
|             |   |  | 1.5°C              | Above 4°C |                      |                                    |
| Risk        | Migration risk  | Increase in credit costs resulting from adverse effects of tighter climate change regulations and changes in the tax system on customers’ business and financial conditions, as well as damage to the value of real estate collateral due to non-compliance with environmental regulations | Large              |           | Short- to long-term  | Credit risk                        |
|             |   | Increase in credit costs due to the impact of technological innovations and market changes focusing on decarbonization on customers’ business and financial conditions   | Large              |           | Short- to long-term  | Credit risk                        |
|             |   | Decrease in the Bank’s corporate value due to insufficient responses to climate change   | Large              |           | Short- to long-term  | Operational risk (reputational)    |
|             | Physical risk   | Increase in credit costs due to damage to real estate collateral resulting from large-scale windstorms, floods, and other natural disasters, as well as business stoppages and adverse effects on business stemming from damage to customers’ operating bases, etc.                        | Small ~ mid-sized  | Large     | Short- to long-term  | Credit risk                        |
|             |   | Increase in restoration costs stemming from damage to the Bank’s bases by large-scale windstorms, flood disasters, and other natural disasters.  | Small ~ mid-sized  | Large     | Short- to long-term  | Operational risk (tangible assets) |
| Opportunity | Increase in customer demand for capital investment in decarbonization projects  |  | Large              |           | Short- to long-term  | —                                  |
|             | Increase in demand for funds for infrastructure investment in disaster-prevention measures  |  | Small ~ mid-sized  | Large     | Short- to long-term  | —                                  |
|             | Increase in opportunities to offer disaster preparedness insurance products and financial products and services related to environmental protection stemming from growing numbers of windstorms and flood disasters that lead to increasingly environmentally conscious customer behavior |  | Large              | Large     | Short- to long-term  | —                                  |
|             | Increase in business opportunities for services such as solution provision to support customers’ decarbonization efforts  |  | Large              |           | Short- to long-term  | —                                  |

\* Referenced public scenarios  
 1.5°C scenario with progressive decarbonization: IEA NZE2050, IEA APS, NGFS Net Zero2050, IPCC SSP1-1.9, SSP1-2.6  
 4°C scenario with warming exceeding 4°C: IEA STEPS, current NGFS policies, IPCC SSP5-8.5

## Assets associated with carbon emissions

Assets related to carbon emissions (exposure to the electric power and energy sectors but excluding renewable energy-generation projects) accounted for about 2.0% of the Bank's loans (as of end March 2022).

## Risk management

- The Nanto Bank Group recognizes the importance of addressing climate change to sustainable development of the regional community.
- The Bank recognizes two categories of climate change risk: credit risk and operational risk. These are incorporated into the factors designated for monitoring by the ALM Committee and Operational Risk Management Committee, respectively, in their efforts to enhance risk management.
- We established a financing policy in October 2020 that clearly states our commitments to declining to provide financing for the construction of new coal-fired power plants, in principle, and to giving careful consideration to the advisability of providing financing for developments that involve logging, taking into account their legality or illegality and their potential environmental impact.

## Loan policies concerning industries and sectors with significant environmental and social impact

As a regional financial institution, we evaluate loans that may have a negative impact on the environment and society carefully and work to reduce or avoid their impacts, while also providing customers who are sincerely addressing environmental and social issues with appropriate knowledge and support.

We exercise due caution before extending loans to the following industries and sectors that are considered to exert significant impact on the environment and society.

### 1. Weapons manufacture

We do not extend financing to companies that manufacture inhumane weapons, such as cluster munitions designed for killing and destruction in war.

### 2. Coal-fired power generation

We do not, in principle, extend financing for the construction of new coal-fired power plants. Should the construction of high-efficiency power plants become necessary under national energy policy, however, we will carefully consider whether to finance such projects on a case-by-case basis.

### 3. Deforestation

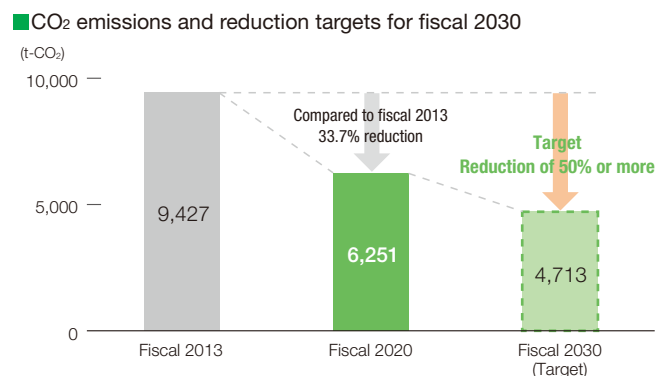
As for financing development projects that involve deforestation, the Bank will carefully consider whether the projects involve illegal logging and their potential environmental impact.

## Indicators and targets

### CO<sub>2</sub> emissions by Nanto Bank (SCOPE 1,2)

In its commitment to reducing its CO<sub>2</sub> emissions, the Bank has set a reduction target by fiscal 2030 of at least 50% below the fiscal 2013 level.

CO<sub>2</sub> emissions in fiscal 2020 were 6,251 t-CO<sub>2</sub>, a 33.7% reduction from fiscal 2013. (\*Calculation results based on statutory periodic reporting on energy conservation.)



### Environment-related financing

Total fiscal 2021 lending for renewable energy-related capital investment (solar and biomass power generation) and energy conservation capital investment (interest subsidy program projects) was 7.2 billion yen.



Director in Charge, Sales Division  
 Director and Managing Executive Officer,  
 General Manager, Sales Promotion Headquarters

**Takeshi Sugiura**

The Nanto Bank Group is transforming its relationship management (RM) to enhance customer support. This involves leveraging our information capabilities cultivated through activities aimed at deepening our understanding of customers as stipulated in the Management Plan to gain the trust and confidence of customers — even if by just one customer or company at a time — by reinforcing our points of contact with customers and adding depth to our consulting sales efforts.

We realize that the Group’s role has become more significant than ever in today’s business environment, which has changed dramatically in the wake of the coronavirus pandemic. Many of our customers sense a looming crisis concerning their business continuity and anxiety about their preparations for the future.

In our efforts to enhance customers’ productivity, we will continue to provide consulting services to help them solve problems in a variety of situations, not only by supporting their cash management procedures, but also by helping them formulate medium- to long-term management plans such as financial and business strategies.

We are also working to help customers with asset formation to realize prosperous lives by providing optimal financial services as a companion in their life planning.

## Contributing to Improved Customer Productivity

Responding to the SDGs

### Basic Policy

#### Solving customers’ issues through Group-wide “knowledge” activities

With the working-age population in decline in the medium to long term and the effects of the pandemic and high resources prices increasingly apparent in the short term, we believe our customers’ own productivity must increase if they are to achieve sustainable growth.

We are building relationships with customers by assisting them in improving their productivity. Our role is to help customers analyze their current situations and identify the issues they face; work with their management based on these analyses to formulate plans for improving their operating efficiency and digitalize their operations; and provide them with a range of support services, including PDCA (plan-do-check-act) activities.

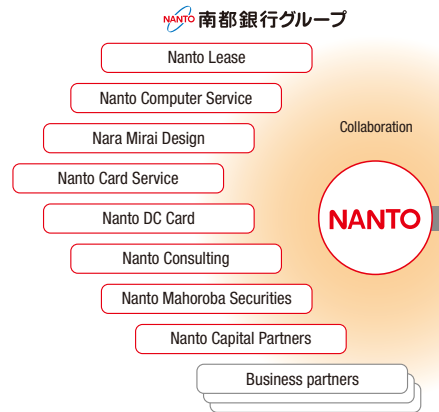
### Fiscal 2022 Action Plan





## Implementing our consulting function

- The Nanto Bank Group provides customer-driven solutions to support customers' management efforts to share and realize their vision of the future.
- We leverage the strengths of both our Group companies and our business partners to provide customers with maximized value, and to create new value in collaboration with them.



### Optimal support measures according to customer issues

- M&A
- Business succession
- Formulation of growth strategies
- Highly skilled personnel placement
- Loans and equity
- Off-balancing of assets
- Corporate insurance
- IT
- Support for BPO
- Cashless transactions

## Support for business improvement in response to the external environment

Organizing cross-organizational project teams to support the core businesses of customers impacted by the coronavirus pandemic

- The Nanto Bank Group compiles cross-sectional project teams of appropriate Group personnel to proactively support the core businesses of customers impacted by the prolonged pandemic.

Nanto Fund for Measures to Cope with Changes in the Business Environment

**NEW**

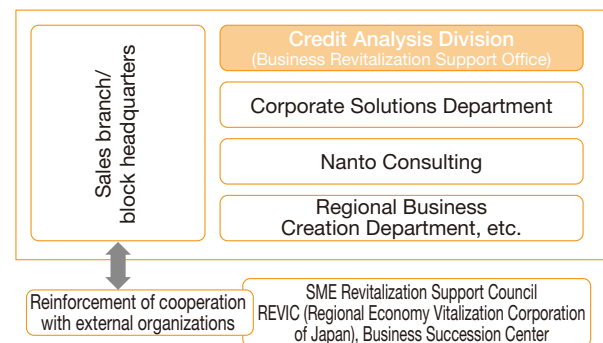
(June 2022)

- The Fund is designed to support the cash management of customers who are directly or indirectly affected by rising crude oil prices and raw materials prices.

### Product overview

|                  |   |
|------------------|---|
| Target           | Businesses directly or indirectly affected by rising crude oil/raw materials prices                             |
| Use of the funds | To provide working capital required to deal with the effects of rising crude oil and raw materials prices, etc. |
| Loan amount      | Up to 50 million yen  |
| Loan period      | 7 years   |

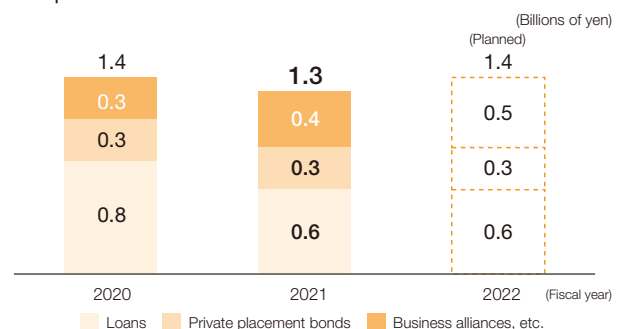
### Formation of cross-organizational project teams



## Indicators and plans

- One indicator is revenue from corporate solutions implemented to solve customers' problems.
- In fiscal 2022, we plan to increase revenues by 100 million yen from the previous year to 1.4 billion yen.

### Corporate solutions revenue



## Facilitating Customer Commercialization



### Basic Policy

#### Working with regional governments and external organizations to construct a mechanism for regional economic revitalization

Although blessed with a wealth of human and tourism resources, Nara prefecture’s labor force and consumer spending are being drained out into the neighboring metropolises of Osaka and Kyoto.

The Nanto Bank Group acts as a hub for creating and cultivating new local earning power and engages actively in constructing a platform for revitalizing the regional economy.

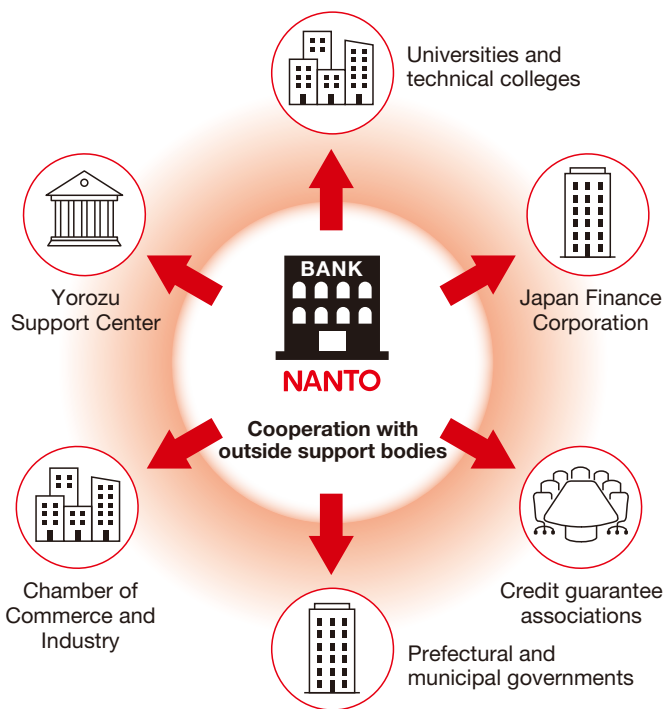
Besides providing customers with financial support, the Group is contributing to regional development by participating proactively in new businesses itself.



### Fiscal 2022 Action Plan



### Construction of a platform for revitalization of the regional economy



#### Regional revitalization initiatives

- Reinforcing partnerships with local governments (partnership agreements for regional development, etc.)
- Support for shrines and temples (crowdfunding, etc.)
- Reinforcing partnerships with external organizations by deploying the Fund for Traditional House Renewal and the Asset Renovation Fund

#### Cooperation with outside support organizations

- Initiatives for recurrent education and collaboration between industry and academia (partnerships with universities and technical colleges)
- Incubation program establishment

#### Support for founders and new business development

- Provision of start-up support packages (in collaboration with the Yorozu Support Center, Chamber of Commerce and Industry, etc.)
- Loans for new businesses (in collaboration with Japan Finance Corporation, credit guarantee associations, etc.)
- Nanto Success Road, others

## Initiatives by Nanto Bank Group members for community revitalization

### Expansion of sales channels and sales support for local products [EC business]

- We are using the “Narawashi” e-commerce site to construct a system for conveying producers’ thoughts and the stories behind their manufacturing processes that will inspire consumers to visit Nara.
- We support our business partners’ efforts to expand their sales channels by posting their products on the Narawashi site as well as by promoting sales of the posted products.



Yoshino cedar luncheon board



Wooden business card case



Horii Shougetsu-do Kimigomoro (10 pieces)



Yamato Mana cultivation kit



Handmade konnyaku set from a Nagano village



Tofu set made with care using famous water from Nara's Omine Mountains



Manshoudo Sakura Yokan (2 pieces)



Rich strawberry cheesecake

### Expanding production and sales channels for agricultural products from Nara Prefecture [agribusiness]

- As part of efforts to solve the problems of increasing amounts of abandoned farmland associated with the aging society and shrinking farming population, we are working to revitalize local agriculture by establishing sustainable, profitable agricultural systems.
- We are also pursuing efforts to increase the stable production of Nara's agricultural products and the volume produced, and to boost their sales by developing new sales channels for them.

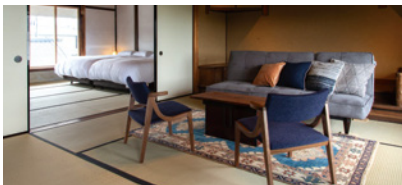


### Establishment of tourism centers [real estate and urban development projects] >>> p.28

- The Group is seeking to increase Nara prefecture's GDP and its income from tourism by transforming it from a day-trip tourist destination to an extended-stay tourist venue.
- We provide financial support for the Nipponia Hotel Nara Tamaramachi, Nipponia Tawaramoto Maruto Shoyu, and Gose Sento Hotel while also developing facilities and attractions for the opening of accommodation facilities at Sakamoto Ryumon Bunko in the historic town of Yoshino-machi. These projects are part of efforts to promote excursions and extended-stay tourism by establishing a new tourism base with accommodations in the south-central region of the prefecture.

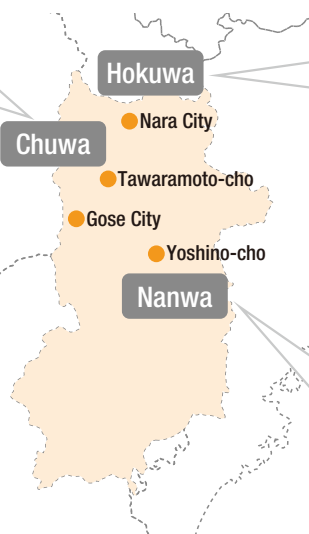
#### Nipponia Tawaramoto Maruto Soy Sauce

The town of Tawaramoto-cho in Isogi-gun, Nara prefecture, which has long produced an abundance of agricultural products, retains the original rural landscape of ancient Japan. Established in 1689 by Maruto Co. Ltd., Maruto Soy Sauce is Nara prefecture's oldest soy sauce brewery. In its heyday, the company extended its sales channels nationwide, but its success ended when raw materials supply problems in the postwar years forced it to close in 1949. More recently in 2020, almost 70 years later, the brewery was renovated and reopened as an old private residence hotel, Nipponia Tawaramoto Maruto Soy Sauce. The warehouse, brewery, living quarters, and many of the old tools have been retained and renovated to create unique accommodation and restaurant facilities.



#### Gose Sento Hotel

We plan to revive an abandoned public bathhouse in the town of Gose-machi as a bathhouse and to renovate a nearby traditional private house into a lodging, working vacation, and dining facility.



#### Nipponia Hotel Nara Naramachi

The Nipponia Hotel Nara Naramachi opened for business in November 2018 in a renovated 130-year-old sake brewery formerly operated by long-established sake maker Nara Toyosawa in the historic township of Naramachi. The hotel restaurant was renovated using the original building materials in both the exterior and interior construction to involve the brewery's beams and ceilings in its retro atmosphere.



#### Sakamoto Ryumon Library

In 2021, the Nanto Bank Group acquired an old private house in Yoshino, a town in southern Nara prefecture. The house was formerly the primary residence of Senji Sakamoto, the founder and one-time president of the Yoshino Zaimoku Bank, which has special significance for Nanto Bank as one of the institutions from which it was formed. Plans call for the library's renovation over the next few years as a tourist accommodation facility to create a regional tourism hub.

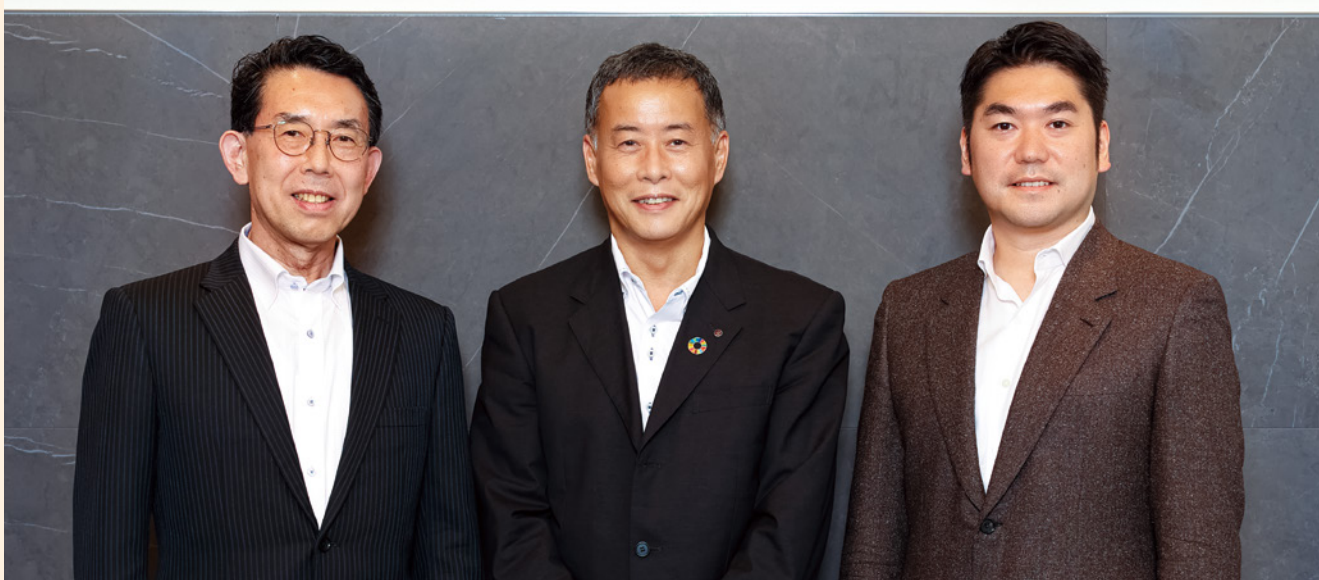




Stakeholder Voice ①

## Pursuit of Investment Projects and Regional Contribution through Tourism Promotion and Community Development

Motohide Hashimoto and Taisuke Okubo, two organizers of urban development projects in Nara prefecture, spoke with Ryuichiro Funaki of Nanto Bank about their projects and their expectations for them. They also shared their views of the Nanto Bank Group’s role in regional revitalization.



MINTO Organization for Promoting Urban Development  
**Motohide Hashimoto**, Vice-Chairman (full-time)

The Nanto Bank, Ltd.  
 Director and Managing Executive Officer **Ryuichiro Funaki**

NOTE Nara Co., Ltd.  
 President and CEO **Taisuke Okubo**

### Organization for Promoting Urban Development (MINTO Organization hereinafter)

The MINTO Organization is a corporation designated by the Ministry of Land, Infrastructure, Transport and Tourism as a body authorized to promote private sector urban development under the Act on Special Measures Concerning the Promotion of Urban Development (Act No. 62 1987).

Since its establishment in 1987 as an agency engaged in financing urban development policy implementation, the MINTO Organization has provided financial support totaling approximately ¥1.9 trillion for over 1,400 private-sector urban development projects. It reviews its support for projects and operations flexibly in accordance with changes in social and economic conditions.

Since the recent demise of the land acquisition and transfer business, which previously played a key role in Japan, the MINTO Organization has engaged in mezzanine support, investment in urban renewal, joint urban restructuring, provision of urban development funding, and support services for the use of public spaces in urban areas.

|                                     |   |
|-------------------------------------|---|
| Name                                | MINTO Organization for Promoting Urban Development                                |
| Address                             | 3-3-3 Toyosu, Koto-ku, Tokyo  |
| Establishment                       | October 1, 1987<br>Transition to a general incorporated foundation, April 1, 2013 |
| President (Representative Director) | Hirofumi Hanaoka  |
| Assets                              | 5.6 billion yen   |

### NOTE Nara Co., Ltd. (NOTE Nara hereinafter)

NOTE Nara is a private company that engages in urban development projects involving historical edifices (old traditional private residences) throughout Nara prefecture.

The company restores unoccupied traditional houses to keep memories of the regional traditions and lifestyles alive.

There are over a million of these old private houses remaining in Japan today, each a repository of regional history and memories. On the other hand, however, they are disappearing at an annual rate of over 4% (40,000 houses/year) due to disuse, along with other regional traditions and resources.

NOTE Nara cooperates with local governments, villages, and businesses to commercialize the use of these traditional residences in its efforts to keep the residential customs and traditional activities of Nara prefecture alive for future generations.

|               |                             |
|---------------|-----------------------------|
| Name          | NOTE Nara Co., Ltd.         |
| Address       | 4 Nishijyodo-cho, Nara City |
| Establishment | February 26, 2018           |
| President     | Taisuke Okubo               |
| Assets        | 20 million yen              |



## Urban development in Nara prefecture with an eye to the future

**Funaki:** With the local economy contracting, our Group has extended its business into Osaka and other major cities and expanded its lending there. We are aware, however, that this business model will eventually reach its limits. We have consequently set a goal of increasing Nara Prefecture's GDP by 10%. We believe that one way to achieve this goal is to reactivate the prefecture's economy by communicating its attractions to potential visitors, attracting more tourists, and increasing the number of people who interact with Nara prefecture in other ways.

**Okubo:** We have seen no major change in the trend toward urbanization, which convinces me that a macro trend toward an increased flow of people, including people from Tokyo and Osaka, toward Nara is inevitable. In this environment, I believe that Nara, as a regional city, must take measures to promote urban development in accordance with the characteristics and demographics of the region. From a business perspective, I think it advisable to capitalize on Nara Prefecture's most distinctive feature, its tourism resources. One of the reasons my company specializes in remodeling old private residences in rural areas is that these traditional houses themselves remain repositories of various local resources, such as history, culture and foods, of the localities in which they are concentrated. We believe that, by focusing on these local resources unique to Nara prefecture, we can increase the number of people who come here to live, and also create a population with ties to the prefecture and an exchange population of frequent visitors. This will maximize the lifetime value of the regions and businesses in which we are involved. By attracting more people to spend a portion of the 365 days each year in Nara, we can develop and maintain sustainable businesses in various regions of the prefecture. This will be a deciding factor in realizing our goal of attracting more people to come and settle in Nara Prefecture.



**Hashimoto:** Our mission at the MINTO Organization is to provide financing to support local and regional urban development as well as to support our local communities and the development of local tourism bases. Tourists are extremely important for regional revitalization, not only in Nara prefecture but also in other prefectures, but our current situation is extremely difficult. I believe that curiosity is a deep-rooted human attribute, and that this curiosity is what makes people travel and seek out new foods. I believe this represents a potential source of profit growth from establishing a business and from Nanto Bank's efforts to raise Nara prefecture's GDP by 10%. This was my experience when I was working for the Regional Taxation Bureau with responsibility for sake makers. I found that my interest was aroused further when I not only tasted the sake but also observed the sake-brewing process and learned about the brewery operations. I think it would be best to go beyond descriptions of the sake brewed in Nara prefecture to provide information about its background and tell the story behind its brewing. If we do this, I believe tourists will be encouraged to return to Nara. Nara prefecture has a 1,300-year history dating back to the Nara Period when Nara was Japan's ancient capital, and this history gives it an advantage over other regions in its ability to promote Japan's story.

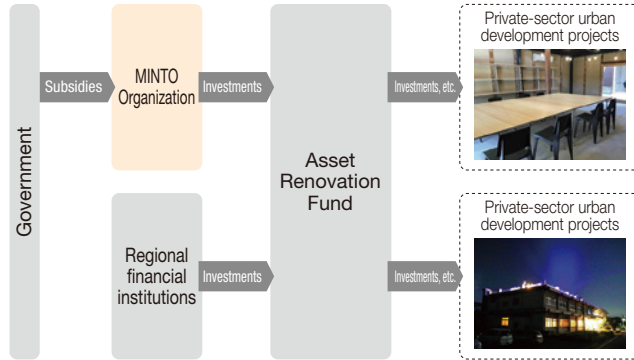
**Funaki:** You're certainly right that Nara prefecture enjoys the advantage of more tourism resources than other regions of Japan. Unfortunately, even though Nara's representative shrines and temples have high name recognition, we have so far failed to communicate the grand history and story of Nara in a unified manner. I'm convinced that we need to disseminate this information and provide more opportunities for tourists to experience our traditional culture.

## Reasons behind the revitalization of Gose-machi and the focus of the project and related investment

**Okubo:** There are two key factors supporting revitalization of the town of Gose-machi. First, the local resources necessary to constructing a narrative and concept are plentiful; and, second, the town offers ideal soil for nurturing a diverse range of initiatives with a view to the next five or ten years. As a regional development company, we offer the value required to establish a sustainable business. We learned of the existence of a disused public bathhouse in the Gose-machi district of Gose City through an introduction by Nanto Bank. After about two years of investigation and consideration, we completed a plan based on a comprehensive concept of Gose Sento Hotel development. This is a "stay, eat, enjoy hot water bathing" concept that creates a story identifying the renovated hotel as a place to stay, eat, and relax in a traditional public bath. To foster diversity, we have asked a local sake brewery and soap maker to invest in the plan and cooperate in its development. These requests reflect our realization that we need the ground and the soil to grow together with various local businesses. We plan to make use of the properties of four

### <Gose SENTO HOTEL Project>

#### Diagram of the Fund



Source: MINTO Organization

#### Overview of the Asset Renovation Fund

|                            |   |
|----------------------------|---|
| Name                       | Asset Renovation Investment Limited Partnership   |
| Date of establishment      | December 16, 2021<br>Date of initiation by Nanto Bank: February 4, 2022   |
| Investment targets         | Private urban development projects utilizing old assets and developing teleworking bases, open green spaces, etc.                     |
| Nature of investments      | Forms of investment (preferred shares, anonymous association investments), corporate bonds (straight bonds, subordinated bonds), etc. |
| Investment period          | Approx. 4 years (until end December 2025)<br>Remaining period: approx. 14 years (until end December 2035)                             |
| Limited liability partners | The Organization for Promoting Urban Development, regional financial institutions including The Nanto Bank, Ltd., others              |
| Management company         | Ohanapana Corporation (100% owned subsidiary of NEC Capital Solutions Limited)  |

old traditional houses in Gose-machi to establish a structure that creates a sense of circulation through a decentralized approach in which accommodation, dining and public bath facilities are scattered through the town.

**Funaki:** Gose has been a major transportation hub since the Edo period, and the streetscapes of that era remain to this day. The local people's affection for each other and their social interactions nurtured through the town's long history remain alive as well. We want to pass this atmosphere and other aspects of the old town on to the next generation as their cultural heritage. We are also determined to make this project a pioneering success story by revitalizing the town and enhancing its appeal for tourists.



**Hashimoto:** When it comes to urban planning, we need leaders like Mr. Okubo. We should mobilize the strengths of everyone in the community, including people in the local government, under their leadership to make it work. It is important for us as investors to be aware that we are not only investing in the project, but that we are also pursuing it together. We launched a fund for the renovation of old assets under the Gose Plan, which is a new program of the MINTO Organization conducted jointly with Nanto Bank, which has been involved in the project from the start, participating actively in various aspects, including holding local explanatory meetings. We expect realization of the project to take some time, and most likely to remain uncertain at times. Small and medium-sized enterprises require appropriate guidance to remain in business, and I believe local financial institutions should take good care of them to ensure their success.

**Funaki:** This project is positioned as part of our investment banking business. Urban development of this kind requires the collective efforts of the local residents, and we are consequently seeking to create an investment banking model unique among regional financial institutions, in which we do more than simply provide funds by working alongside the residents.

### The Sakamoto Ryumon Bunko Collection in Yoshino-machi by Nara Mirai Design

**Funaki:** Next, I would like to ask your opinions of our planned renovation of Sakamoto Ryumon Bunko into an accommodation facility, a new challenge for us in creating a regional revitalization model and one that we expect will ultimately contribute to an increase in Nara prefecture's GDP.

**Hashimoto:** I understand that the Sakamoto Ryumon Bunko is an old private residence associated with Nanto Bank. We hope that establishing new ways for visitors to relax and enjoy themselves will produce a flow of visitors touring Nara Prefecture as a whole. I would like to see Sakamoto Ryumon Bunko develop as a core facility of this project offering unique accommodation functions.

**Funaki:** Sakamoto Ryumon Bunko was the residence of the founder of Yoshino Zaimoku Bank, one of the predecessors of Nanto Bank, and in a sense, it is a cultural asset that has been preserved by the local people. Its location in Yoshino, a World Heritage Site that forms part of the Yoshino-Kumano National Park, adds further to its allure. In this connection, one major issue we face

is finding ways to make the most of the area's cultural heritage and natural resources. Traveling from the Kii mountain range to our neighboring prefectures, moreover, visitors will encounter other World Heritage Sites and some of the finest tourist resources in Japan, including Koyasan and Kumano, all within a convenient touring radius. If we can renovate an accommodation facility here, it will offer easy access to the region from transport facilities such as Kansai Airport and Nanki-Shirahama Airport. I believe it offers immense potential to contribute to an increase in tourism and the number of visitors to the Yoshino district as a whole by creating new touring routes, not only within the borders of Nara prefecture but extending to other parts of the Kii Peninsula as well.



**Okubo:** As manager of Nara Mirai Design, I am currently participating in the project to turn Sakamoto Ryumon Bunko into an accommodation facility. This is an extremely ambitious project that involves the Bank in urban development from a business standpoint. We would like to build a lodging facility here as a motivation for people to visit Yoshino, and as a venue for hosting local community residents. The initiatives of NOTE Nara and Nanto Bank extend from Nara City to Tawaramoto, Gose, and Yoshino. We are hoping to establish systems for touring around Nara prefecture that will create a flow of people from the northern to the central and southern regions of the prefecture, and to lengthen the time tourists remain in the prefecture.

## The role the Nara Bank Group should play in resolving regional issues

**Funaki:** Before we finish, I'd like to ask you about your expectations for our Group in resolving regional issues, and about the role you think it should play.

**Okubo:** My hope is that the Nanto Bank Group will continue to act as a catalyst for urban development initiatives. I believe Nanto Bank's participation in this project will make our urban development efforts three or four times more effective. When we approach a community with a project as outsiders, we require a guide who can clarify the characteristics and customs of the community for us. Nanto Bank has built close relationships with various businesses, government agencies, and individuals throughout the prefecture over the years, and I believe it has an extremely important role to play in the revitalization of regional communities, including urban development.

**Hashimoto:** I agree that Nanto Bank can play a crucially important role in the revitalization of Nara prefecture. The Bank has recruited many talented local personnel, making it what might be called a treasure house of human resources. In today's world, it would be a waste to work only within the narrow framework of the conventional banking business. Nanto Bank is already involved in various businesses outside the banking field, for example, including an e-commerce business supporting local products. I believe the various initiatives you are promoting to increase Nara prefecture's GDP by 10% and to expand your support for small and medium-sized enterprises will make the prefecture more vibrant. And I have high hopes that you will achieve significant success in your plans to increase the number of tourists visiting Nara prefecture, and to create a successful example of revitalization for other parts of Japan.

**Funaki:** Regional financial institutions are under pressure today to change their business models. We are working together to solve regional issues, sweating and taking risks together, with support from residents, outside experts, and public institutions. We realize that the approach we are initiating represents a significant transition from a lending model to an investment banking model. We can be proud that every employee of our Group shares a strong desire to contribute to the regional community. I feel confident that leveraging the strength this gives us to give back to the regional community with the help of people and organizations outside the Group will set us well on our way to achieving our target of a 10% increase in the prefecture's GDP.

Thank you very much for sharing your time with us today.



## Support for Customers' Asset Formation

Responding to the SDGs



### Basic Policy

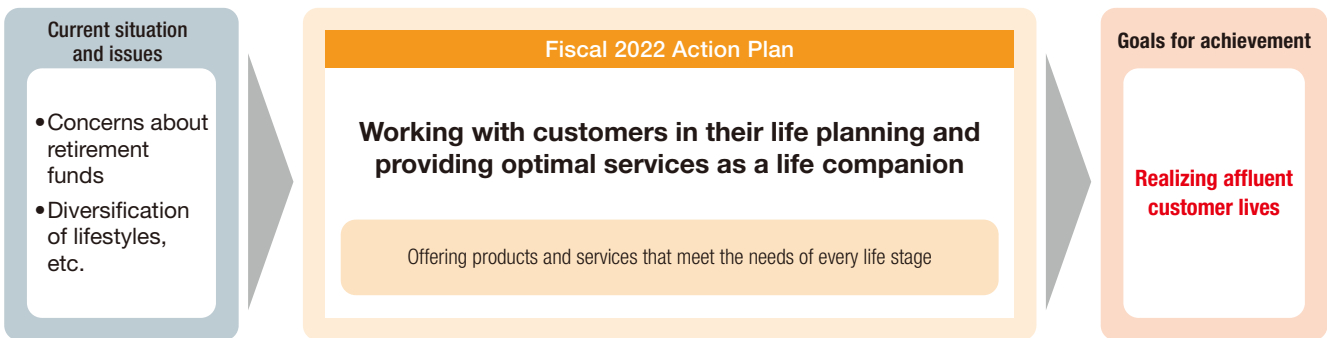
#### Asset-building tailored to the customer's life stage

The expansion of online banking and the emergence of cashless businesses and other new players are raising concern that the numbers of points of contact between the Nanto Bank Group and its younger customers are diminishing. Transactions with the customers who will form our future customer base are essential for the sustainable growth of the Group. Meanwhile, customers are also expressing a vague sense of uncertainty about the future due to Japan's declining birthrate and aging population, and to the increasing burden on the working-age population to support the older generation.



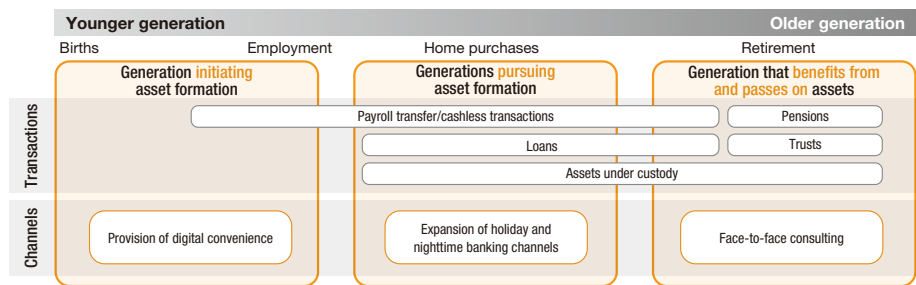
At Nanto Bank, we engage in dialogue with customers as a life companion to grasp their future goals and planning. We then join forces with appropriate members of our Group to provide optimal services, such as asset formation and management services, to help them realize their objectives.

### Fiscal 2022 Action Plan

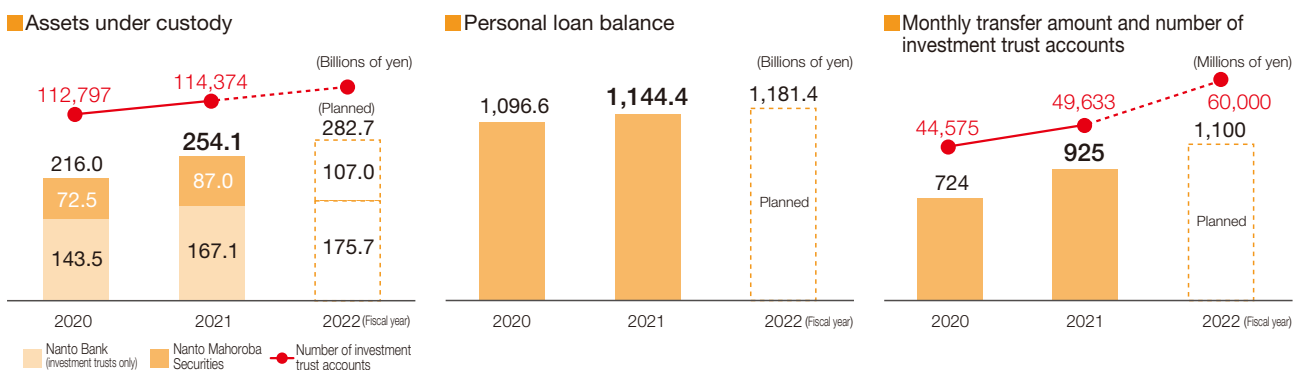


### Products and services tailored to customers' life stages

We help customers realize prosperous lifestyles and expand our customer base by constructing asset-building structures appropriate to each individual life stage: the generation that initiates asset building; the generation that grows the assets; and the generation that benefits from and passes on the assets.



#### Indicators and plans





## Improving Customer Convenience

### Basic Policy

#### Applying digital technologies to enhance customer convenience

In consideration of our expected customer base 10 to 20 years in the future, we are working from the customer's perspective to improve convenience and enhance customer satisfaction by thoroughly investigating the changes necessary to encourage customers to choose the Nanto Bank Group while maximizing our application of digital technologies.

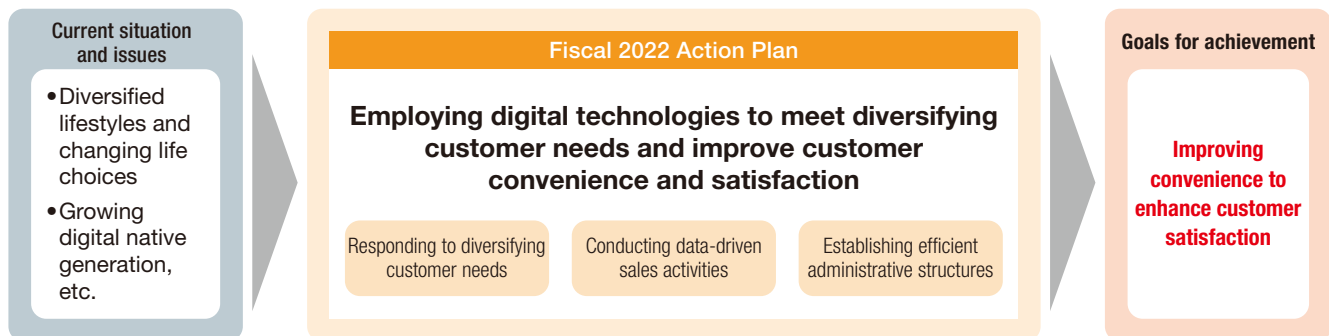
We are applying various digital technologies to maintain and expand our customer base by providing information and speedy procedures that meet customer needs through the accumulation, maintenance, and visualization of data, and by strengthening our connections with every customer generation.



Responding to the SDGs



### Fiscal 2022 Action Plan



### Applying digital technologies to enhance convenience

#### Responses to diversifying customer needs

- Developing applications that enable customers to conduct banking transactions much as they would at a teller window anytime, anywhere

#### Establishing efficient administrative structures

- Reducing customer waiting time
- Speeding up procedures

#### Conducting data-driven sales activities

- Gathering, maintaining, and visualizing data to provide timely services according to customers' life stages
- Providing detailed proposals tailored to individual customers' needs



#### Introduction of a Web-based mortgage loan application system

Elimination of the need to visit a branch to apply for a loan  
Reduction of the burden on customers by linking data from application to execution

**Potential development of banking applications with high UI/UX**



#### Introduction of a bank visit appointment system

Enabling of advance appointments via Web or phone, information sharing and advance preparation



#### Digitization of public monetary transactions

Introduction of a file transmission service (ADP)  
Introduction of an advance utility bill statement notification service



#### Consideration of data-integration infrastructure construction

Centralization of the Bank's data management

## Cultivating Unconventional Human Resources



### Basic Policy

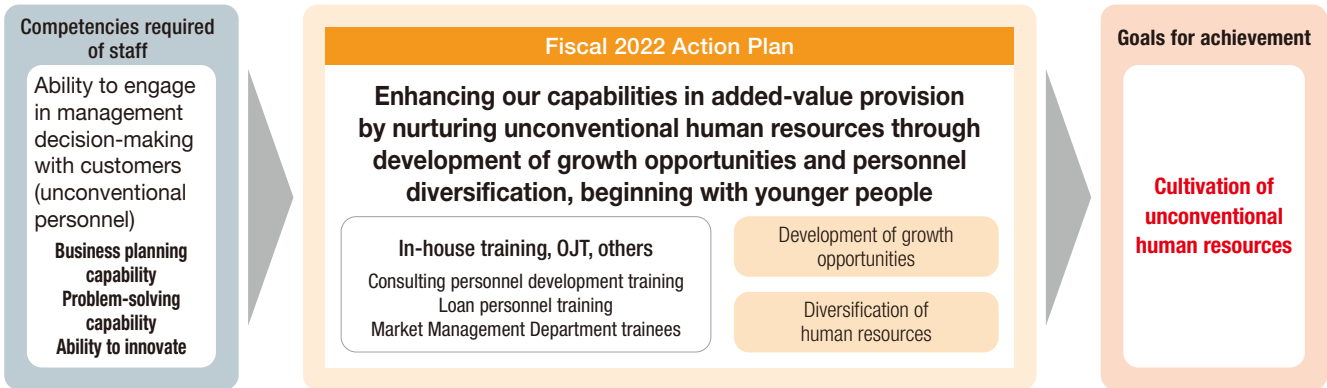
#### Cultivating unconventional human resources by providing growth opportunities and pursuing personnel diversification

Unconventional human resources are employees capable of helping customers realize their goals and participating with customers in their decision-making. This is the type of human resources the Nanto Bank Group seeks.

Convinced that unconventional personnel require broad perspectives with experience both inside and outside of banking, we are offering new growth opportunities by increasing secondments to companies in other fields, dispatching trainees, and promoting exchanges among our Group companies, as well as by developing a side job program and expanding mid-career hiring.



### Fiscal 2022 Action Plan



### Efforts to cultivate unconventional human resources

#### Developing growth opportunities

Building value-creation relationships with customers requires not only development of employees' sales and administrative skills, but also improvement of their management literacy and further enhancement of their problem-solving skills acquired in the core business.

|                  |   |                        |                                   |
|------------------|---|------------------------|-----------------------------------|
| Main initiatives | ● Increased number of secondments   | ● Dispatching trainees | ● Exchanges among Group companies |
|                  | ● Support for acquisition of qualifications that contribute to problem-solving        |                        |                                   |
|                  | ● Training to strengthen logical thinking skills, joint training with other companies |                        |                                   |

Secondments to outside companies, trainee dispatches, and exchanges among Group companies have increased in number since fiscal 2021 for such purposes as fostering of young employees.

#### Achievements (as of June 2022)

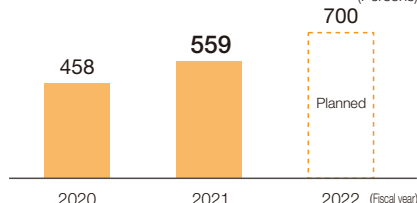


## Support for acquisition of qualifications contributing to problem-solving

Against the backdrop of customers' digital issues and changing needs, we encourage our employees to acquire qualifications such as applied information technology engineer, SME management consultant, licensed real estate consultant, and FP level 1. In August 2020, we began offering more incentives and reinforcing our support activities.

| Monthly qualification allowance | Eligibility for payments  |
|---------------------------------|---|
| 10,000 yen                      | Financial planning skills test, level 1, SME management consultant, securities analyst, labor and social insurance consultant, information-processing security supervisor |
| 20,000 yen                      | Certified public accountant, attorney, real estate appraiser, certified tax accountant  |

Number of personnel with requisite qualifications for vital human resources (Persons)



## Initiatives for reinforcing logical thinking skills

In our efforts to reinforce employees' logical thinking capabilities, the most essential requirement of unconventional human resources, we conducted logical thinking training (e-learning) for all our employees in fiscal 2020. We have continued to include a logical thinking program in our training of new employees in April of each year since.

We also provide training to support acquisition and application of logical thinking skills through training to strengthen employees' capabilities for organizational and team problem-solving through group discussions in which every participant engages in the discussion (such as consideration of management issues).

|             | Training format                                      | Subjects                           | Content and objectives  |
|-------------|--|------------------------------------|---|
| Basic       | New employee training                                | New employees                      | Acquisition of basic logical thinking skills  |
|             | Training in logical thinking                         | All employees                      | Acquisition of logical thinking capabilities essential to problem-solving   |
| Application | Training to strengthen logical thinking capabilities | Employees in late 20s to early 40s | Acquisition and practice of logical thinking skills through practice in solving organizational or team issues     |
|             | Group discussions                                    |                                    | Acquisition and practice of logical thinking skills through discussion (consideration of management issues, etc.) |



## Efforts to diversify human resources

**Main initiatives** ● Introduction of a side job system ● Expansion of mid-career hiring ● Promotion of diversity, including gender equality

### Introduction of secondary employment system

Our awareness of the importance of diversified experience, advanced expertise and capabilities, and contacts and networks acquired through activities in fields in addition to banking led to creation in 2021 of a system that enables employees to work on the side. Seventeen employees had benefited from this system as of June 2022.

#### [Overview]

**Eligibility** Only businesses that do not have an employment contract with the side business are eligible.

[\*Application for engaging in a side business must be made in advance.]

#### [Examples of eligible side jobs]

**Qualifications**.....Lecturing based on official qualifications such as translation, interpretation, career consulting, etc.

**Internet-related businesses**.....Web designer, programmer, YouTuber, blogger, etc.

**Others**.....Sales of self-made products (ornaments, paintings, photographs, etc.), musical activities, etc.

### Promoting diversity, including gender equality

We are working to raise awareness to promote the advancement of diverse human resources, including women.

In fiscal 2021, we conducted unconscious bias training for all our employees (by job level) with the aim of eliminating unconscious assumptions leading to stereotyped gender roles.

| Name of training program | Unconscious bias training  |
|--------------------------|--|
| Purposes                 | <ul style="list-style-type: none"> <li>To eliminate unconscious assumptions concerning stereotyped gender roles and gender differences.</li> <li>To train employees to recognize their own biased views and attitudes, some version of which everyone has, and to take action to prevent negative influences on others, including action to achieve gender equality.</li> <li>To promote recognition of diverse values and ways of thinking, and to enable diverse human resources, including women, to maximize their abilities and play active roles.</li> </ul> |

### [Results for female employees]

(Unit: %)

|  | FY2019 | FY2020 | FY2021 |   |
|--|--------|--------|--------|---|
| Ratio of female employees (female employees/all employees)     | 39.6   | 39.6   | 39.8   | As of end March                                   |
| Ratio of new female employees                                  | 64.6   | 69.1   | 64.7   | Number of new employees joining the Bank in April |
| Ratio of female managers (assistant manager level and above)   | 14.3   | 14.5   | 15.1   | As of end March                                   |
| Percentage of female managers (deputy manager level and above) | 3.9    | 4.5    | 5.0    | As of end March                                   |



Stakeholder Voice ②

## Fostering Human Resources with Varied Experiences

In its efforts to cultivate “unconventional human resources,” the Bank is working to develop personnel with diverse experiences by appointing current branch manager-level employees to serve as executives of Group companies and transferring younger employees to regional companies and municipal governments. To clarify these efforts further, we spoke with Yoichi Funatsu, who participated in the full-scale opening of Nanto Mahoroba Securities and currently serves as director of the company.



### Experience gained through transfer from the Bank to a securities firm

(Opening of Nanto Mahoroba Securities)

I was transferred to Nara Securities, a regional securities company, in October 2018 at the time it became a subsidiary of Nanto Bank. I had never worked in the securities industry before, nor had I been deeply involved in the deposit asset business during my tenure at the Bank.

As a former banker, I had no understanding of the rules, systems, or structures of the securities industry. This made opening Mahoroba Securities something like building a company from scratch.

During the first six months of my secondment, I spent my days revamping the core securities system, but in March 2019, Nanto Mahoroba Securities (“Mahoroba Securities” hereinafter) was successfully opened as a member of the Nanto Bank Group.

Looking back, I believe the process of opening the new company successfully in cooperation with former Nara Securities employees and seconded employees from major securities companies was an invaluable experience I would not have had if I had remained in the banking industry.

(Appointment of a new president from outside the Group)

In July 2020, we welcomed a new president from outside the Nanto Bank Group, and I simultaneously assumed the important responsibilities as a director.

Since the new president had absolutely no connection with our Group, let alone to its homebase of Nara Prefecture, he felt free to implement measures calculated to promote Mahoroba Securities’ business performance unrestricted by ties with ownership.

The process was a constant source of confusion to me personally, and I spent hours a day in discussions with the management team with the President’s wishes in mind, while also attending frequent meetings and conducting detailed explanations to the team and staff.

When new issues arose under these circumstances, I inevitably slipped into the risk-based mindset I had acquired working in the Bank’s Risk Management Department. In retrospect, I think I often chose “not to do” when given a choice as a result.

The President, on the other hand, views issues more deeply from various angles without preconceptions, and makes bold business decisions quickly. Watching this process closely in my position as a director, I am learning firsthand about management theory-building and strategizing.

### Differences from banking business, feelings on being transferred to an affiliated company, knowledge and capabilities acquired from the transfer

(Differences from the banking business)

Although securities firms and banks are considered to be members of the same industry as “financial institutions,” their completely different profit structures naturally generate different management perspectives.

A bank’s profit structure is that of a stock business, whereas the profit structure of a securities company, especially of a small-to medium-sized securities company rooted in the community such as Mahoroba Securities, emphasizes accumulation of daily proceeds.

In this connection, their market is subject to extreme fluctuations in response to domestic and international conditions and trends, making annual, semi-annual, and even daily planning difficult.

I was surprised myself at how much proceeds fluctuate daily. I also learned firsthand that the perspective on compliance is much

stricter than I had imagined as a banker.

**(Feelings on being transferred to the new company)**

Mahoroba Securities is an assortment of employees from the former Nara Securities, support members from major securities firms, mid-career hires, and people like myself on secondment from banks. All of us come from different backgrounds and consequently have differing ways of thinking.

We sometimes clash with each other vehemently, and I have often realized during our repeated discussions that my own way of thinking had become unconsciously entrenched.

It takes courage to act to reform existing rules and habits or to start something new.

As I was tossing about ideas with a diverse group of people, I began to free my mind and direct deeper thought to determining the essential factors in solving an issue and the best way to achieve them, instead of immediately thinking about the risks and reasons not to do something.

The transfer also gave me an opportunity to consider Nanto Bank more objectively. I reached the conclusion that the ability of the Nanto Bank Group to achieve sustainable growth will require flexible thinking, unbounded by precedent, in the changing environment that surrounds us today. At the same time, however, my reflections led to a realization that the rigid ideas I have accumulated myself over the years are unlikely to change right away.

I gained this awareness through the opportunity occasioned by my secondment to Mahoroba Securities, which forced me to accept new physical circumstances in the forms of a different culture and close interactions with a diverse assortment of colleagues.

This has convinced me that providing secondment opportunities can be an effective means of creating new corporate value.

The excitement I felt at the beginning of my secondment was accompanied by sadness at the thought that I would no longer be a banker, but I now feel I would like to continue working here as long as I am allowed to do so.

## How can you apply what you have learned when you return to the Bank?

I want to encourage more exchanges between the Bank and Mahoroba Securities so that more people can experience what other employees and I have experienced on secondment.

I expect to promote initiatives to enable others to experience the excitement of the securities business, acquire broader perspectives and higher levels of expertise, and participate in customers' asset formation through greater cooperation between the Bank and Mahoroba Securities.

I also want to take up the challenge of employing securities' functions to contribute to development of our region.

I believe that if exchanges of human resources increase and cooperation between the Bank and Mahoroba Securities deepens, we will be able to provide new services that are beneficial to our customers and the community in ways that no one could have imagined in the past.

### Nanto Mahoroba Securities Co., Ltd.

Mahoroba Securities seeks to provide customers with new value by leveraging its expertise as a securities company cultivated over its long history and the Group's management base in the region, and by delivering high-quality services in cooperation with the Bank.

**[Overview]**

|                         |  |
|-------------------------|--|
| Company name            | Nanto Mahoroba Securities Co., Ltd.  |
| Representative          | Yuji Matsuura, President and Representative Director   |
| Headquarters address    | Nanto Bank Saidaiji Ekimae Building 3F, 2-1-56, Saidaiji Higashi-machi, Nara City, Nara Prefecture |
| Capital                 | 3 billion yen  |
| Shareholder composition | Nanto Management Service 100%  |
| Establishment           | November 25, 1944  |

**[History]**

|                |  |
|----------------|--|
| November 1944  | Mahoroba Securities' predecessor Nanto Securities established.   |
| October 1965   | Merger of Nara Securities, Nanto Securities, and Tamba City Securities companies to form Nara Securities |
| October 2018   | Becomes a subsidiary of Nanto Bank.  |
| November       | Becomes a wholly owned subsidiary of Nanto Bank.   |
| March 2019     | Name changed to Nanto Mahoroba Securities<br>Begins sales activities in cooperation with Nanto Bank.     |
| September 2019 | Becomes a wholly owned subsidiary of Nanto Management Service.*  |

\*Intermediary holding company





IT Strategy and Administrative Division  
 Director and Managing Executive Officer **Kazunobu Nishikawa**

Achieving sustainable Group management will require use of digital technology, organizational capabilities to respond flexibly to changes in the environment, and development and securing of human resources to support these efforts.

Digital technology can not only significantly reduce the burdens on operations that rely on manual work, experience, and intuition, but it can also provide us with the decision-making information we need to explore more appropriate solutions to our customers' challenges by combining and applying various types of information.

The Nanto Bank Group is simultaneously pursuing two initiatives in the digital technology arena: full integration of the Group's IT, including that used in its branch functions, operating procedures, and paperless operations; and maximization of convenience for customers through digitalization of customer services, as exemplified by cashless payments.

These efforts will reshape our cost structure to create a more muscular corporate constitution, producing a Group that can provide customers with value-added information and services, whether or not the transactions are conducted in person.

While the evolution of digital technology poses some threats, such as an increase in new entrants into banking from other industries, it also holds immense potential for the Group. We are committed to providing financial services that meet the diversifying needs of our customers, and to considering the full range of available options for satisfying customers and inspiring them to choose our services.

## Enhancing the Group's Productivity

Responding to the SDGs

### Basic Policy

Improving productivity is not an issue for customers alone, but one that the Nanto Bank Group itself should take the initiative in addressing. That said, however, the Group continues to lag behind in digitalization of its operations.

Our plans to reduce the number of Group employees will require that we transform our operations by constructing systems that maximize results with limited resources.

We intend to implement concrete measures to enhance the efficiency and sophistication of our operations by adding digital technology, such as by introducing an AI-based credit management system, to replace the human resources they had previously relied upon.

### Fiscal 2022 Action Plan





## Main initiatives

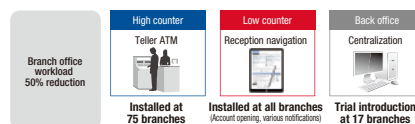
### Application of information (AI-based credit management)

- Introduction of a FinCast system that applies AI to detect business conditions and identify deteriorating business conditions at an early stage and to create opportunities for dialogue with customers



### Review of branch functions

- Transformation of branch offices into consultation venues by systematizing and centralizing administrative work



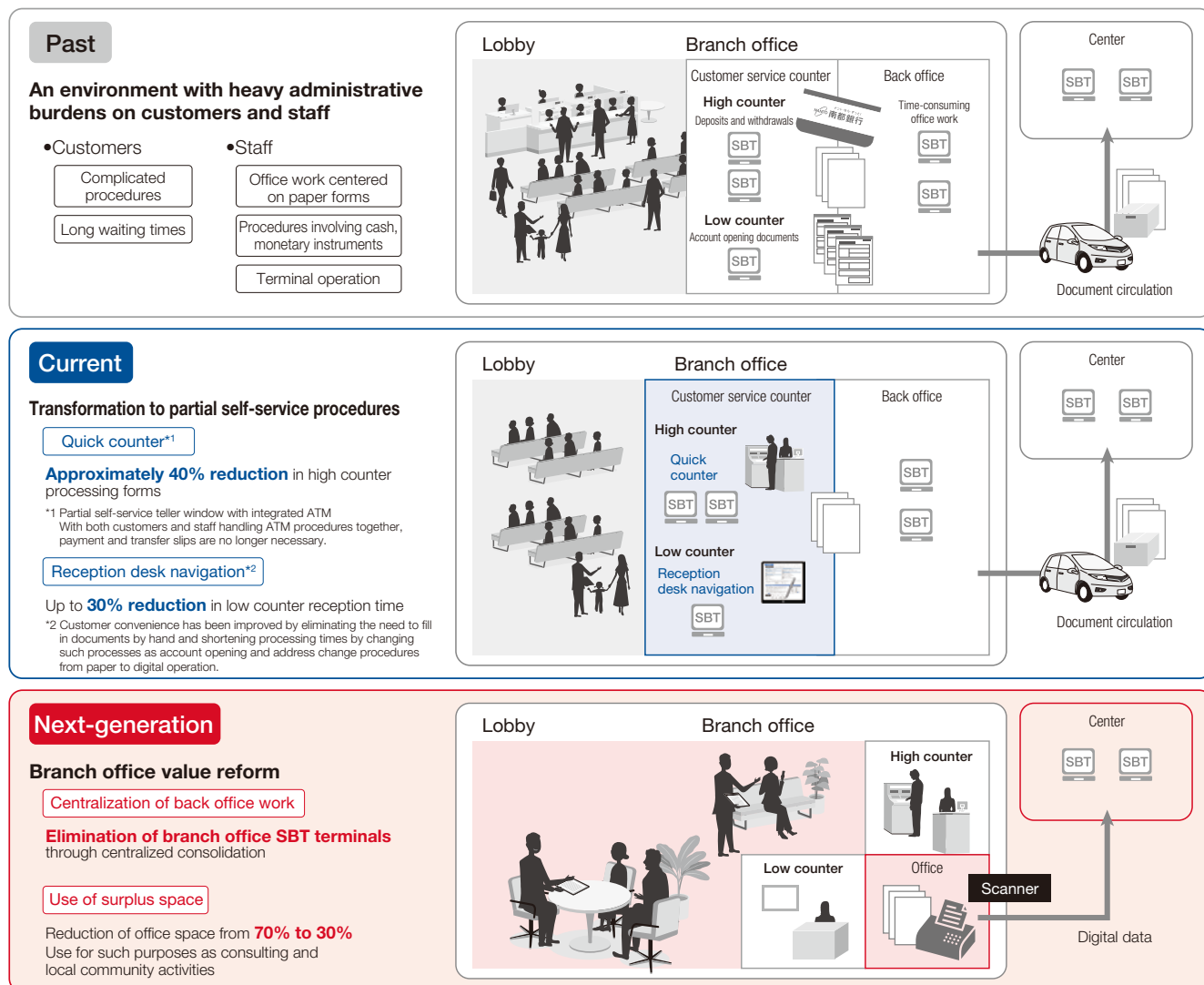
### Upgrading of the Bank's internal infrastructure

- Creation of an environment that facilitates smooth communication with customers and efficient business operations (online consultation services, online witness confirmation of intent to guarantee, etc.)
- Engagement of online conferencing and other activities via individual rental smart phones



## Reformation and transformation of branch office operations and image of the next-generation branch office

In our efforts to digitalize all our office operations, we are considering adopting the latest authentication infrastructure and digitization of all transaction vouchers. We will effect a transformation to next-generation branch offices that deploy leading-edge technologies to solve local issues, as exemplified by establishment of channels and AI to facilitate remote transactions by anyone from anywhere.



\*SBT: The SBT (super banking terminal) is a device used by the branch office tellers and back office staff of financial institutions.



Risk Management Division  
Director and Senior Managing Executive Officer **Kazuya Yokotani**

The environment in which financial institutions operate is changing dramatically, and the risks they face are growing increasingly diverse and complex. The Nanto Bank Group has responded by positioning appropriate risk management as one of the most important issues for management. We are working to enhance our risk management in order to maintain sound management and appropriate operations, and to ensure customers' ability to do business with us with peace of mind.

In recognition of the inextricable linkage between profitability and risk, we are creating a virtuous cycle to enhance both the soundness and the profitability of our operations. This means adopting a proactive stance and mindset to connect enhanced risk management with improved profitability.

Our Action Plan for Fiscal 2022 places particular emphasis on strengthening credit risk management, combating money laundering and terrorist financing, and controlling market risks.

These efforts will enable the Group to establish sophisticated, highly agile risk management and governance structures aimed at acquiring a capability of appropriately controlling risks.

## Reinforcing Risk Management

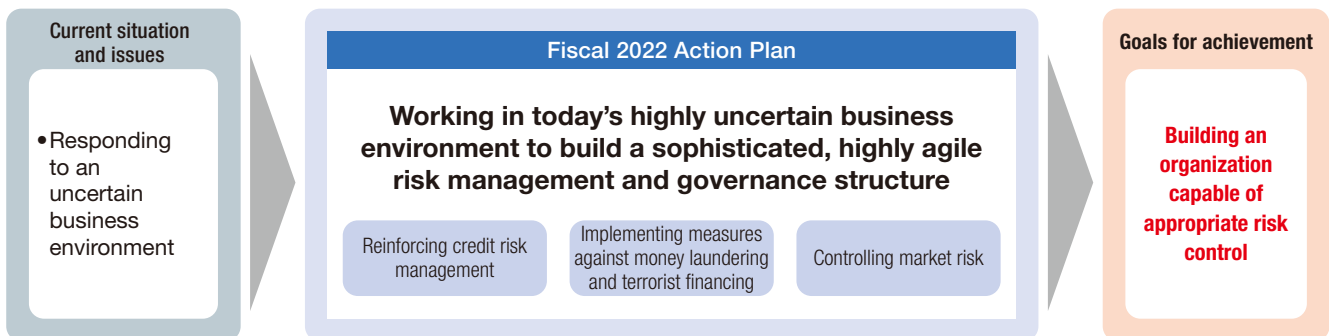
|                        |  |
|------------------------|--|
| Responding to the SDGs |  |
|------------------------|--|

### Basic Policy

Our efforts to strengthen credit risk management and control market risk will involve striving to achieve appropriate returns commensurate with the risk by enhancing our risk/return management.

When it comes to combating money laundering and terrorist financing, meanwhile, we reinforced our capabilities by formulating countermeasure policies reflecting our concern that any serious violation occurring due to a lack of effective internal controls could result in a loss of public confidence and significant damage to our corporate value.

### Fiscal 2022 Action Plan



### Reinforcing credit risk management

We are strengthening our credit risk management by deepening our understanding of customers' actual conditions through personal communication activities, and by providing full support for their cash management and core business operations.

## Initiatives to combat money laundering and prevent terrorism financing

Recent years have brought increasing demand from the international community for measures to combat money laundering and prevent financing of terrorism. In this context, we have positioned money laundering prevention as one of our most important management issues. We are working to improve the effectiveness and sophistication of our money laundering countermeasures by, for example, establishing the “Policy Against Money Laundering and Terrorist Financing” as a fundamental Group policy.

In response to the increasing complexity and sophistication of financial crimes, meanwhile, we are also striving to maintain safe, highly convenient financial services by enhancing our preventive measures to preclude customer engagement in financial crimes.

### Policy Against Money Laundering and Terrorist Financing

#### 1. Organizational structure

- (1) The Bank shall position money laundering countermeasures as one of its most important issues for management and shall work proactively to implement these countermeasures.
- (2) The Bank shall establish a centralized management system by designating a person responsible and a supervisory department for money laundering countermeasures and shall implement measures across the organization in cooperation with the relevant departments.

#### 2. Risk-based approach

The Bank shall employ a risk-based approach to appropriately identify and assess money laundering and other risks and shall implement mitigation countermeasures commensurate with the risks.

#### 3. Customer management policy

The Bank shall establish a system for conducting confirmation appropriately at the time of transactions and other customer management measures in accordance with the applicable legal and regulatory requirements. It shall also examine and analyze customer transaction records periodically and implement necessary customer management measures.

#### 4. Reporting of suspicious transactions

The Bank shall confirm and determine whether transactions reported by its branch offices or detected through transaction monitoring are suspicious and shall notify the authorities immediately if it determines that the transactions are suspicious.

#### 5. Correspondent bank management

The Bank shall collect information on correspondent banks, assess it appropriately, and take proper measures in response to the risks associated with it. It shall eliminate any relationships with spurious banks that have no actual business operations.

#### 6. Management and employee training

The Bank shall conduct ongoing training programs to educate its officers and employees fully with respect to money laundering to raise their levels of expertise and assure proper responses.

#### 7. Compliance auditing

The independent Internal Audit Department shall conduct regular audits of the Bank's money-laundering prevention and related systems, and the Bank shall draw on the results of the audits to improve its systems further.

## Cyber Security Initiatives

Nanto Bank has compiled a cyber security policy to reinforce its management systems concerned with preventing cyber-attacks and other threats.

### [Policy on cyber security]

With threats of cyber-attacks expected to grow in number and urgency in the future, Nanto Bank recognizes ensuring cyber security as an important issue for management in performing its role of protecting the safety of its customers and assets. The CSIRT\* is directing Bank-wide efforts to compile a cyber security roadmap as a guide for use in its ongoing activities aimed at enhancing the Bank's readiness to respond promptly to cyber-attacks.

\*CSIRT is an internal organization responsible for dealing with computer security incidents.

## Market risk control

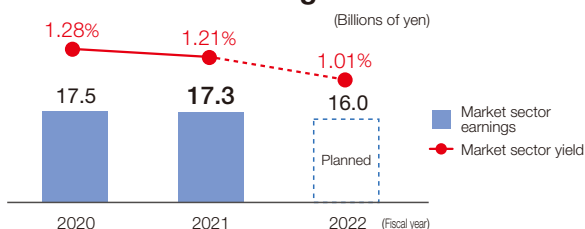
Market risks have recently proliferated in an environment of increasing geopolitical risks, rapidly rising interest rates in Europe and the United States, and a weakening yen at home.

The significant impacts market fluctuations exert on the Nanto Bank Group's performance make stable, sustainable market management increasingly crucial.

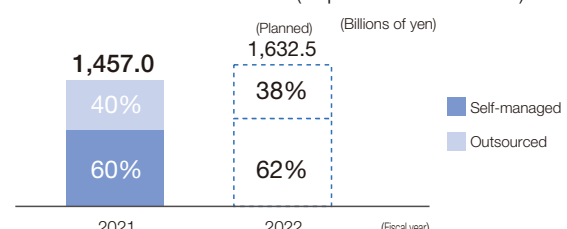
We are conducting portfolio rebalancing to prepare for interest rate risk and to control the impact of heightened market risk to the greatest extent possible by applying hedging techniques that reduce the risk of rising interest rates and falling stock prices, while working at the same time to build and manage a portfolio that earns stable yields.

- Portfolio rebalancing to prepare for rising interest rates
- Accumulation of capital gains through flexible trading practices
- Hedging against risk of rising interest rates and falling stock prices

### Market sector earnings



### Investment balance (unpaid balance basis)





# Risk Management Systems and Conscientious Compliance

## Risk management systems

### Integrated risk management

To reinforce our ability to manage the risks we face in our banking business, Nanto Bank has assigned responsibility for each risk to an appropriate department and established the Risk Management Division to handle them in an integrated manner by determining the various risks' individual positioning and magnitude and responding to each promptly and accurately.

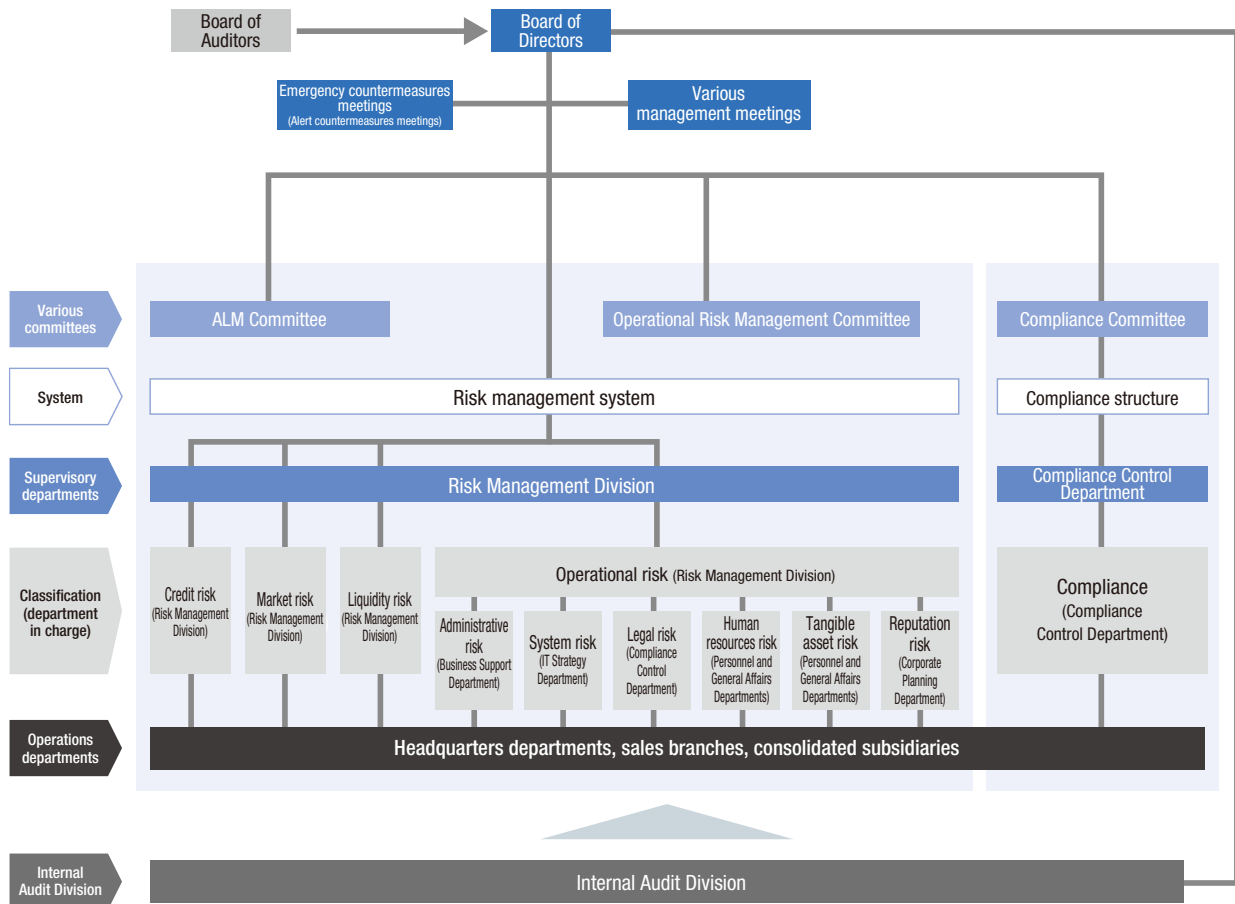
In our commitment to risk management, we have specified basic risk management policies through various directives, including our "Integrated Risk Management Regulations."

To realize integrated risk management in which risks are quantified on a unified scale and the amount of each is controlled to an appropriate level in relation to equity capital in consideration of management strength, moreover, we determine the risk capital allotment (capital allocation amount) for each type of risk semi-annually within the range of equity capital, and control each risk amount (value at risk = VaR, etc.) to ensure that it falls within the scope of capital. The ALM Committee evaluates the status of each risk at its monthly meetings as part of efforts to achieve more efficient, effective risk / return management, and systems are in place to exercise appropriate controls for ensuring management stability and improving profitability from the perspective of effective use of capital.



### Risk management organization

(As of July 1, 2022)



## Internal auditing system

Enhancing and reinforcing our risk management will require implementing the PDCA cycle to ensure its effective functioning for autonomous improvement, with the Risk Management Division and the operations departments, including the individual offices and branches, checking and balancing each other for various risks.

The Internal Audit Division responsible for internal auditing seeks to ensure sound management and appropriate operations by monitoring the occurrence of risks in each business, verifying their PDCA cycle functions, and recommending improvements as necessary to promote better, stronger risk management.

## Crisis management system

The Bank's risk management systems discussed here are further augmented by its Crisis Management Plan, accompanied by a response manual for each type of crisis, compiled to facilitate appropriate responses to crises that may impact its business, including natural disasters such as large-scale earthquakes, system failures, and epidemics of infectious diseases such as the new coronavirus. In the event of a crisis, the Emergency Countermeasures Committee or Countermeasures Headquarters gathers information depending on the degree of the crisis, and issues centralized guidance and orders to minimize its impact on operations.

We also implement measures to ensure the Bank's ability to continue providing customer services as a social function maintenance provider. These include such measures as enhancing our facilities to enable continued operation, even in the event of a disaster, and ensuring the effectiveness and continuous improvement of our Crisis Management System through crisis management drills and other measures.

## Commitment to strict compliance

### Compliance systems reinforcement

Compliance is a matter of unswerving observance, not only of laws, government ordinances, and internal rules, but also of ethical and social norms. It is imperative that banks fulfill their social responsibilities and public missions in good faith. At Nanto Bank, we are implementing the following measures to ensure complete compliance:

- Fully aware of its public mission and social responsibility as a financial institution, Nanto Bank seeks to gain the trust of its stakeholders, including its regional community and shareholders, by positioning compliance with laws and regulations as the most important issue for management. To this end, it has formulated "Basic Guidelines" and a "Code of Conduct" as corporate policies with which all the Bank's officers and employees are expected to comply.
- In order to define a basic framework for our compliance systems, we have clarified our stance toward compliance with laws and regulations, not only by establishing compliance regulations but also by formulating disciplinary regulations that show the fairness and transparency of our disciplinary actions.
- We have established a Compliance Committee chaired by the President to serve as a cross-sectional organization within the Bank that discusses and decides important matters related to compliance, as well as a supervisory department responsible for planning and supervising compliance.
- Each fiscal year, we prepare a compliance program as a concrete, practical plan for achieving compliance, after which we investigate the program's implementation status and make appropriate revisions.
- The Bank is pursuing efforts to optimize operation of its compliance hotline, a whistle-blower system established for purposes of prevention and early detection and correction of violations of laws and regulations.
- We have compiled a "Compliance Handbook" to serve as a detailed guide to maintaining compliance, and we are following up with efforts to foster a compliance mindset by distributing the handbook to all our management and general personnel, and by holding regular group training and study sessions at every workplace.
- In accordance with our resolute attitude toward antisocial forces that threaten the order and safety of civil society, moreover, we have formulated a set of "Regulations for Dealing with Antisocial Forces, Etc." and have terminated relationships with all such elements.

## Executive Officers

### Directors



President (Representative Director)  
**Takashi Hashimoto**

Apr. 1977 Joined Nanto Bank  
June 1999 Manager, Kamimaki Branch  
Apr. 2001 Manager, Kyoto Corporate Sales Office, Sales Management Department  
June 2002 Assistant Manager, Kyoto Sales Management Department; Manager, Corporate Sales Office  
June 2003 Manager, Kyoto Branch  
June 2005 General Manager, Nanto Bank Public Affairs Division  
June 2007 Executive Officer and General Manager, Personnel Planning Division  
June 2010 Executive Officer and General Manager, Sales Management Division  
June 2011 Executive Officer and General Manager, Osaka District Headquarters  
June 2013 Executive Officer, Nanto Bank  
June 2014 Senior Executive Officer  
June 2015 President (Representative Director) (current position)



Vice President (Representative Director)  
**Satoshi Ishida**

(Departments) Overall executive control, Corporate Planning Division, Osaka Block Headquarters, responsibility for special DX / SDGs missions  
Apr. 1997 Joined Dai-Ichi Kangyo Bank, Ltd. (current Mizuho Bank, Ltd.)  
July 2001 Chief of Management Guidance, Construction Industry Division, General Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism  
Nov. 2003 Manager, Industrial Revitalization Corporation of Japan  
July 2010 Director, Industrial Growth Platform Inc.  
Aug. 2013 Supervisory Coordinator, General Affairs Division; Supervisory Bureau, Financial Services Agency  
July 2015 Policy Manager, Policy Division, General Affairs Planning Bureau, Financial Services Agency  
July 2016 Manager, Monitoring Planning Office, General Affairs Division, Inspection Bureau, Financial Services Agency  
July 2017 Director, Regional Financial Planning Office, Supervisory Bureau, Financial Services Agency  
Nov. 2018 Director, Industrial Growth Platform Inc.  
Feb. 2019 Advisor, Nanto Bank  
Apr. 2019 Senior Managing Executive Officer and General Manager, Corporate Strategy Headquarters  
June 2019 Vice President and Executive Officer, General Manager, Corporate Strategy Headquarters (Representative Director)  
Apr. 2020 Vice President and Executive Officer (Representative Director) (current position)



Director and Senior Managing Executive Officer  
**Kazuya Yokotani**

(Departments) Personnel and General Affairs divisions, Risk Management Division, Compliance Control Division, Nara Chuwa Block Headquarters, Nara Nanwa and Wakayama Block Headquarters  
Apr. 1985 Joined Nanto Bank  
June 2007 Assistant Manager, General Planning Division  
Apr. 2011 Manager, Higashi-Ikoma Branch  
Aug. 2012 Assistant General Manager, General Planning Department  
June 2014 General Manager, General Planning Department  
Apr. 2016 Executive Officer and General Manager, Corporate Planning Division  
Apr. 2018 Executive Officer and General Manager, Public Affairs and Regional Vitality Creation Department  
Apr. 2019 Managing Executive Officer and General Manager, Financial Market Headquarters  
June 2019 Director and Managing Executive Officer, General Manager, Operations Division  
Apr. 2020 Director and Managing Executive Officer  
Apr. 2022 Director and Senior Managing Executive Officer (current position)



Director and Managing Executive Officer  
**Kazunobu Nishikawa**

(Departments) IT Strategy Department, Administrative Support Department, Nara Hokuwa Block Headquarters, Kyoto Block Headquarters  
Apr. 1986 Joined Nanto Bank  
June 2008 Manager, Amagasaki Corporate Sales Office, Sales Management Department  
Sep. 2009 Manager, Amagasaki Branch  
Oct. 2010 Group Manager, Sales Management Department, Nanto Bank  
Apr. 2011 Group General Manager, Sales Administrative Division, and General Manager, Nara Corporate Sales Office  
Oct. 2012 Assistant General Manager, Sales Management Department  
Apr. 2013 Manager, Takada Honmachi Branch  
Apr. 2015 General Manager, General Affairs Division  
Apr. 2017 Executive Officer and General Manager, Business Promotion Headquarters  
Apr. 2019 Executive Officer and General Manager, Corporate Planning Division  
Apr. 2020 Executive Officer and General Manager, Nara Hokuwa Block Headquarters  
Apr. 2021 Managing Executive Officer  
June 2021 Director and Managing Executive Officer (current position)



Director and Managing Executive Officer, General Manager, Sales Promotion Headquarters  
**Takeshi Sugiura**

(Departments) Sales Support Department, Corporate Solutions Department, Asset Consulting Department  
Apr. 1986 Joined Nanto Bank  
June 2008 Manager, Kami-Koma Branch  
May 2010 Senior Analyst, Credit Analysis Division, Nanto Bank  
June 2011 Manager, Unebi Branch  
Apr. 2013 Manager, Osaka Branch  
June 2014 Manager, Sakurai Branch  
Apr. 2017 Executive Officer and Manager, Sakurai Branch  
Apr. 2018 Executive Officer and Manager, Tokyo Branch  
Apr. 2019 Executive Officer and General Manager, Nara Chuwa Block Headquarters  
Apr. 2021 Managing Executive Officer  
June 2021 Director and Managing Executive Officer  
Apr. 2022 Director, Managing Executive Officer and General Manager, Sales Promotion Headquarters (current position)



Director and Managing Executive Officer  
**Ryuichiro Funaki**

(Departments) Market Operations Department, Regional Business Creation Division, Tokyo Sales Department  
Apr. 1991 Joined Fuji Bank, Ltd. (current Mizuho Bank, Ltd.)  
Apr. 2002 Investigator, Corporate Planning Department, Mizuho Bank, Ltd.  
May 2004 ShinGinko Tokyo, Ltd. (current The Yachiyo Bank, Ltd.) Senior Manager, Planning Group  
Jan. 2009 Advisor, Industrial Growth Platform, Inc.  
June 2009 Executive Officer, Howa Bank, Ltd. (Director, Sales Administration Department)  
July 2012 Principal, Industrial Growth Platform, Inc.  
July 2012 Participant, Nuclear Damage Compensation and Decommissioning Facilitation Corporation  
Nov. 2016 Specialist Investigator, Financial Services Agency  
Apr. 2019 Advisor, Nanto Bank  
Apr. 2019 President, Nanto Consulting Co., Ltd.  
Apr. 2021 Managing Executive Officer and General Manager, Sales Promotion Division, Nanto Bank  
June 2021 Director and Managing Executive Officer, General Manager, Sales Promotion Division  
Apr. 2022 Director and Managing Executive Officer (current position)

### Auditors



Member (full-time), Audit and Supervisory Board  
**Naoki Minowa**

Apr. 1979 Joined Nanto Bank  
Feb. 2001 Assistant Section Chief, Credit Analysis Division  
June 2004 Assistant Manager, Credit Analysis Division  
June 2005 Assistant General Manager, Credit Analysis Division  
June 2008 General Manager, General Planning Division  
June 2009 Director and General Manager, General Planning Division  
June 2010 Director and General Manager, Business Promotion Headquarters  
Apr. 2012 Director and General Manager, Credit Analysis Division  
June 2013 Member (full-time), Audit and Supervisory Board  
June 2015 Managing Director  
Apr. 2017 Director and Senior Managing Executive Officer (Representative Director)  
Apr. 2019 Director  
June 2019 Member, Audit and Supervisory Board (current position)



Member (full-time), Audit and Supervisory Board  
**Takao Handa**

Apr. 1981 Joined Nanbu Bank  
June 2002 Manager, Keihanna Plaza Branch  
June 2004 Manager, Nabari Branch  
June 2006 Manager, Osaka North Branch  
Nov. 2008 Manager, Osaka North Branch and Manager, Sales Office, Osaka West Corporate Sales Department  
Jan. 2009 Assistant Manager, Osaka Central Sales Department  
Oct. 2009 Manager, Takada Branch  
Oct. 2011 General Manager, Management Administration Headquarters  
June 2013 Director and General Manager, Value Development Division  
June 2014 Director and General Manager, Human Resources Division  
Apr. 2016 Director and Executive Officer, General Manager, Human Resources Division  
June 2016 Member, Audit and Supervisory Board (current position)





Outside Director  
**Matazaemon Kitamura**

(Main concurrent positions)  
President, Kitamura Forestry Co., Ltd.  
Apr. 1978 Joined Fuji Bank, Ltd. (current Mizuho Bank, Ltd.)  
Feb. 1988 Director, Kitamura Forestry Co., Ltd.  
Sep. 2005 President and CEO, Kitamura Forestry Co., Ltd. (current position)  
June 2016 Outside Director, Nanto Bank (current position)



Outside Director  
**Hidetaka Matsuzaka**

(Main concurrent positions)  
Chairman, Board of Directors, Aussie Capital Co., Ltd.  
Advisor, Osaka Gas Co., Ltd.  
Outside Director, Hiroshima Gas Co., Ltd.  
Outside Director, Nishimatsu Construction Co., Ltd.  
Apr. 1980 Joined Osaka Gas Co., Ltd.  
June 2009 Executive Officer and General Manager, Planning Department, Osaka Gas Co., Ltd.  
Apr. 2011 Managing Executive Officer and General Manager, Resources and Overseas Business Department  
June 2011 Director and Managing Executive Officer, General Manager, Resources and Overseas Business Division  
Apr. 2014 Director and Managing Executive Officer, General Manager, Corporate Planning Division  
Apr. 2015 Vice President and Representative Director  
Apr. 2019 Chairman, Board of Directors, Aussie Capital Co., Ltd. (current position)  
June 2019 Advisor, Osaka Gas Co., Ltd. (current position)  
June 2020 Outside Director, Nanto Bank (current position)  
June 2020 Outside Director, Hiroshima Gas Co., Ltd. (current position)  
June 2022 Outside Director, Nishimatsu Construction Co., Ltd. (current position)



Outside Director  
**Shuhei Aoki**

Apr. 1981 Joined Bank of Japan  
Nov. 2003 Manager, Yokohama Branch  
July 2005 Assistant Director, System Information Bureau  
May 2008 Supervisor, U.S. Business Relations; Manager, New York Office  
June 2011 Director, Financial Markets Bureau  
May 2013 Director, Bank Settlement Organization  
July 2014 Director, Hitachi, Ltd.  
Apr. 2020 Executive Strategist, Hitachi, Ltd.  
June 2020 Outside Director, Nanto Bank (current position)



Outside Director  
**Kozue Nakayama**

(Main concurrent positions)  
Outside Director, TDK Corporation  
Outside Director, Isuzu Motors Limited  
Outside Auditor, Imperial Hotel, Ltd.  
Apr. 1982 Joined Nissan Motor Co.  
Apr. 2005 General Manager, Planning Department  
Apr. 2008 General Manager, Brand Management Office  
Sep. 2010 Deputy General Manager, Brand Coordination Division  
Apr. 2011 Joined Yokohama City Hall  
Apr. 2012 Director, City of Yokohama Culture and Tourism Bureau  
June 2018 President and Representative Director, PACIFICO Yokohama International Peace Conference Center  
June 2019 Outside Corporate Auditor, Imperial Hotel, Ltd.  
June 2020 Outside Director, TDK Corporation (current position)  
June 2020 Outside Director, Isuzu Motors Ltd. (current position)  
June 2022 Outside Director, Nanto Bank (current position)

(Note) Directors Matazaemon Kitamura, Hidetaka Matsuzaka, Shuhei Aoki and Kozue Nakayama are outside directors as stipulated in Article 2.15 of the Companies Act, and Audit and Supervisory Board members Takatoshi Kurahashi and Motoi Mitsuishi are outside auditors as stipulated in Article 2.16 of the Companies Act. All outside directors and outside corporate auditors meet the "Independence Judgment Criteria" established by the Bank, and all are registered with the Tokyo Stock Exchange, Inc. as independent officers of the Bank.



Member (outside), Audit and Supervisory Board  
**Takatoshi Kurahashi**

(Main concurrent positions)  
Group Executive Officer, Kintetsu Group Holdings, Inc.  
President, Kintetsu Real Estate Co., Ltd.  
Apr. 1980 Joined Kintetsu Railway Co., Ltd.  
June 2012 Executive Officer, Kintetsu Railway Co., Ltd.  
Apr. 2015 Executive Officer, Kintetsu Group Holdings, Inc.  
June 2015 Director and Managing Executive Officer  
June 2016 Director and Senior Managing Executive Officer  
June 2017 Director, Senior Managing Executive Officer, Kintetsu Railway Co., Ltd.  
June 2019 Director, Kintetsu Group Holdings, Inc.  
June 2019 President, Kintetsu Real Estate Co., Ltd. (current position)  
June 2019 Member (outside), Nanto Bank Audit and Supervisory Board (current position)  
June 2021 Group Executive Officer, Kintetsu Group Holdings, Inc. (current position)



Member (outside), Audit and Supervisory Board  
**Motoi Mitsuishi**

(Main concurrent positions)  
Vice President and Representative Director, Mitsubishi UFJ Research & Consulting Co., Ltd.  
Apr. 1987 Joined The Bank of Tokyo-Mitsubishi, Ltd. (current The Bank of Tokyo-Mitsubishi UFJ, Ltd.)  
May 2012 General Manager for Thailand and Manager, Bangkok Branch, Bank of Tokyo-Mitsubishi UFJ, Ltd.  
June 2013 Executive Officer, General Manager for Thailand and Manager, Bangkok Branch  
Jan. 2015 Executive Officer, dispatched to Bank of Ayudhya (Vice President)  
July 2015 Corporate Officer and Assistant General Manager, Asia & Oceania Headquarters (responsible for special missions); Manager, Asia & Oceania Sales Department; Manager, Singapore Branch  
May 2017 Managing Executive Officer and General Manager, Transaction Banking Division  
July 2018 Managing Executive Officer and General Manager, Payment Business Division; Assistant General Manager, Global Commercial Banking Division  
July 2018 Managing Executive Officer, General Manager, Settlement Business Unit, Mitsubishi UFJ Financial Group, Inc.  
June 2019 Vice President and Representative Director, Mitsubishi UFJ Research & Consulting Co., Ltd. (current position)  
June 2020 Member (outside), Nanto Bank Audit and Supervisory Board (current position)

## Corporate Governance

We believe that the basis for governance is a constant pursuit of the best ways of maximizing the value we provide all our stakeholders in our efforts to achieve the goals of the Nanto Mission and to play an indispensable role in regional development.

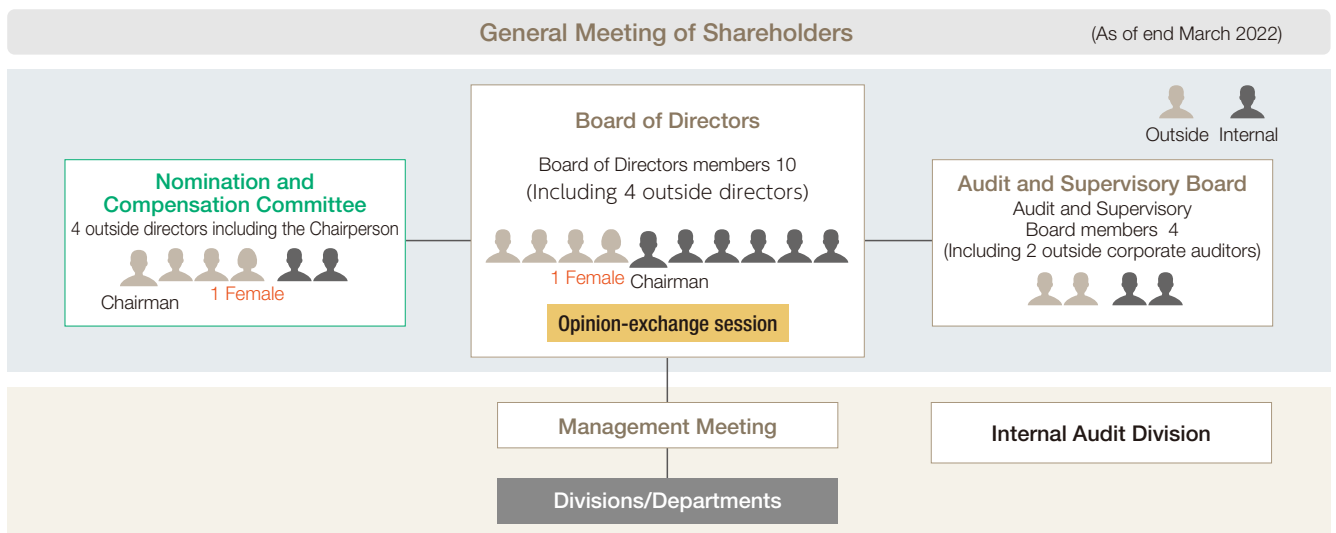
### Corporate Governance Structure

The Bank's Board of Directors comprises 10 members, six internal directors who are familiar with the Group's operations and four outside directors who have extensive experience and knowledge outside the Bank.

This structure was adopted to separate supervision and execution and to ensure that the Board comprises members with diverse knowledge, experience, and capabilities.

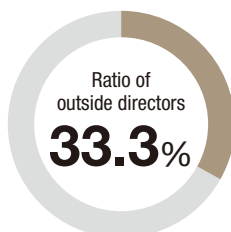
To strengthen the supervisory function of the Board of Directors, the Nomination and Compensation Advisory Committee has been established directly under the Board of Directors. Comprising the President, Vice President and outside directors, the Committee is chaired by an outside director and includes knowledgeable outside experts as observers to enhance the independence, objectivity, and transparency of decision-making.

#### ■ Structure

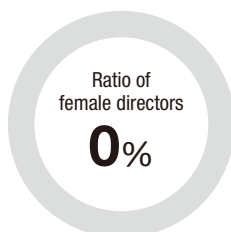


#### ■ Ratios of outside directors and female directors

As of June 30, 2021

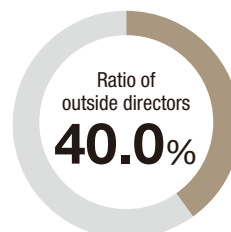


Outside directors  
3 of 9 members

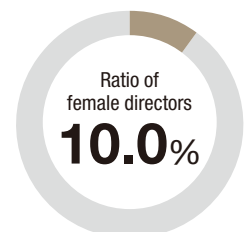


Female directors  
0 of 9 members

As of June 30, 2022



Outside directors  
4 of 10 members



Female directors  
1 of 10 members

## ■ Directors' skills matrix

### [Full-time directors]

| Name                      | Current position in the Bank   | Management strategy | Risk management | Examination | IT & digital | Market operations | Sales planning | Sales promotion | Human resources planning | Human resources development | Experience in other industries |
|---------------------------|--|---------------------|-----------------|-------------|--------------|-------------------|----------------|-----------------|--------------------------|-----------------------------|--------------------------------|
| <b>Takashi Hashimoto</b>  | President (Representative Director)  | ●                   | ●               | ●           | ●            |                   | ●              | ●               | ●                        | ●                           |                                |
| <b>Satoshi Ishida</b>     | Vice President (Representative Director)   | ●                   | ●               |             | ●            |                   |                |                 | ●                        | ●                           | ●                              |
| <b>Kazuya Yokotani</b>    | Director and Senior Managing Executive Officer   | ●                   | ●               |             |              | ●                 |                |                 | ●                        | ●                           |                                |
| <b>Kazunobu Nishikawa</b> | Director and Managing Executive Officer  | ●                   |                 |             | ●            |                   |                | ●               |                          | ●                           |                                |
| <b>Takeshi Sugiura</b>    | Director and Managing Executive Officer, General Manager, Sales Promotion Headquarters |                     | ●               | ●           |              | ●                 |                | ●               |                          | ●                           |                                |
| <b>Ryuichiro Funaki</b>   | Director and Managing Executive Officer  | ●                   |                 | ●           |              |                   | ●              | ●               | ●                        | ●                           | ●                              |

### [Outside directors]

| Name                       | Current position in the Bank | Regional economy | Economic and financial environment | Organization and governance |
|----------------------------|------------------------------|------------------|------------------------------------|-----------------------------|
| <b>Matazaemon Kitamura</b> | Outside Director             | ●                |                                    |                             |
| <b>Hidetaka Matsuzaka</b>  | Outside Director             |                  |                                    | ●                           |
| <b>Shuhei Aoki</b>         | Outside Director             |                  | ●                                  |                             |
| <b>Kozue Nakayama</b>      | Outside Director             | ●                |                                    |                             |

## ■ Selection of outside directors

|  | Reasons for appointment and expected contributions  |
|--|---|
| Outside Director<br><b>Matazaemon Kitamura</b> | Mr. Kitamura has engaged in management as a corporate executive for many years. He is well-versed in overall management and offers a wealth of knowledge and experience that enables him to supervise management accurately and fairly in ways such as by drawing on his deep fund of knowledge to offer informed opinions. As Chairman of the Bank's Nomination and Compensation Advisory Committee, he provides leadership among the outside directors, playing a key role in strengthening cooperation between the outside directors and the management team.              |
| Outside Director<br><b>Hidetaka Matsuzaka</b>  | Mr. Matsuzaka is endowed with wide-ranging experience and knowledge of corporate management and organizational operations. His extensive knowledge enables him to supervise management accurately and fairly in such ways as by offering opinions on management from a broad perspective. The Board of Directors expects him to draw on his rich experience to help supervise the Bank's management from an independent and objective standpoint, unimpeded by the conventional confines of a financial institution.  |
| Outside Director<br><b>Shuhei Aoki</b>         | Mr. Aoki has a wealth of knowledge and experience in every aspect of the financial industry, which has prepared him to supervise management accurately and fairly in such ways as by sharing his opinions with management from a broad perspective. He can be expected to fulfill the duties of outside director by drawing on his extensive knowledge and experience in the financial field to provide accurate advice, and to supervise the Bank's management from an independent, objective standpoint.  |
| Outside Director<br><b>Kozue Nakayama</b>      | In addition to her extensive experience as a corporate executive, Mrs. Nakayama currently serves as outside director and outside corporate auditor for three listed companies. She was appointed to the position of independent outside director because of her wealth of knowledge and deep insight. She is expected to apply her diverse range of knowledge and experience to contribute to regional development and to provide advice on the Bank's efforts to promote diversity, as well as to supervise the Bank's management from an independent, objective standpoint. |



## Corporate Governance

### Operational status of the Board of Directors

The Board of Directors is responsible for making important decisions promptly in our highly uncertain operating environment as well as for supervising management. To enhance the effectiveness of these functions, the Board seeks to improve its deliberations, particularly with respect to outside directors and outside corporate auditors, by explaining the matters to be deliberated in advance of meetings of the Board of Directors.

The Board of Directors holds opinion exchange meetings, moreover, to discuss important management issues and medium- to long-term themes after resolutions are made and reports compiled. The directors engage in lively discussions at these meetings, especially the outside directors, who offer their opinions from various perspectives.

#### Number of Board of Directors meetings and main subjects of discussion

| Board of Directors Meeting   | Chairman | President | Times convened | 12 |
|--|----------|-----------|----------------|----|
| <b>Main items for deliberation</b>   |          |           |                |    |
| <ul style="list-style-type: none"> <li>Action plans for the current fiscal year based on the Management Plan and monitoring of progress</li> <li>Initiatives to address issues related to sustainability</li> <li>Ensuring diversity in core human resources</li> <li>Construction of a new main building and reorganization of the branch network</li> <li>Review of shareholder return policy</li> <li>Evaluation of the Board of Directors' effectiveness and follow-up activities</li> </ul> |          |           |                |    |
| Opinion-exchange session   | Chairman | President | Times convened | 8  |
| <b>Main issues discussed</b>   |          |           |                |    |
| <ul style="list-style-type: none"> <li>Current status and issues of the Bank with respect to the revised Corporate Governance Code</li> <li>Reconsideration of interim targets in the current Management Plan</li> <li>Response to the revised Principles for Customer-oriented Business Management</li> <li>Status of new business initiatives</li> </ul>   |          |           |                |    |

#### Number of Nominating and Compensation Advisory Committee meetings and main advisory matters

| Nomination and Compensation Committee  | Chairman | Matazaemon Kitamura (Outside Director) | Times convened | 7 |
|--|----------|--|----------------|---|
| <b>Main consultation contents</b>  |          |  |                |   |
| <ul style="list-style-type: none"> <li>Proposals of candidates for the Board of Directors to be presented to the General Meeting of Shareholders</li> <li>Formulation of the skills matrix required for Board of Directors' membership</li> <li>Review of the directors' compensation system, including introduction of performance-linked compensation</li> <li>Policy on determining compensation, etc., for individual directors</li> </ul> |          |  |                |   |

### Compensation for directors

The Bank has established the following policy for determining the content of compensation, etc., for each individual director ("determination policy" hereinafter).

#### Basic policy

- The compensation system is designed to encourage directors to conduct management from a medium- to long-term perspective, and to enhance their awareness of their duty to contribute to improving the Bank's performance and increasing its corporate value over the medium to long term. As a basic policy, compensation for each director shall be set at an appropriate level determined by the Board of Directors once a year following deliberation and reporting by the Nomination and Compensation Advisory Committee.
- More precisely, directors' compensation comprises fixed monthly compensation and performance-linked stock-based compensation, while compensation for outside directors, whose responsibility is limited to a supervisory function, comprises only monthly compensation determined in consideration of their duties.

#### Total amounts and types of compensation paid to the Bank's directors and corporate auditors

| Classification                                   | Number of recipients | Total compensation, etc. | Total fixed compensation |                    |                                  | Total variable compensation | Basic compensation |   | Bonuses | Retirement benefits |
|--|----------------------|--------------------------|--------------------------|--------------------|----------------------------------|-----------------------------|--------------------|---|---------|---------------------|
|  |                      |                          | Total fixed compensation | Basic compensation | Stock-compensation stock options |                             | Basic compensation |   |         |                     |
| Eligible directors (excluding outside directors) | 11                   | 232                      | 210                      | 206                | 3                                | 22                          | 22                 | — | —       |                     |

- (Notes) 1. Total compensation includes 24 million yen in deferred compensation accrued during the current fiscal year.  
 2. The Bank has introduced performance-linked stock compensation for directors (excluding outside directors and non-residents of Japan). Performance-linked compensation here is the amount recorded as expenses for the fiscal year under review.  
 3. Stock-compensation stock options were discontinued as of August 31, 2021.

## Evaluation of the Board of Directors' effectiveness

Since fiscal year 2016, the Bank has followed a policy of conducting an annual analysis and evaluation of the effectiveness of the Board of Directors.

The table shows the progress made in addressing issues identified in the previous year, as well as the methods and results of the evaluation of the Board of Directors' effectiveness in fiscal year 2021.

### Progress in addressing issues identified in the former year's evaluation of the effectiveness of the Board of Directors

- (1) Deepen discussions at Board of Directors meetings on strategies that will contribute to medium- to long-term improvement of corporate value  
⇒ Action plans, new businesses, etc., were discussed at several Board of Directors meetings as well as at opinion-exchange meetings.
- (2) Further review of the operation of the Board of Directors meetings to deepen discussion  
⇒ Representatives of the divisions responsible are also present at the preliminary explanatory meetings for outside directors to explain the thinking of the executives, which provides the basis for discussion at Board of Directors meetings, and the process leading to the submission of proposals.
- (3) Enhancement of executive training to revitalize the Board of Directors  
⇒ The Bank has formulated a plan for annual executive training and held study sessions for newly appointed directors and outside officers in addition to thematic study sessions for all internal executive officers on matters such as TCFD compliance by financial institutions and money laundering and terrorist financing countermeasures introduced as a follow-up to the FATF examination.

### Evaluation method

In fiscal 2021, the Bank conducted an evaluation of the effectiveness of the Bank's Board of Directors as discussed below based on the results of a questionnaire compiled and analyzed by an external consultant.

- (1) In February 2022, a questionnaire was sent to all the directors (9) and all the corporate auditors (4) regarding the composition, operation, and deliberations of the Board of Directors ("FY2021 Questionnaire").
- (2) At a Board of Directors meeting on April 28, 2022, the results of the questionnaire and the external consultant's analysis were reported along with the issues for the Bank and their causes (hypotheses) they revealed. Initiatives to be implemented in response were discussed.
- (3) At a Board of Directors meeting on June 17, 2022, the Bank finalized its evaluation of the effectiveness of the Board of Directors for fiscal 2021.

The main items included in the questionnaire for fiscal 2021 are as follows. Each

question in the questionnaire is designed to be rated on a 5-point scale. Starting in the current fiscal year, comments must be included for each main item.

- |  |   |
|--|---|
| I. Composition and operation of the Board of Directors | V. Dialogue with shareholders                 |
| II. Management and sales strategies                    | VI. Nomination and compensation of management |
| III. Corporate ethics and risk management              | VII. Improvement of previous year's issues    |
| IV. Performance monitoring                             |   |

### Summary of FY2021 Questionnaire analysis and evaluation results

The Board of Directors discussed the results of the external consultant's analysis of the FY2021 Questionnaire and confirmed that, on the whole, the Bank's Board of Directors operates appropriately and ensures effectiveness, with examples including mention of certain issues that had been addressed in the previous year. We recognize, however, that there is room for further improvement, including addressing the issues raised in the previous year.

#### <Issues identified in the questionnaire results>

- Atmosphere of the Board of Directors and training of directors and auditors
- Formulation and monitoring of management strategies
- Promotion of DX and the SDGs
- Feedback from investors

### Future Initiatives

As a result of discussions held by the Board of Directors concerning issues identified from the results of the FY2021 Questionnaire, the following initiatives will be implemented in fiscal 2022 to enhance the effectiveness of the Board of Directors further.

#### <Initiatives for fiscal 2022>

- Enhanced strategy formulation and monitoring by the Board of Directors to contribute to medium- to long-term improvements in corporate value
- Further improvement of Board of Directors' operations to deepen discussions
- Enhanced training for Board members to revitalize the Board of Directors

## The corporate auditors' perspective on sustainable management

Last year's revision of the Corporate Governance Code has positioned "sustainability" (medium- to long-term sustainability, including ESG factors) as an important management issue for enhancing corporate value over the medium to long term. The Board of Directors recognizes that addressing this issue will not only reduce risk but will also create new profit-earning opportunities. It will be important to promote more aggressive measures to address this issue.

The important roles and responsibilities the corporate auditors and Board of Corporate Auditors are expected to perform should not be overly narrow. The scope of our responsibility should include proactively exercising our authority, in addition to performing such "defensive functions" as conducting operational and accounting audits, by expressing our opinions appropriately at Board of Directors meetings or in discussions with the management team. We corporate auditors are charged with following these guidelines.

In our activities as corporate auditors based on these guidelines, we are expected to express our opinions appropriately and proactively and to discuss matters more deeply with management, not only from the perspective of risk management but also from the perspective of business creation in various situations, including Board of Directors and management meetings, to achieve our goal of realizing sustainable management in cooperation with the regional community. We are striving to express our opinions and discuss issues in greater detail proactively in an appropriate manner.

In response to this increased emphasis on the supervisory function of the Board of Directors and the greater role of outside directors, meanwhile, we auditors have a clear need to strengthen cooperation among the outside directors, corporate auditors, and Board of Corporate Auditors. We intend to create more opportunities for dialogue with outside directors to discuss a wider range of issues from a broader perspective than ever before.

We are confident that these efforts will not only strengthen the Bank's governance but will also contribute to providing a higher level of value for stakeholders.



Member (full-time),  
Audit and Supervisory Board **Naoki Minowa**



Member (full-time),  
Audit and Supervisory Board **Takao Handa**



Member (full-time),  
Audit and Supervisory Board **Takatoshi Kurahashi**



Member (full-time),  
Audit and Supervisory Board **Motoi Mitsuishi**

## Outside Directors' Forum

**We make full use of our diverse range of experience and knowledge in proactively providing recommendations and advice to support the Group's growth and to ensure that it is on the right track to the next generation.**

What management issues require resolution if the Nanto Bank Group is to grow with the community as a first-stop bank? How do you evaluate the response of the Group's governance to the need for further reinforced governance? We asked the three outside directors to share their views on these issues from a wide range of perspectives, including their own experiences and responsibilities.



Outside Director  
**Shuhei Aoki**

Outside Director  
**Matazaemon Kitamura**

Outside Director  
**Hidetaka Matsuzaka**

### Primary focuses as outside directors over the past year

#### Developing human resources and succession planning, and encouraging business model reform

**Kitamura:** I joined the Board of Directors in 2016, and I also serve as Chair of the Nomination and Compensation Committee, which was established in September 2020. The Committee, a majority of whose members are outside directors, is tasked with ensuring transparency in the discussion process.

I have held discussions with the other Committee members on design of a performance-linked compensation system for the Group, and on determining the qualities the directors should possess or, in other words, establishing a skills matrix. In fulfilling our responsibility of nominating directors, moreover, we outside directors seek to evaluate candidates' awareness of the issues involved in determining the proper nature of the Bank objectively. This is the context for my comments.

**Matsuzaka:** I believe that the Nanto Bank Group is implementing more innovative measures in its governance than other regional banks, including inviting management personnel to join it from outside the Group. In this connection, the things I have been emphasizing at every opportunity over the past year, based on my own experience in corporate and organizational management, are the importance of human resources development and visualization of information.

I have encouraged management to set high expectations so that the Group can reach even greater heights. I want them to ask how we can differentiate our business model from that of other financial institutions. In other words, I am

concerned about the position the Nanto Bank Group should take and the best ways of developing human resources over the medium to long term in order to realize reforms. When it comes to human resources development, it is particularly important to cultivate personnel in every generation with diverse experiences, something that cannot be achieved through training programs and OJT alone.

**Kitamura:** The Nomination and Compensation Committee feels similarly challenged. One important future role for us will be to formulate a succession plan. In this uncertain business environment, we hope to develop and construct a system of nurturing future executive candidates who can make and implement appropriate management decisions on regional development as leaders of the Nanto Bank Group.

**Aoki:** I have two main impressions of Nanto Bank. First, I feel the Bank is setting a steady, prudent course. The other is that it is determined to reform itself. These seem to me to be opposing characteristics. It is only natural for a bank to take a prudent approach to management, but there are in fact many banks that are overly fearful of risk and slow to reform due to their determination to maintain ultra-safe operations. Today's Nanto Bank, by contrast, is showing strong determination to pursue the dual goals of "safety" and "reform" simultaneously. This strikes me as a wonderful thing.

I try to advise a balance between "safety and stability" and "reform and efficiency" at Board meetings to encourage the Nanto Bank Group to maintain this management posture. My particular focus is on reform of the business model. It seems to me that, however much time and energy the executive team invests in developing new businesses as a regional bank, the banking culture's emphasis on safety over change persists, with the result that the requisite boldness and speed of reform have not yet been achieved.

In pursuing these activities as an outside director, I have benefited immensely from my experience in market and settlement system restructuring at financial institutions and in business model renovation in the manufacturing industry. There are so many situations today in which my experience is not applicable, however, that I realize I have to take special care not to neglect learning new things.

---

## Challenges for operation of the Board of Directors

### Developing a new framework to put "soul" into the Board of Directors

**Kitamura:** We receive advance briefings before the Board of Directors meetings. These preliminary explanations enable us to confirm the thinking of the executive team and the process leading to its proposals to the Board. This helps to invigorate the meetings.

**Aoki:** The Board of Directors meeting is a forum for confirming the careful, thorough execution of business by the management team as well as for providing it with guidance in its efforts to maximize profits. Improving the functions of the Board of Directors further will require it to acquire "form" and "soul" itself. First, the "form" of the Board of Directors should include members with various backgrounds in order to assemble expertise and experience directly or indirectly related to bank management as well as to access the opinions of people of different genders and various ages. It would also be effective to include outside directors and officers who are briefed in detail in advance and primed for the Board meetings so that the meetings can serve as forums for the exchange of ideas. The Bank is in the process of steadily adopting a form of this kind.

**Matsuzaka:** That's right. I appreciate the Bank's efforts to shift the emphasis from form to substance, in such ways as by providing prior explanations of proposals to be presented in upcoming Board of Directors meeting and by emphasizing discussion at opinion-exchange meetings. The Bank has also introduced effectiveness evaluations in cooperation with external organizations, and I believe it is drawing on the results of these evaluations to establish various committees and determine the proper composition of a Board of Directors with awareness of the issues involved. The crucial role of the Board of Directors is to discuss management plans and risk management in consideration of current conditions with a view to the goals of the Nanto Bank Group, however, and to communicate the direction of these plans clearly, both internally and externally.

**Kitamura:** I agree completely. The current business environment involves a complex combination of uncertainties, including geopolitical risk, market risk, and systemic risk, and the importance of finding ways to control these factors appropriately is intensifying. I believe the Board will need to discuss these issues more deeply in the future.

**Matsuzaka:** No doubt about it. If we are to promote more in-depth discussions in the limited time available at the meetings, I think it will also be important to create an environment that enables outside directors to share information about the Bank on a regular basis, in such ways as by making the contents of discussions concerning Board meeting proposals conducted at management meetings available through a portal site dedicated to meetings of the Board of Directors.

**Aoki:** I agree with both your observations. In addition to these, I mentioned the "form" of the Board of Directors earlier, but I believe that the most pressing issue is the "soul" of the Board. If the executive team repeats and defends the



conclusions reached at management meetings, it will be difficult to consolidate and benefit from diverse ideas. For the Board to conduct wide-ranging discussions and make fully informed decisions, it is essential that the executive team and directors talk with each other informally on a regular basis to create conditions in which both sides are aware of the ideas behind the explanations and statements as well as of the relevant facts. I am informed that the members of the Executive Committee now intend to create a forum for free discussion of various management issues outside the Board of Directors. I look forward to the development of this new framework that will give “soul” to the Board of Directors.



### Human resources development and diversity initiatives

#### The crucial need to create a culture and structures that enhance the Board’s effectiveness

**Kitamura:** If the Group is to continue contributing to customers and the regional community as the roles it is expected to play change, it will need to adopt flexible thinking that is not bound by conventional frameworks. It will also require an organization that permits personnel who embody this flexible thinking to play an active role.

**Matsuzaka:** I have been speaking about the importance of human resources development because I see a tendency for the Nanto Bank Group to focus too much on short-term performance.

It has assembled a group of unconventional people with high potential, but they are not always fully prepared to respond adequately to changes in the times and the social environment. It is ultimately the Bank’s human resources capabilities that differentiate it from other financial institutions. I feel that the key to winning the appreciation of customers is to become a group of people with broad perspectives who have acquired a wealth of experience outside of banking to add to their banking experience.

Since developing human resources is a time-consuming process, it will be necessary to change the Bank’s corporate culture to enable employees to gain new job capabilities and experience in other fields without focusing on their immediate performance. As I mentioned earlier, it is important to increase the diversity of every generation of employees. This means establishing systems that enable employees to gain experience outside the bank, not only by seconding branch managers, but also by giving younger employees more opportunities to be seconded to other industries or government agencies. Encouraging side jobs is another good way of broadening the experience of the Bank’s human resources.

**Kitamura:** Efforts are under way to create an environment that makes it easy for the Bank’s female employees to remain active after pregnancy and childbirth, including provision of childcare leave and support for their return to work. The fact that the banking industry attracts a relatively high number of female employees makes it all the more important for the Group to expand these efforts further and develop more possibilities for women in management positions if it is to continue to grow.

**Aoki:** Human resources policies such as cultivating unconventional human resources, promoting more active roles for women, and making use of external human resources are all aimed at manpower diversification. In a steadily growing economy in which a company can grow without changing, uniformity in human resources can be beneficial. In the current situation, however, in which economic growth is no longer easy and the environment and customers’ goals are changing rapidly, employing human resources with diverse thinking and DNA can be a trump card for corporate growth and survival. Of course, the process of developing and maintaining diversity is costly. Not only does it complicate the organization’s operations and human resources management, but it takes time and effort to set the stage properly.

Acquiring and maintaining a diverse workforce will require the Bank to develop new recruitment strategies and enhanced training programs, for example, as well as to conduct a thorough review of its performance evaluation and compensation structures. Opportunities for unstructured discussion between the outside directors and the executive team will also be necessary to create a stronger sense of unity between them. Although it takes considerable time and effort to achieve and maintain diversity, however, changes in the business environment are inevitable. The Nanto Bank Group is moving in the right direction with respect to human resources diversification, but I believe the time has come to accelerate its progress in realizing diversity.

**Kitamura:** Yes, that’s right. But it is also important to mention the need to provide



commensurate treatment for specialists and outside personnel who can play an active role immediately by applying capabilities they have that cannot be acquired through work experience within the Group. It will also be necessary to revitalize the organization and motivate the employees, considering that the commendation system and personnel evaluation system are matters of particular interest for our times.

**Matsuzaka:** To enhance the effectiveness of these efforts, it will be essential to create a corporate culture in which everyone is free to express their opinions and ideas on management issues. As the Bank's human resources develop, the speed and level of their work will increase, and their productivity will improve. It will be essential to keep this positive cycle going.

---

## The Nanto Bank Group's involvement in the regional economy

### Toward realization of sustainable management in cooperation with the regional community

**Kitamura:** The strength of a regional bank stems from the relationship of trust it enjoys with its customers, and the Nanto Bank Group seeks to be a first-stop bank that regional customers turn to whenever they have needs. The Bank believes that its role and responsibility in the local economy include employing its extensive network to help customers with any issues or concerns that cannot be resolved within the Group alone.

**Matsuzaka:** As the Nanto Bank's market share of approximately 50% in Nara prefecture suggests, the regional economy is the very foundation of its business. At the same time, the Bank's stable business operations, including its provision of appropriate business support for customers, is contributing to development of the regional economy.

**Aoki:** The banking industry is built on relationships of trust in which banks and their customers trust each other in monetary transactions. If customers' need for loans decreases due to a slowdown in economic growth, however, the banks' profitability and therefore their creditworthiness are also subject to decline. Regional banks consequently have an urgent need to cultivate profitable new businesses that benefit the local economy. One example in the area of corporate transactions is services that undertake the whole range of backyard operations for small and medium-sized companies. Thus, while banks trust customers to take out loans, customers rely on them to undertake various administrative tasks that contribute to development of the regional economy. This mix of services will provide the basis for the relationship between the Nanto Bank Group and the regional economy going forward.

**Kitamura:** In its pursuit of sustainable management developed in cooperation with the regional community, the Nanto Bank Group has set a goal of increasing Nara prefecture's GDP, a key indicator of the region's economic strength. To achieve this goal, it will need to accumulate a range of stable operations, such as consulting functions and functions that attract companies from outside the prefecture. Development of Nara prefecture's economy will require proposing high-level solutions to every aspect of the challenges involved, from support for large-scale projects led by the government and others to solutions for individual business customers.

**Matsuzaka:** I see the increase in GDP you referred to as emblematic. In addition to its effects on individual businesses, GDP growth involves synergies among various businesses as well as effects over time, or areas of growth and decline over time, making it extremely difficult to identify direct cause-and-effect relationships between individual businesses. In this connection, I consider it possible to contribute to regional revitalization by leveraging the Nanto Bank Group's high regional market share and strong ties with government agencies to create structures for services for the elderly as well as to incorporate the SDG perspective.

**Aoki:** In the world of retail transactions, sophisticated services employing smartphones are multiplying, led by digital banks established by distribution companies. Although there are problems in dealing with customers who are not smartphone users, regional banks will need to provide full-fledged digital services as soon as possible or risk losing their deposit bases all at once. In the digital world, moreover, the term "regional" will lose its geographical significance and become disengaged from geographical locations. "Home base" will lose its geographical significance in much the same way. In this environment, the Nanto Bank Group will maintain a focus on frontiers extending beyond the bounds of its regional economy.



## Initiatives to improve engagement with stakeholders

### Engagement with customers

#### Customer-oriented business operations

Committed to conducting business in the best interests of our customers, the Nanto Bank Group\* has established a policy and action plan for customer-oriented business operations.

The Policy for Customer-oriented Business Operations is a concrete expression of our commitment to contributing to customers' stable asset formation in our sales of financial products. We will put this policy into practice, establish indicators (KPIs) to confirm the results of these efforts, and review and disclose the results periodically.

\* Group companies subject to the KPI: The Nanto Bank, Ltd. and Nanto Mahoroba Securities Co., Ltd.

##### 1. Pursuit of customers' best interests

- (1) We consider it to be in the best interest of our regional customers to nurture their assets, and we strive to conduct our business operations in an honest, fair manner in full compliance.
- (2) In our commitment to providing high-quality products and services, we seek to enhance our consulting methods through development of highly specialized human resources and strategic deployment of our Group companies' capabilities.
- (3) We work to achieve stable growth as well as regional and customer development by maintaining close, long-term relationships with as many customers as possible and helping them realize their life plans.

##### 2. Prevention of conflicts of interest that may unfairly impair customers' interests

- (1) We manage conflicts of interest appropriately to ensure that our customers do not suffer any disadvantage as a result.
- (2) The Bank has compiled a Conflicts of Interest Management Policy\* to identify and categorize transactions that may unfairly impair customers' interests, and has established an integrated conflict of interests management system for all its Group companies.

\* URL: <https://www.nantobank.co.jp/riekisouhan/>

##### 3. Clarification of fees, etc.

- (1) As concerns fees and commissions of any kind to be borne directly or indirectly by customers and remuneration received by the Bank from financial product providers or others, the Bank explains the fees and remuneration and the type of service provided in detail in an easily understood manner.

##### 4. Easily understood provision of important information

- (1) Since the information customers already have differs from person to person, we explain the important information\* required by individual customers in detail while checking the customer's level of understanding.

\* Important information includes risks, returns, and costs of products and services, availability of a cooling-off period, conditions for redemption or cancellation, target customers for the product concerned, and reasons for our determination that a proposed product is best suited for the present customer in light of the customer's intentions and needs as well as the particulars of any potential conflicts of interest with the customer and their possible impact on transactions and business operations.

##### 5. Provision of services appropriate to customers

- (1) We draw on knowledge acquired through dialogue with customers to support their asset development by providing optimal financial products and services tailored to the individual.
- (2) We provide financial education and seminars to improve customers' financial knowledge.
- (3) We take care to provide detailed after-sales services to encourage customers to continue doing business with us over the long term.

##### 6. Efforts to motivate employees and establish a customer-first corporate culture

- (1) We educate all our executive officers and employees to share and practice a customer-oriented mindset and to reflect this in our corporate culture.
- (2) Among efforts to motivate employees, we have introduced a performance evaluation system that recognizes initiatives that truly meet customers' needs and interests.

# Community engagement

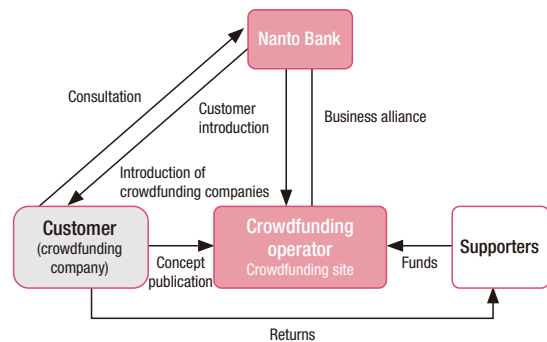
## Crowdfunding

The Nanto Bank Group interconnects the diverse future aspirations of individuals, organizations, and communities by deploying crowdfunding to meet customers' financing needs.

In the past, we have mainly devoted the funds to shrines and temples, but we are accelerating our support for local arts, hospitals, food and beverage providers, and tourism facilities.

### Results

| Fiscal year          | Number of cases | Amount raised (thousand yen) | Crowdfunders (titles omitted)  |
|----------------------|-----------------|------------------------------|--|
| 2020                 | 1               | 17,182                       | Religious Corporation Shorinji Temple (first round)  |
| 2021                 | 6               | 88,033                       | Religious Corporation Shorinji Temple (2nd round)  |
|                      |                 |                              | Shorinji Temple Religious Corporation (3rd round)  |
|                      |                 |                              | Religious Corporation Myohoji Temple (Daishisanji Temple)  |
|                      |                 |                              | Religious Corporation Kongosanmai-in Temple  |
|                      |                 |                              | Religious Corporation Daianji Temple   |
| 2022 (as of July 15) | 3               | 147,400                      | General Incorporated Association Natsukashii Mirai Creator Certification Association             |
|                      |                 |                              | Religious Corporation Horyuji Temple   |
|                      |                 |                              | Religious Corporation Saidaiji Temple<br>Yamatokoriyama City Watamachi Nicoichi Tenement Project |



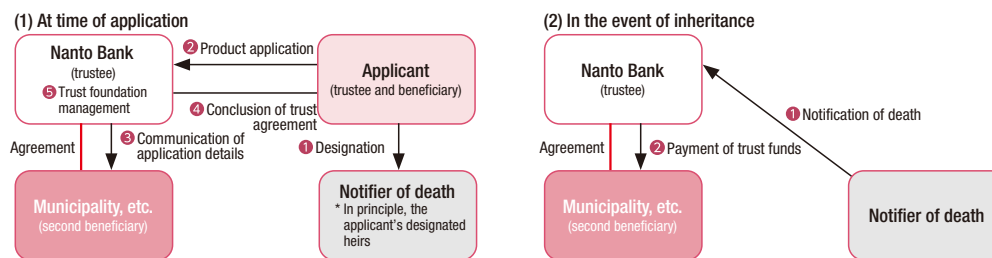
## Donations using trusts

To meet the need for donations of inherited property to local governments and others, we have concluded an "Agreement on Donations Through Trusts Instead of Wills" with 36 municipalities, five educational institutions, and various other organizations. Use of the Nanto Anshin Todokeru Trust for Family Happiness (donation course) enables heirs to donate a portion of their inherited property to municipalities, educational institutions, and other organizations with which agreements have been concluded without creating a will.

### Agreement signatories (as of March 31, 2022)

| Municipalities                 | Nara Prefecture | Asuka Village   | Ando Town              | Ikaruga Town   | Ikoma City      | Uda City         | Oji Town       |
|--------------------------------|-----------------|---|------------------------|----------------|-----------------|------------------|----------------|
|                                |                 | Oyodo Town  | Kashiba City           | Katsuragi City | Kawai Town      | Kawakami Village | Kawanishi Town |
| Kanmaki Town                   |                 | Koryo Town  | Gojo City              | Gose City      | Sakurai City    | Sango Town       |                |
| Shimoichi Town                 |                 | Shimokitayama Village   | Soni Village           | Takatori Town  | Tawaramoto Town | Tenri City       |                |
| Totsukawa Village              |                 | Nara City   | Higashiyoshino Village | Heguri Town    | Miyake Town     | Yamazoe Village  |                |
| Yamatokoriyama City            |                 | Yamatotakada City   | Yoshino Town           |                |                 |                  |                |
| Kyoto Prefecture               |                 | Ide Town  | Kizugawa City          | Seika Town     |                 |                  |                |
| Educational institutions, etc. |                 | Religious Corporation Kinpusenji Temple, Social Welfare Corporation Nara Prefectural Council of Social Welfare, Public University Corporation Nara Medical University, National University Corporation Nara Institute of Science and Technology, Religious Corporation Horyuji Temple |                        |                |                 |                  |                |

### Nanto Anshin Todokeru Trust for Family Happiness [donation course] Product plan



\* Donations under this agreement will be made using the "Family Happiness" product Nanto Anshin Todokeru Trust. For product details, please refer to the pamphlet "Nanto Anshin Todokeru Trust for Family Happiness."

### About the Bequest Donation System

We have expanded our services related to inheritance issues by concluding agreements with 16 municipalities and 14 educational institutions to participate in our bequest donation system.

When a donation is made by bequest to a municipality, educational institution, or other organization that has concluded an agreement with the Bank, our specialized staff are prepared to provide support for the preparation of wills and other documents concerned with bequests and inheritances to facilitate realization of the bequest applicant's wishes.

### Agreement recipients (as of March 31, 2022)

| Municipalities  | Educational institutions, etc.   |
|---|--|
| Ikoma City, Kashiba City, Kawai Town, Kawakami Village, Kawanishi Town, Kamakaki Town, Sango Town, Tawaramoto Town, Tenri City, Nara City, Yamazoe Village, Yamatokoriyama City, Yamatotakada City, Ide Town, Kizugawa City, Seika Town | National University Corporation Kyoto University, Public Interest Incorporated Foundation Kyoto University iPS Cell Research Foundation, Religious Corporation Kimpusenji Temple, Educational Corporation Tezukayama Gakuen, Educational Corporation Tenri University, Public Interest Incorporated Foundation Tenri Yorozu Consultation Center, Educational Corporation Doshisha, Social Welfare Corporation Nara Prefectural Council of Social Welfare, Public University Corporation Nara Medical University, National Institute of Technology Nara College, National University Corporation Nara Women's University, National University Corporation Nara Institute of Science and Technology, Incorporated Administrative Agency Nara National Institute of Cultural Properties, Religious Corporation Horyuji Temple |



## Strengthening contacts with the community through social contributions

### Promotion of financial and economic education

We provided on-site work experience classes and work experience for local junior high school students to help them acquire basic knowledge about monetary matters.



### SDG seminar

We endorsed the efforts of SDGs Land - Mirai Akaruku, an event for younger elementary school students organized by the Nara Junior Chamber of Commerce and Industry to raise awareness of the SDGs and organized an exhibit at the event.

Approximately 1,500 people attended the event and deepened their understanding of the SDGs with their families.



### Nanto Scholarship Society

The Nanto Scholarship Society offers scholarships for high school and university students of outstanding character and academic ability who reside in Nara Prefecture. As of March 2022, the society had provided scholarship support for 1,461 students since its establishment in 1964.

### Cherry Blossom Preservation Society

The Bank participates as a special member of the Yoshino Cherry Blossom Preservation Society, which was established cooperatively by the public and private sectors to protect the Shiroyama Sakura cherry trees (approx. 30,000 trees) on World Heritage Site Yoshino Mountain (Yoshino-cho, Nara Prefecture), which have shown signs of remarkable deterioration in recent years. As a regional financial institution, Nanto Bank cooperates actively with efforts to protect and nurture Yoshino's cherry trees by such means as dispatching volunteer staff to various related events.

### The Magokoro no Issatsu Campaign

Each year, the Bank donates books contributed by its executive officers and employees to the Nara Training School for Juvenile Delinquents for distribution as Christmas presents.

This activity has been conducted since 1987 as part of our Magokoro no Issatsu Campaign for the purpose of contributing to the emotional education of young boys.

Besides recent popular works, the donated books include dictionaries, reference books, and other resources of high value for education.

### Donations to the Nanto Manyo Charity Walk

Since the 70th anniversary of the Bank's founding in 2004, we have made annual donations to the Nanto Manyo Charity Walk to improve the welfare of residents of our regional community. Despite the cancellation of the walk to help combat the coronavirus in 2021, our donation was in the amount of 600,000 yen, unchanged from the previous year. The donations contribute to the operation of a children's cafeteria and the activities of volunteer groups.

## Engagement with employees

### Awareness raising

Unconscious bias training was conducted for all the Bank's executive officers and employees with the aim of countering attitudes concerning gender-based roles and other unconscious assumptions.

### System improvement

As of April 1, we established a new maternity leave system for male employees and a fertility treatment leave system as well as expanding our childcare support systems.

| Name   | Overview of the systems   |
|--|---|
| <b>[Newly established systems]</b>   |   |
| Male employee maternity leave system   | Up to four weeks of paid childcare leave to be taken within eight weeks of the birth of a child                           |
| Fertility treatment leave system   | Employees undergoing treatment for infertility are eligible for paid leave totaling up to 12 days a year.                 |
| <b>[Expansion of various childcare support systems]</b>  |   |
| Extension of the period during which employees can benefit from such systems as shorter working hours related to childcare support | Employees raising a child up to junior high school age may work shorter hours.  |
| Expansion of the family support leave system   | Employees are eligible for five days of paid leave before and after the birth of a child (grandchild).                    |
| Expansion of the child nursing leave system  | Employees who are caring for a child up to junior high school age may take five days of paid leave to care for the child. |

### Staff survey implementation

In its search for measures to improve management's engagement with employees, the Bank gathered a wide range of thoughts reflecting diverse values from its employees to help it visualize the issues in its organization and working environment.

## Engagement with shareholders

### Investor relations (IR) activities

The purpose of IR activities is to provide information shareholders and investors need to make investment decisions in a timely, continuous, and fair manner as a means of ensuring appropriate evaluation of companies in the capital markets. The Nanto Bank Group employs IR activities to explain its management strategies and financial results to its stakeholders. In fiscal 2021, the following initiatives were implemented through Web conferencing and teleconferencing due the spread of the new coronavirus.

#### [IR Calendar]

|           |  |
|-----------|--|
| July 2021 | Integrated report issued.  |
| July      | Publication of disclosure supplement (document volume)                         |
| October   | Annual report (English) published.   |
| December  | Fiscal 2021 interim results briefing (large-scale in-person meeting) convened. |
| June 2022 | Fiscal 2021 full-year results briefing (large-scale meeting) streamed live.    |
| June      | 134th Ordinary General Meeting of Shareholders                                 |

#### IR meetings

Large meetings for domestic and foreign institutional investors and analysts are held twice a year. We also hold in-person and other meetings as needed.



#### Publication of management information

In addition to the above presentations of management information, we publish an integrated report and a mini-disclosure magazine that introduce the Group's initiatives.



#### General Meeting of Shareholders

The 134th Ordinary General Meeting of Shareholders was held at Hotel Nikko Nara on June 29, 2022.

The meeting was also streamed live over the Internet to enable shareholders to view it from their homes and other locations.



We are committed to the following activities to promote constructive dialogue with our shareholders.

#### 1. Dialogue with shareholders

To assure constructive dialogue with shareholders, the Director of the Corporate Planning Department, who oversees the Bank's IR activities, plays a central role by participating actively in the dialogue.

#### 2. Internal structure facilitating dialogue

The Corporate Planning Department responsible for IR activities has established a system of compiling information from the relevant departments and providing the appropriate information to shareholders.

#### 3. Means of dialogue other than individual meetings

IR activities are conducted as needed to provide shareholders with explanations. We will continue to enhance our disclosure activities and to disseminate information widely by posting it on our website.

#### 4. Feedback on shareholder opinions, etc.

The Director of the Corporate Planning Department provides management with feedback concerning opinions obtained through dialogue with shareholders at meetings of the Board of Directors and other meetings as appropriate.

#### 5. Management of insider information

The Bank's basic policy is to disclose information in a fair, timely, and appropriate manner. It has accordingly established internal rules for prevention of insider trading and has put a strict information management system in place.

## ■ Company profile

|   |   |
|---|---|
| <b>Name:</b>  | The Nanto Bank, Ltd.  |
| <b>Founded:</b>                                     | June 1, 1934  |
| <b>Head Office:</b>                                 | 16, Hashimoto-cho, Nara City, Nara, Japan   |
| <b>Capital:</b>                                     | 37,924.15 million yen   |
| <b>Total assets:</b>                                | 6,981.9 billion yen   |
| <b>Deposit balance:</b>                             | 5,659.5 billion yen   |
| <b>Loan balance:</b>                                | 3,892.5 billion yen   |
| <b>Loans to small and medium-sized enterprises:</b> | 1,446.5 billion yen   |
| <b>Domestic offices:</b>                            | 104 (65 in Nara Prefecture, including Internet branches, and 39 in other locations) |
| <b>Employees:</b>                                   | 2,330   |
| <b>Capital adequacy ratio:</b>                      | 9.60% (consolidated);<br>9.29% (non-consolidated)                                   |
| <b>URL:</b>   | <a href="https://www.nantobank.co.jp">https://www.nantobank.co.jp</a>               |

## ■ Overview of Nanto Bank's consolidated subsidiary operations

| Company name                        | Location                    | Principal business                    | Capital (millions of yen) | Percentage of subsidiaries' voting rights held by the Bank (%) |
|-------------------------------------|-----------------------------|---------------------------------------|---------------------------|--|
| Nanto Management Service Co., Ltd.  | Nara City, Nara Prefecture  | Subsidiary management business        | 40                        | 100  |
| Nanto Business Service Co., Ltd.    | Nara City, Nara Prefecture  | Bank's administrative agency business | 10                        | 100  |
| Nanto Credit Guarantee Co., Ltd.    | Nara City, Nara Prefecture  | Credit guarantee business             | 10                        | 100 (100)  |
| Nanto Lease Co., Ltd.               | Nara City, Nara Prefecture  | Leasing business                      | 500                       | 100 (100)  |
| Nanto Computer Service Co., Ltd.    | Nara City, Nara Prefecture  | Software development business         | 10                        | 100 (100)  |
| Nanto DC Card Co., Ltd.             | Ikoma City, Nara Prefecture | Credit card business                  | 50                        | 100 (100)  |
| Nanto Card Service Co., Ltd.        | Ikoma City, Nara Prefecture | Credit card business                  | 50                        | 100 (100)  |
| Nanto Consulting Co., Ltd.          | Nara City, Nara Prefecture  | Consulting business                   | 45                        | 100 (100)  |
| Nanto Challenged Co., Ltd.          | Nara City, Nara Prefecture  | Bank's administrative agency business | 20                        | 100 (100)  |
| Nanto Mahoroba Securities Co., Ltd. | Nara City, Nara Prefecture  | Financial instrument trading business | 3,000                     | 100 (100)  |
| Nanto Capital Partners Co., Ltd.    | Nara City, Nara Prefecture  | Investment business                   | 100                       | 100  |

Notes: 1. Figures in parentheses in the "Percentage of subsidiaries' voting rights held by the Bank" column indicate the percentage of indirect voting rights.  
2. Nanto Management Service Co., Ltd. is an intermediate holding company.

### (Reference) Affiliated companies accounted for by the equity method

| Company name                                | Location                   | Principal business               | Capital (millions of yen) | Percentage of subsidiaries' voting rights held by the Bank (%) |
|---|----------------------------|----------------------------------|---------------------------|--|
| Nara Mirai Design Co., Ltd.                 | Nara City, Nara Prefecture | Regional revitalization business | 30                        | — (39.9)   |
| Nara Kominka Machizukuri Partners Co., Ltd. | Nara City, Nara Prefecture | Investment business              | 3                         | — (—)  |

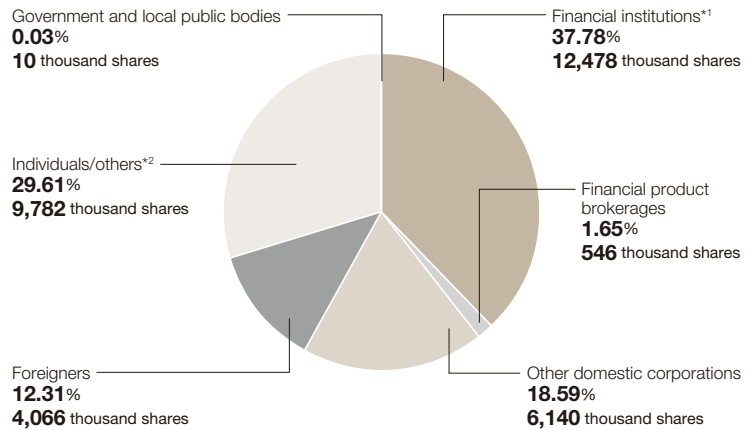
Notes: 1. Figures in parentheses in the "Percentage of voting rights held by Nanto Bank" column indicate the percentage of indirect voting rights.  
2. Nara Mirai Design, Co., Ltd. was newly established on April 1, 2021, as an equity-method affiliate of Nanto Bank.  
3. Nara Kominka Machizukuri Partners Co., Ltd. became an affiliate of the Bank accounted for by the equity method on January 20, 2022, with the acquisition of its shares by Nara Mirai Design Co., Ltd.  
4. In addition to the above, the Group includes three investment partnerships that are non-consolidated subsidiaries and three investment partnerships that are affiliates not accounted for by the equity method.

## Stock situation

Total shares issued: 33,025 thousand

Number of shareholders: 15,351

## Stock distribution by owner category



<sup>\*1</sup> Total of banks, trust banks, life insurance companies, non-life insurance companies, others

<sup>\*2</sup> Includes 407 thousand treasury shares

<sup>\*3</sup> The number of shares owned is rounded down to the nearest thousand.

## Major shareholders (top 10)

| Name   | Number of shares owned (unit: 1,000) <sup>*4</sup> | Ratio of number of shares owned to total number of shares issued (%) <sup>*5</sup> |
|--|--|--|
| The Master Trust Bank of Japan, Ltd. (trust account)                                 | 4,690  | 14.37  |
| Custody Bank of Japan, Ltd. (trust account)  | 1,576  | 4.83   |
| Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.) | 1,053  | 3.22   |
| Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)    | 1,043  | 3.19   |
| Nanto Bank Employee Stock Ownership Association                                      | 926  | 2.83   |
| Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)        | 662  | 2.02   |
| Mitsubishi UFJ Bank, Ltd.  | 508  | 1.55   |
| DMG Mori Seiki Co., Ltd.   | 476  | 1.46   |
| Daiwa Gas Co., Ltd.  | 457  | 1.40   |
| Kitamura Forestry Co., Ltd.  | 418  | 1.28   |

(Note) <sup>\*4</sup> The number of shares owned is rounded down to the nearest thousand.

<sup>\*5</sup> The percentage of shares held is calculated excluding treasury stock (399 thousand shares) and rounded down to two decimal places. Treasury stock does not include 73 thousand shares of the Bank's stock held by the BIP Trust for directors' remuneration.

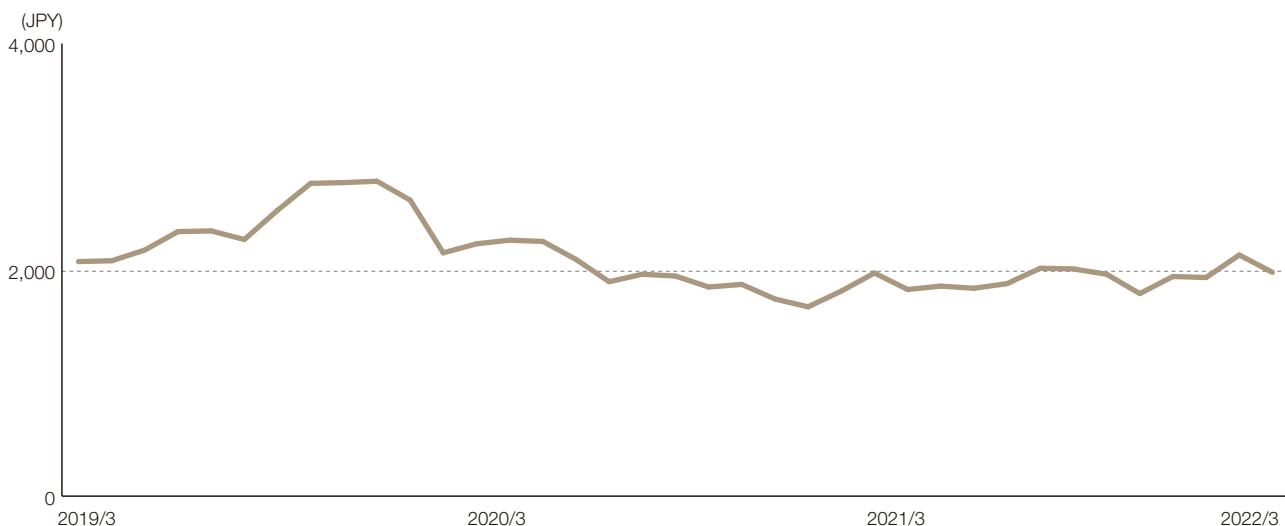
## Total shareholder return (TSR)

|                                | Mar. 2020 | Mar. 2021 | Mar. 2022 |
|--------------------------------|-----------|-----------|-----------|
| Nanto Bank (%)                 | 60.3      | 56.0      | 58.8      |
| TOPIX (including dividend) (%) | 99.5      | 141.5     | 144.3     |

## Dividends per share / Dividend payout ratio

|  | Mar. 2020 | Mar. 2021 | Mar. 2022 |
|--|-----------|-----------|-----------|
| Dividends per share (yen)              | 80.00     | 80.00     | 110.00    |
| Consolidated dividend payout ratio (%) | 81.7      | 24.0      | 30.1      |

## Stock price transitions





## Consolidated Financial Statements

## • Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2022 and 2021

|   | Millions of yen |             | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|-------------|--|
|   | 2022            | 2021        | 2022                                     |
| <b>Assets:</b>  |                 |             |  |
| Cash and due from banks (Notes 24 and 26).....  | ¥ 1,495,598     | ¥ 1,191,207 | \$ 12,219,936                            |
| Debt purchased (Note 26).....   | 1,466           | 1,827       | 11,978                                   |
| Money held in trust (Notes 26 and 27).....  | 44,017          | 40,500      | 359,645                                  |
| Securities (Notes 10, 11, 12, 15, 26 and 27).....   | 1,470,517       | 1,428,362   | 12,015,009                               |
| Loans and bills discounted (Notes 11, 12, 13 and 26).....   | 3,870,774       | 3,786,878   | 31,626,554                               |
| Foreign exchanges (Note 11).....  | 2,488           | 1,238       | 20,328                                   |
| Lease receivables and lease investment assets (Note 12).....  | 24,990          | 25,180      | 204,183                                  |
| Other assets (Notes 11, 12 and 16).....   | 55,922          | 55,287      | 456,916                                  |
| Tangible fixed assets (Note 14).....  | 37,782          | 38,106      | 308,701                                  |
| Buildings.....  | 10,708          | 10,978      | 87,490                                   |
| Land.....   | 23,915          | 24,162      | 195,399                                  |
| Construction in progress.....   | 313             | —           | 2,557                                    |
| Other tangible fixed assets.....  | 2,845           | 2,965       | 23,245                                   |
| Intangible fixed assets.....  | 4,858           | 5,297       | 39,692                                   |
| Software.....   | 4,411           | 4,846       | 36,040                                   |
| Other intangible fixed assets (Note 12).....  | 447             | 450         | 3,652                                    |
| Deferred tax assets (Note 31).....  | 7,247           | 1,054       | 59,212                                   |
| Customers' liabilities for acceptances and guarantees (Note 11).....  | 8,261           | 7,172       | 67,497                                   |
| Reserve for possible loan losses (Notes 3 and 26).....  | (22,485)        | (21,768)    | (183,715)                                |
| Total assets.....   | ¥ 7,001,441     | ¥ 6,560,343 | \$ 57,205,989                            |
| <b>Liabilities and net assets:</b>  |                 |             |  |
| <b>Liabilities:</b>   |                 |             |  |
| Deposits (Notes 12 and 26).....   | ¥ 5,647,407     | ¥ 5,439,967 | \$ 46,142,715                            |
| Negotiable certificates of deposit (Note 26).....   | 7,540           | 4,040       | 61,606                                   |
| Call money and bills sold (Note 26).....  | 176,835         | —           | 1,444,848                                |
| Payables under repurchase agreements (Notes 12 and 26).....   | 12,742          | 37,077      | 104,109                                  |
| Payables under securities lending transactions (Notes 12 and 26).....   | 102,432         | 106,465     | 836,931                                  |
| Borrowed money (Notes 12, 26 and 36).....   | 709,227         | 626,700     | 5,794,811                                |
| Foreign exchanges.....  | 473             | 578         | 3,864                                    |
| Borrowed money from trust account.....  | 5,467           | 6,265       | 44,668                                   |
| Other liabilities (Note 36).....  | 31,586          | 24,893      | 258,076                                  |
| Liability for retirement benefits (Note 29).....  | 11,976          | 11,872      | 97,851                                   |
| Reserve for reimbursement of deposits.....  | 104             | 158         | 849                                      |
| Reserve for contingent losses.....  | 834             | 1,134       | 6,814                                    |
| Reserve for share-based payment.....  | 61              | —           | 498                                      |
| Reserve under special laws.....   | 3               | 3           | 24                                       |
| Deferred tax liabilities (Note 31).....   | 12              | 454         | 98                                       |
| Acceptances and guarantees.....   | 8,261           | 7,172       | 67,497                                   |
| Total liabilities.....  | ¥ 6,714,967     | ¥ 6,266,784 | \$ 54,865,323                            |
| <b>Net assets (Note 8):</b>   |                 |             |  |
| Common stock: Authorized 64,000 thousand shares in 2022 and 2021<br>Issued 33,025 thousand shares in 2022 and 2021..... | ¥ 37,924        | ¥ 37,924    | \$ 309,861                               |
| Capital surplus.....  | 34,749          | 34,749      | 283,920                                  |
| Retained earnings.....  | 199,208         | 189,973     | 1,627,649                                |
| Less treasury stock: Issued 472 thousand shares in 2022<br>and 407 thousand shares in 2021.....                         | (1,799)         | (1,693)     | (14,698)                                 |
| <b>Total stockholders' equity</b> .....   | 270,083         | 260,953     | 2,206,740                                |
| Valuation difference on available-for-sale securities (Note 27).....  | 15,121          | 31,221      | 123,547                                  |
| Deferred gains or losses on hedges (Note 28).....   | 1,814           | 2,008       | 14,821                                   |
| Accumulated adjustments for retirement benefits (Note 29).....  | (546)           | (688)       | (4,461)                                  |
| <b>Total accumulated other comprehensive income</b> .....   | 16,390          | 32,542      | 133,916                                  |
| <b>Stock acquisition rights</b> .....   | —               | 63          | —  |
| Total net assets.....   | 286,473         | 293,559     | 2,340,656                                |
| Total liabilities and net assets.....   | ¥ 7,001,441     | ¥ 6,560,343 | \$ 57,205,989                            |

See Notes to Consolidated Financial Statements.

## • Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2022 and 2021

|   | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|----------|--|
|   | 2022            | 2021     | 2022                                     |
| <b>Income (Note 16):</b>  |                 |          |  |
| Interest income:  |                 |          |  |
| Interest on loans and bills discounted.....                     | ¥ 32,340        | ¥ 31,956 | \$ 264,237                               |
| Interest and dividends on securities.....                       | 14,201          | 15,528   | 116,030                                  |
| Other interest income.....                                      | 1,644           | 635      | 13,432                                   |
| Trust fees.....   | 8               | 8        | 65                                       |
| Fees and commissions.....                                       | 22,246          | 22,257   | 181,763                                  |
| Other operating income (Note 17).....                           | 3,425           | 4,597    | 27,984                                   |
| Other income (Note 18).....                                     | 3,750           | 6,306    | 30,639                                   |
| Total income.....   | 77,616          | 81,291   | 634,169                                  |
| <b>Expenses:</b>  |                 |          |  |
| Interest expense:   |                 |          |  |
| Interest on deposits.....                                       | 350             | 423      | 2,859                                    |
| Interest on borrowings and rediscounts.....                     | 151             | 320      | 1,233                                    |
| Interest on payables under securities lending transactions..... | 34              | 48       | 277                                      |
| Other interest expense.....                                     | 366             | 463      | 2,990                                    |
| Fees and commissions.....                                       | 12,310          | 11,935   | 100,580                                  |
| Other operating expenses (Note 19).....                         | 2,418           | 3,869    | 19,756                                   |
| General and administrative expenses (Note 20).....              | 40,234          | 41,622   | 328,736                                  |
| Other expenses (Notes 21 and 22).....                           | 3,840           | 7,245    | 31,375                                   |
| Total expenses.....   | 59,706          | 65,931   | 487,833                                  |
| <b>Income before income taxes</b> .....                         | 17,910          | 15,359   | 146,335                                  |
| <b>Income taxes (Note 31):</b>                                  |                 |          |  |
| Current.....  | 5,885           | 4,606    | 48,083                                   |
| Deferred.....   | 156             | (108)    | 1,274                                    |
| Total income taxes.....   | 6,042           | 4,497    | 49,366                                   |
| <b>Net income</b> .....   | 11,867          | 10,861   | 96,960                                   |
| <b>Net income attributable to owners of parent</b> .....        | ¥ 11,867        | ¥ 10,861 | \$ 96,960                                |

|   | Yen      |          | U.S. dollars<br>(Note 1) |
|---|----------|----------|--------------------------|
|   | 2022     | 2021     | 2022                     |
| <b>Per share of common stock (Note 34):</b> |          |          |                          |
| Net income - basic.....                     | ¥ 364.29 | ¥ 333.02 | \$ 2.97                  |
| Net income - diluted.....                   | —        | 332.73   | —                        |
| Dividends.....                              | 110.00   | 80.00    | 0.89                     |

See Notes to Consolidated Financial Statements.

## • Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2022 and 2021

|  | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|--|-----------------|----------|--|
|  | 2022            | 2021     | 2022                                     |
| Net income.....  | ¥ 11,867        | ¥ 10,861 | \$ 96,960                                |
| Other comprehensive income (loss) (Note 23):               |                 |          |  |
| Valuation difference on available-for-sale securities..... | (16,099)        | 27,863   | (131,538)                                |
| Deferred gains (losses) on hedges.....                     | (193)           | 2,171    | (1,576)                                  |
| Adjustments for retirement benefits (Note 29).....         | 142             | 110      | 1,160                                    |
| Total other comprehensive income (loss).....               | (16,151)        | 30,146   | (131,963)                                |
| Total comprehensive income (loss) for the year.....        | ¥ (4,283)       | ¥ 41,008 | \$ (34,994)                              |
| Total comprehensive income (loss) attributable to:         |                 |          |  |
| Owners of parent.....                                      | ¥ (4,283)       | ¥ 41,008 | \$ (34,994)                              |

See Notes to Consolidated Financial Statements.

## Consolidated Financial Statements

## • Consolidated Statements of Changes in Net Assets

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2022 and 2021

| Millions of yen  |  |              |                 |                   |                     |   |                                    |   |                          |                  |
|--|--|--------------|-----------------|-------------------|---------------------|---|------------------------------------|---|--------------------------|------------------|
|  | Number of shares of common stock (thousands) | Common stock | Capital surplus | Retained earnings | Less treasury stock | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Accumulated adjustments for retirement benefits | Stock acquisition rights | Total net assets |
| <b>Balance at April 1, 2020</b> .....                      | 33,025                                       | ¥ 37,924     | ¥ 34,749        | ¥ 181,640         | ¥ (1,745)           | ¥ 3,357   | ¥ (162)                            | ¥ (798)   | ¥ 88                     | ¥ 255,053        |
| Cumulative effects of changes in accounting policies ..... |  |              |                 | 91                |                     |   |                                    |   |                          | 91               |
| <b>Restated balance at April 1, 2020</b> .....             | 33,025                                       | 37,924       | 34,749          | 181,732           | (1,745)             | 3,357   | (162)                              | (798)   | 88                       | 255,145          |
| Cash dividends .....                                       |  |              |                 | (2,609)           |                     |   |                                    |   |                          | (2,609)          |
| Net income attributable to owners of parent .....          |  |              |                 | 10,861            |                     |   |                                    |   |                          | 10,861           |
| Purchase of treasury stock .....                           |  |              |                 |                   | (1)                 |   |                                    |   |                          | (1)              |
| Disposition of treasury stock .....                        |  |              | (11)            |                   | 53                  |   |                                    |   |                          | 41               |
| Transfer from retained earnings to capital surplus .....   |  |              | 11              | (11)              |                     |   |                                    |   |                          | —                |
| Net changes in items other than stockholders' equity ..... |  |              |                 |                   |                     | 27,863  | 2,171                              | 110   | (24)                     | 30,121           |
| <b>Balance at April 1, 2021</b> .....                      | 33,025                                       | ¥ 37,924     | ¥ 34,749        | ¥ 189,973         | ¥ (1,693)           | ¥ 31,221  | ¥ 2,008                            | ¥ (688)   | ¥ 63                     | ¥ 293,559        |
| Cash dividends .....                                       |  |              |                 | (2,609)           |                     |   |                                    |   |                          | (2,609)          |
| Net income attributable to owners of parent .....          |  |              |                 | 11,867            |                     |   |                                    |   |                          | 11,867           |
| Purchase of treasury stock .....                           |  |              |                 |                   | (147)               |   |                                    |   |                          | (147)            |
| Disposition of treasury stock .....                        |  |              | (22)            |                   | 41                  |   |                                    |   |                          | 18               |
| Transfer from retained earnings to capital surplus .....   |  |              | 22              | (22)              |                     |   |                                    |   |                          | —                |
| Net changes in items other than stockholders' equity ..... |  |              |                 |                   |                     | (16,099)  | (193)                              | 142   | (63)                     | (16,214)         |
| <b>Balance at March 31, 2022 (Note 8)</b> .....            | 33,025                                       | ¥ 37,924     | ¥ 34,749        | ¥ 199,208         | ¥ (1,799)           | ¥ 15,121  | ¥ 1,814                            | ¥ (546)   | ¥ —                      | ¥ 286,473        |

| Thousands of U.S. dollars (Note 1)                         |              |                 |                   |                     |   |                                    |   |                          |                  |  |
|--|--------------|-----------------|-------------------|---------------------|---|------------------------------------|---|--------------------------|------------------|--|
|  | Common stock | Capital surplus | Retained earnings | Less treasury stock | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Accumulated adjustments for retirement benefits | Stock acquisition rights | Total net assets |  |
| <b>Balance at April 1, 2021</b> .....                      | \$ 309,861   | \$ 283,920      | \$ 1,552,193      | \$ (13,832)         | \$ 255,094  | \$ 16,406                          | \$ (5,621)                                      | \$ 514                   | \$ 2,398,553     |  |
| Cash dividends .....                                       |              |                 | (21,317)          |                     |   |                                    |   |                          | (21,317)         |  |
| Net income attributable to owners of parent .....          |              |                 | 96,960            |                     |   |                                    |   |                          | 96,960           |  |
| Purchase of treasury stock .....                           |              |                 |                   | (1,201)             |   |                                    |   |                          | (1,201)          |  |
| Disposition of treasury stock .....                        |              | (179)           |                   | 334                 |   |                                    |   |                          | 147              |  |
| Transfer from retained earnings to capital surplus .....   |              | 179             | (179)             |                     |   |                                    |   |                          | —                |  |
| Net changes in items other than stockholders' equity ..... |              |                 |                   |                     | (131,538)   | (1,576)                            | 1,160   | (514)                    | (132,478)        |  |
| <b>Balance at March 31, 2022 (Note 8)</b> .....            | \$ 309,861   | \$ 283,920      | \$ 1,627,649      | \$ (14,698)         | \$ 123,547  | \$ 14,821                          | \$ (4,461)                                      | \$ —                     | \$ 2,340,656     |  |

See Notes to Consolidated Financial Statements.

## • Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2022 and 2021

|   | Millions of yen    |                    | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|--------------------|--------------------|--|
|   | 2022               | 2021               | 2022                                     |
| <b>Cash flows from operating activities</b>   |                    |                    |  |
| Income before income taxes .....  | ¥ 17,910           | ¥ 15,359           | \$ 146,335                               |
| Depreciation.....   | 3,296              | 3,574              | 26,930                                   |
| Impairment loss.....  | 62                 | 389                | 506                                      |
| Share of loss (profit) of entities accounted for using equity method.....           | 9                  | —                  | 73                                       |
| Increase (decrease) in reserve for possible loan losses .....                       | 716                | 957                | 5,850                                    |
| Increase (decrease) in liability for retirement benefits .....                      | 419                | 188                | 3,423                                    |
| Increase (decrease) in reserve for reimbursement of deposits .....                  | (53)               | (57)               | (433)                                    |
| Increase (decrease) in reserve for contingent losses .....                          | (300)              | 33                 | (2,451)                                  |
| Increase (decrease) in reserve for share-based payment .....                        | 61                 | —                  | 498                                      |
| Interest income .....   | (48,185)           | (48,121)           | (393,700)                                |
| Interest expense.....   | 902                | 1,258              | 7,369                                    |
| Loss (gain) on securities .....   | (1,260)            | (997)              | (10,294)                                 |
| Loss (gain) on money held in trust .....  | 167                | (534)              | 1,364                                    |
| Foreign exchange losses (gains).....  | (8,530)            | (5,353)            | (69,695)                                 |
| Losses (gains) on sales of fixed assets .....                                       | 17                 | 2                  | 138                                      |
| Net decrease (increase) in loans and bills discounted .....                         | (83,896)           | (329,601)          | (685,480)                                |
| Net increase (decrease) in deposits .....   | 207,439            | 410,208            | 1,694,901                                |
| Net increase (decrease) in negotiable certificates of deposit .....                 | 3,500              | (3,330)            | 28,597                                   |
| Net increase (decrease) in borrowed money .....                                     | 82,526             | 491,162            | 674,287                                  |
| Net decrease (increase) in due from banks (excluding due from the Bank of Japan)... | 1,077              | (406)              | 8,799                                    |
| Net decrease (increase) in call loans and bills bought .....                        | 361                | 584                | 2,949                                    |
| Net increase (decrease) in call money.....  | 152,500            | (10,839)           | 1,246,016                                |
| Net increase (decrease) in payables under securities lending transactions ...       | (4,032)            | (28,679)           | (32,943)                                 |
| Net decrease (increase) in foreign exchange assets.....                             | (1,250)            | (123)              | (10,213)                                 |
| Net increase (decrease) in foreign exchange liabilities .....                       | (104)              | 422                | (849)                                    |
| Net decrease (increase) in lease receivables and lease investment assets....        | 135                | (181)              | 1,103                                    |
| Net increase (decrease) in borrowed money from trust account .....                  | (797)              | (497)              | (6,511)                                  |
| Interest received.....  | 48,537             | 46,631             | 396,576                                  |
| Interest paid .....   | (972)              | (1,566)            | (7,941)                                  |
| Other .....   | 1,094              | (3,122)            | 8,938                                    |
| Subtotal .....  | 371,351            | 537,362            | 3,034,161                                |
| Income taxes paid.....  | (3,769)            | (5,283)            | (30,794)                                 |
| Net cash provided by operating activities .....                                     | 367,581            | 532,079            | 3,003,358                                |
| <b>Cash flows from investing activities</b>   |                    |                    |  |
| Purchases of securities .....   | (362,645)          | (847,735)          | (2,963,028)                              |
| Proceeds from sales of securities .....   | 229,244            | 655,200            | 1,873,061                                |
| Proceeds from maturities of securities .....  | 80,753             | 162,204            | 659,800                                  |
| Increase in money held in trust .....   | (19,719)           | (1,104)            | (161,116)                                |
| Decrease in money held in trust .....   | 15,578             | 608                | 127,281                                  |
| Purchase of tangible fixed assets .....   | (1,753)            | (1,194)            | (14,323)                                 |
| Proceeds from sales of tangible fixed assets .....                                  | 426                | 261                | 3,480                                    |
| Purchase of intangible fixed assets.....  | (1,209)            | (658)              | (9,878)                                  |
| Payments for asset retirement obligations .....                                     | (26)               | (77)               | (212)                                    |
| Other .....   | (13)               | 24                 | (106)                                    |
| Net cash used in investing activities .....   | (59,366)           | (32,470)           | (485,055)                                |
| <b>Cash flows from financing activities</b>   |                    |                    |  |
| Dividends paid .....  | (2,609)            | (2,607)            | (21,317)                                 |
| Purchase of treasury stock.....   | (147)              | (1)                | (1,201)                                  |
| Other .....   | 0                  | 0                  | 0  |
| Net cash used in financing activities .....   | (2,756)            | (2,609)            | (22,518)                                 |
| <b>Effect of exchange rate changes on cash and cash equivalents.....</b>            | <b>9</b>           | <b>3</b>           | <b>73</b>                                |
| <b>Net increase (decrease) in cash and cash equivalents.....</b>                    | <b>305,468</b>     | <b>497,002</b>     | <b>2,495,857</b>                         |
| <b>Cash and cash equivalents at beginning of year .....</b>                         | <b>1,188,367</b>   | <b>691,364</b>     | <b>9,709,673</b>                         |
| <b>Cash and cash equivalents at end of year (Note 24) .....</b>                     | <b>¥ 1,493,835</b> | <b>¥ 1,188,367</b> | <b>\$ 12,205,531</b>                     |

See Notes to Consolidated Financial Statements.



## Consolidated Financial Statements

### ■ Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2022 and 2021

#### 1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Nanto Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Ordinance for Enforcement of the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplemental information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to US\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its eleven (twelve in 2021) subsidiaries at March 31, 2022. (Changes in scope of consolidation)

In the fiscal year ended March 31, 2022, Nanto Investment Advisors Co., Ltd. was excluded from the scope of consolidation because the company resolved to dissolve at the annual stockholders' meeting held on June 30, 2021 and its liquidation was completed on December 9, 2021.

In the fiscal year ended March 31, 2021, Nanto Capital Partners Co., Ltd. was included in the scope of consolidation due to its new establishment on October 1, 2020. In addition, Nangin Agency Co., Ltd. was excluded from the scope of consolidation because the company resolved to dissolve at the extraordinary general meeting of stockholders held on September 30, 2020, and its liquidation was completed on March 25, 2021.

The Bank had three (two in 2021) unconsolidated subsidiaries in the fiscal year ended March 31, 2022, Nanto Sixth Industry Support Investment Limited Partnership, Nanto Regional Vitality Creation Support Investment Limited Partnership and Nanto CVC No. 3 Akebono Investment Limited Partnership. The unconsolidated subsidiaries were excluded from the scope of consolidation because the portion of their assets, net income (loss), retained earnings, accumulated other comprehensive income and others that correspond to the Bank's equity were immaterial to the extent that their exclusion from the scope of consolidation did not preclude reasonable judgment of the Group's financial position and results of operations.

(Establishment of unconsolidated subsidiaries)

In the fiscal year ended March 31, 2022, Nanto CVC No. 3 Akebono Investment Limited Partnership became an unconsolidated subsidiary due to its new establishment on February 1, 2022.

The Bank had two (0 in 2021) affiliates over which it had the ability to exercise significant influence over operating and financial policies, Nara Mirai Design Co., Ltd. and Nara Kominka Machizukuri Partners Co., Ltd., and both are accounted for by the equity method.

(Changes in scope of the equity method)

In the fiscal year ended March 31, 2022, Nara Mirai Design Co., Ltd. was included in the scope of the equity method due to its new establishment on April 1, 2021. In addition, Nara Kominka Machizukuri Partners Co., Ltd. was included in the scope of the equity method due to the acquisition of its shares by the Bank on January 20, 2022.

The Bank had three (two in 2021) unconsolidated subsidiaries not accounted for by the equity method in the fiscal year ended March 31, 2022, Nanto Sixth Industry Support Investment Limited Partnership, Nanto Regional Vitality Creation Support Investment Limited Partnership and Nanto CVC No. 3 Akebono Investment Limited Partnership, and three (two in 2021) affiliates not accounted for by the equity method, Nanto CVC Investment Limited Partnership, Nanto CVC No. 2 Investment Limited Partnership and Nara Kominka Machizukuri Fund Investment Limited Partnership. The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of the equity method because the effect of their inclusion on the consolidated financial statements would not have been significant in terms of the portion of net income (loss), retained earnings, accumulated other comprehensive income and others which correspond to the Bank's equity.

(Establishment of an unconsolidated subsidiary not accounted for by the equity method)

In the fiscal year ended March 31, 2022, Nanto CVC No. 3 Akebono Investment Limited Partnership became an unconsolidated subsidiary not accounted for by the equity method due to its new establishment on February 1, 2022.

(Addition or deletion of affiliates not accounted for by the equity method)

In the fiscal year ended March 31, 2022, Nara Kominka Machizukuri Fund Investment Limited Partnership became an affiliate not accounted for by the equity method because Nara Kominka Machizukuri Partners Co., Ltd., an affiliate accounted for by the equity method, is an unlimited liability partner.

From the fiscal year ended March 31, 2021, Nanto CVC Investment Limited Partnership and Nanto CVC No. 2 Investment Limited Partnership have been treated as affiliates not accounted for by the equity method due to the fact that Nanto Capital Partners Co., Ltd., a subsidiary of the Bank, has become an unlimited liability partner of both partnerships jointly with another company. Furthermore, Nara Prefecture Tourism Revitalization Investment Limited Partnership was dissolved and its liquidation completed.

Potager Co., Ltd., of which the Bank owns between 20% and 50% of the voting rights (execution rights), was not recognized as an affiliate for the fiscal years ended March 31, 2022 and 2021 because it is held by the Bank's unconsolidated subsidiary for the purpose of incubating the investees and not for the purpose of controlling the entity.

All consolidated subsidiaries have fiscal years ending on March 31.

All significant intercompany accounts, transactions and unrealized profits on transactions are eliminated.

## b. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents represents cash and due from the Bank of Japan.

## c. Finance leases

As lessor:

Finance leases are accounted for in a manner similar to that used for ordinary sale transactions. Revenue from finance lease transactions and related costs are recognized upon receipt of the lease payments. Finance leases which transfer ownership of the lease assets to the lessee are recognized as lease receivables, and all finance leases which do not transfer ownership of the lease assets to the lessee are recognized as lease investment assets.

For finance leases which commenced before April 1, 2008 and do not transfer ownership of the lease assets to the lessee, the appropriate book value (net of accumulated depreciation and amortization) in tangible and intangible fixed assets as of March 31, 2008 was recorded as the beginning balance of "Lease receivables and lease investment assets," and the total amount of interest equivalent for the remaining lease term after the adoption of the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Statement No. 13, issued on March 30, 2007) has been allocated over the remaining lease term using the straight-line method.

For the fiscal years ended March 31, 2022 and 2021, differences between income before income taxes and income before income taxes calculated as if the accounting treatment for ordinary sale transactions had been applied to the finance leases which do not transfer ownership of the leased assets to the lessee were not material.

## d. Securities

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the disposal or the change. Cost of sales for such securities is determined using the moving average method. Held-to-maturity debt securities are stated at amortized cost on a straight-line method, cost of which is determined using the moving average method. Stocks of affiliates accounted for by the equity method and unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost using the moving average method. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. As of March 31, 2022, equity securities, etc., with no market price included in available-for-sale securities are stated at moving average cost. As of March 31, 2021, available-for-sale securities for which it is extremely difficult to determine the fair value were stated at moving average cost.

If the fair value of held-to-maturity debt securities or available-for-sale securities declines significantly, the securities are stated at fair value, and the difference between the fair value and the carrying amount is recognized as a loss in the period of the decline. In such a case, the fair value will be the carrying amount of the securities at the beginning of the next fiscal year.

Securities managed as trust assets in individually managed money held in trust primarily for securities management purposes are measured at fair value.

## e. Derivatives and hedge accounting

Derivatives are measured at fair value.

To account for hedging transactions in connection with interest rate risk arising from financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, March 17, 2022). The Bank assesses the effectiveness of such hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items, such as loans and deposits, and the hedging instruments, such as interest rate swaps, by their maturity. The Bank assesses the effectiveness of cash flow hedges by verifying the correlation between the hedged items and the hedging instruments.

In order to hedge risk arising from the volatility of exchange rates for available-for-sale securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting with the condition that the hedged available-for-sale securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currency.

## f. Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets of the Bank is computed by the declining balance method, except for buildings (excluding facilities attached to buildings and structures acquired on or before March 31, 2016, which are depreciated by the declining balance method) which are depreciated by the straight-line method. The estimated useful lives of major items are as follows:

|           |               |
|-----------|---------------|
| Buildings | 6 to 50 years |
| Others    | 3 to 20 years |

Depreciation of the assets of the consolidated subsidiaries is computed principally by the declining balance method over the estimated useful life of the asset.

## g. Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

## h. Lease assets

Lease assets with respect to finance leases that do not transfer ownership of tangible fixed assets and intangible fixed assets are depreciated or amortized using the straight-line method with the assumption that the term of the lease is the useful life. The residual value of lease assets is the value guaranteed in the lease contract or zero for assets without such guaranteed value.

## i. Reserve for possible loan losses

A reserve for possible loan losses is provided according to predetermined standards.

For loans to insolvent customers who are undergoing bankruptcy or other special liquidation ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided based on the amount of the claims net of the amount expected to be recovered from collateral and guarantees and net of the deducted amount mentioned below. For the unsecured and

## Consolidated Financial Statements

unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming (“likely to become bankrupt borrowers”), the Bank deducts the estimated future cash flows and the amount expected to be recovered from collateral and guarantees from the loan amount and of that remainder reports the amount that it recognizes to be necessary after comprehensively judging the customer’s ability to pay.

For loans pertaining to customers other than the above, the Bank reports mainly the anticipated loss for the next one or three years. The anticipated loss is calculated by region using the loss rate based on the average value in a fixed past period of the loan loss ratio with the actual loan loss of one or three years as its foundation with necessary adjustments such as future prospects, etc.

All claims are assessed by the operating divisions based on the self-assessment criteria for asset quality, and the assessment results are audited by the Asset Audit Division, which is independent from the operating divisions.

For claims against “bankrupt borrowers” and “effectively bankrupt borrowers,” the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and is deducted directly from those claims in principle. At March 31, 2022 and 2021, the deducted amounts were ¥6,233 million (\$50,927 thousand) and ¥7,689 million, respectively.

The reserve for possible loan losses of the consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan loss ratio and for certain doubtful claims by the amount deemed uncollectible based on an assessment of each claim.

### j. Employee retirement benefits

In calculating projected benefit obligations, expected benefits are attributed to each period by the benefit formula basis.

Prior service costs are recognized as profit or loss at the time of occurrence.

Actuarial gains and losses are amortized from the fiscal year following the year in which the gains and losses are recognized by the straight-line method over a fixed period (ten years) within the average remaining service years of the current employees.

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

### k. Reserve for reimbursement of deposits

A reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

### l. Reserve for contingent losses

To pay its contribution to the Credit Guarantee Corporation, the Bank provides a reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated future losses.

### m. Reserve for share-based payment

To prepare for the delivery of the Bank’s shares through the Director Remuneration BIP (Board Incentive Plan) Trust, the estimated amount of shares to be delivered in proportion to the points allocated to the Directors in accordance with the stock benefit rules is recorded as reserve for share-based payment.

### n. Reserve under special laws

Reserve under the special laws represents Financial Instruments Transaction Liability Reserve prescribed in Article 46-5, Paragraph 1 of the Financial Instruments Exchange Act. The amount is recorded as determined by the consolidated subsidiaries in accordance with the provisions of Article 175 of the Cabinet Office Order on Financial Instruments Business, etc., in order to provide for losses arising from security related accidents.

### o. Foreign currency translations

Foreign currency assets and liabilities are translated at fiscal year-end exchange rates.

### p. Income taxes

Deferred income taxes are recorded to reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

### q. Criteria for recognizing lease income and costs for finance leases

Lease income and costs are recognized at the time of receiving lease fees.

### r. Criteria for recognizing revenue from contracts with customers

From the fiscal year ended March 31, 2022, the Group has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021), and recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Bank and its consolidated subsidiaries recognize information on transactions with customers based on the following five steps:

Step 1: Identify the contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

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

Revenue from transactions with customers of the Bank and its consolidated subsidiaries, etc. relates mainly to transaction services that are recognized when control of the promised goods or services is transferred to the customer and includes fees and commissions related to deposit services, lending services, exchange services and others.

## s. Consumption taxes

For the fiscal year ended March 31, 2021, transactions subject to national and local consumption taxes are recorded at amounts exclusive of the consumption taxes.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

Those items whose amounts have been recognized in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates which could have a material impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

### (1) Reserve for possible loan losses

Credit operations are one of the major operations of the Group, and assets with credit risk, such as loans, occupy a very important place in consolidated net assets on the consolidated balance sheet. So recognition of the reserve for possible loan losses has a large impact on the operating results and financial position and is judged to be material in the accounting estimates.

### (2) Amount recognized in the consolidated financial statements

The reserve for possible loan losses recognized in the consolidated balance sheets as of March 31, 2022 and 2021 was as follows:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2022            | 2021     | 2022                      |
| Reserve for possible loan losses ..... | ¥ 22,485        | ¥ 21,768 | \$ 183,715                |

The details concerning the accounting estimates adopted when making the calculation are set forth below.

### (3) Accounting estimates

#### (a) Methods for calculating amounts

Calculation methods are stated in the Notes (SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES i. Reserve for possible loan losses). The asset appraisals stated in the reserve for possible loan losses recognition standards refer to individually analyzing and considering the assets held and classifying them based on the degree of nonrecovery risk and loss of value risk. Appropriate depreciation and reservation are implemented based on the category of borrowers (normal borrowers, needs attention borrowers, likely to become bankrupt borrowers, effectively bankrupt borrowers and bankrupt borrowers).

#### (b) Major assumptions used in calculating amounts

##### Fiscal year ended March 31, 2022

For the fiscal year ended March 31, 2022, the Bank assumed that losses nearly equivalent to historical loan losses for each category of borrowers would be incurred. For the claims equivalent to normal claims and claims which need attention, the Bank calculated the required reserve amount for each region using the expected loss rate taking into consideration the necessary adjustments to the average value of the loan loss ratio for a fixed period in the past. The determination of the borrower category is based on the credit rating determined by the rating models and the borrower's repayment ability based on their substantial financial position, financing capacities, and profitability, etc., and the terms and conditions of the loans and payment status of the borrower. Also, the Bank gives comprehensive consideration to the borrower's sustainability, projected profitability, and ability to pay obligations based on their annual repayable amount, appropriateness of their management improvement plans, and other factors in light of the borrower's industry characteristics.

Furthermore, in the case that management reconstruction is thought to be proceeding in line with a drastic and highly feasible management improvement plan and a reasonable and highly feasible management improvement plan, the loans shall be deemed not to qualify as claims corresponding to restructured loans or claims likely to become bankrupt borrowers.

Note that, at the end of the fiscal year ended March 31, 2022, the Bank anticipated that the impact of the new coronavirus would continue for a certain period of time, and the individual category of borrowers was determined based on the available information after taking into account the characteristics of the industrial sector, the possibility of recovery from the short-term business performance, cash flow status, etc. Accordingly, an additional reserve was not provided.

##### Fiscal year ended March 31, 2021

For the fiscal year ended March 31, 2021, the Bank operated under the assumption that there was a relationship between the historical loan loss ratio for each category of borrowers and the expected future loss rate. For claims equivalent to normal claims and claims which need attention, the Bank calculated the required reserve amount for each region using the expected loss rate taking into consideration the necessary adjustments to the average value of the loan loss ratio for a fixed period in the past. The determination of the borrower category was based on the credit rating determined by the rating models and the borrower's repayment ability based on their substantial financial position, financing capacities, and profitability, etc., and the terms and conditions of the loans and payment status of the borrower. Also, the Bank gives comprehensive consideration to the borrower's sustainability, projected profitability, and ability to pay obligations based on their annual repayable amount, appropriateness of their management improvement plans, and other factors in light of the borrower's industry characteristics.

Furthermore, in the case that management reconstruction is thought to be proceeding in line with a drastic and highly feasible management improvement plan and a reasonable and highly feasible management improvement plan, the loans were deemed not to qualify as claims corresponding to restructured loans or claims likely to become bankrupt borrowers.

Note that, at the end of the fiscal year ended March 31, 2021, the Bank anticipated that the impact of the new coronavirus would continue for a certain period of time and the individual category of borrowers was determined based on the available information after taking into account the characteristics of the industrial sector, the possibility of recovery from the short-term business performance, cash flow status, etc.

#### (c) The impact on the consolidated financial statements for the next fiscal year

The uncertainties of the material estimates are included in the major assumptions used for the calculation of the amount of the reserve for possible loan losses, including the expected loss rate by region and by debt classification, the category of borrowers as of the end of the current fiscal year, the amount expected to be recovered using collateral and guarantees and the impact of the new coronavirus, etc.

The major assumptions concerning the estimate of the reserve for possible loan losses are determined based on the available information. However, if the business condition of a major customer worsens or the situation regarding the new coronavirus worsens or becomes prolonged, there is a possibility that such events would have an impact on the operating results and financial position for the next fiscal year, such as an increase in the reserve for possible loan losses becoming necessary.



## Consolidated Financial Statements

### 4. CHANGES IN ACCOUNTING POLICIES

Fiscal year ended March 31, 2022

#### (1) Application of accounting standard for revenue recognition

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022 and recognizes revenue when control of promised goods or services is transferred to the customer in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Group applied the Accounting Standard for Revenue Recognition in accordance with the transitional treatment prescribed in Paragraph 84 of the standard, and there was no effect on retained earnings at the beginning of the fiscal year ended March 31, 2022.

Any effects on the consolidated financial statements were immaterial.

Comparative information for the fiscal year ended March 31, 2021 is not included in Note 16, "REVENUE" in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition.

#### (2) Application of accounting standard for fair value measurement

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) from the beginning of the fiscal year ended March 31, 2022 and will prospectively apply the new accounting policies stipulated by the Accounting Standard for Fair Value Measurement in accordance with the transitional treatment prescribed in Paragraph 19 of the standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

The effects on the consolidated financial statements were immaterial.

In addition, the Group discloses financial instruments categorized by fair value hierarchy in Note 26, "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES." However, the comparative information for the previous fiscal year is not included in the said Note in accordance with the transitional treatment prescribed in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

#### (3) Change in criteria for recognizing income from installment sales transactions

The Bank's consolidated subsidiary, Nanto Lease Co., Ltd., has adopted a method of recording income from installment sales transactions in the amount equivalent to interest expense in accordance with the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 25, 2011).

The amount equivalent to interest expense was previously accounted for by the straight-line method, but this has been changed to the interest method effective from the fiscal year ended March 31, 2022. This change was made based on the judgment that adopting the interest method, which is the principle method, will more appropriately reflect the status of profit and loss, given the increasing trend of installment sales transactions.

This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. As a result, in the consolidated statement of income for the fiscal year ended March 31, 2021, "fees and commissions," "total income" and "income before income taxes" increased by ¥28 million each, "income taxes—deferred" increased by ¥8 million, and "net income" and "net income attributable to owners of parent" increased by ¥19 million each compared to those before retrospective application. In addition, in the consolidated balance sheet as of March 31, 2021, "other assets" and "retained earnings" increased by ¥160 million and ¥111 million, respectively, while "deferred tax assets" decreased by ¥48 million.

In addition, the beginning balance of "retained earnings" in the consolidated statement of changes in net assets for the fiscal year ended March 31, 2021 increased by ¥91 million due to the cumulative effect reflected in the beginning balance of net assets.

As for per share information, "net assets per share" as of March 31, 2021, "net income per share – basic" and "net income per share – diluted" for the fiscal year then ended increased by ¥3.42, ¥0.60 and ¥0.60, respectively.

Fiscal year ended March 31, 2021

Not applicable.

### 5. STANDARDS AND GUIDANCE NOT YET ADOPTED

The following guidance was issued but not yet adopted.

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

#### (1) Overview

The method used to calculate the fair value of investment trusts and the handling of the related notes and the notes on the fair value of investments in partnerships, etc., reported in the net amount and equivalent to equity in the balance sheets have been determined.

#### (2) Effective date

The Group is scheduled to apply the guidance from the beginning of the fiscal year ending March 31, 2023.

#### (3) Effects of the application of the standards

The effects of the application of the guidance are expected to be immaterial.

### 6. CHANGES IN PRESENTATION METHOD

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2021

Application of the "Accounting Standard for Disclosure of Accounting Estimates"

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the fiscal year ended March 31, 2021. Accordingly significant accounting estimates are disclosed in the Notes to Consolidated Financial Statements.

## 7. ADDITIONAL INFORMATION

Fiscal year ended March 31, 2022

### Director Remuneration BIP (Board Incentive Plan) Trust

The Bank has introduced a Director Remuneration BIP Trust for directors of the Bank (excluding outside directors and nonresidents in Japan; hereinafter “the Bank’s directors”) from the fiscal year ended March 31, 2022.

#### (1) Overview of transaction

The Director Remuneration BIP Trust is a board incentive plan designed to motivate the Bank’s directors to contribute to achieving mid- to long-term performance improvement and increasing corporate value. This is a stock-based compensation plan in which points are awarded to the Bank’s directors based on their position and achievement of performance targets, etc. The Bank’s shares corresponding to the points and a cash payment equivalent to the value of the Bank’s shares are delivered or paid to the Bank’s directors at the time of their retirement from office.

#### (2) Accounting treatment for transactions in which the Bank’s shares are delivered through the Trust

The Bank has followed the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (Practical Issues Task Force No. 30, March 26, 2015) with respect to the accounting treatment of this trust agreement.

#### (3) Matters on Bank’s shares held by the Trust

- The book value of the Bank’s shares held by the Trust as of March 31, 2022 was ¥143 million (\$1,168 thousand).
- The Bank’s shares held by the Trust are recorded as treasury stock under stockholders’ equity.
- The number of shares as of March 31, 2022 was 73 thousand shares and the average number of shares during the fiscal year then ended was 47 thousand shares.
- The number of shares at the end of the fiscal year ended March 31, 2022 and the average number of shares during the fiscal year are included in treasury stock to be deducted for computing per share information.

Fiscal year ended March 31, 2021

Not applicable.

## 8. CHANGES IN NET ASSETS

### (1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2022 and 2021

|                   | (Thousands of shares) |          |          |                | Remarks        |
|-------------------|-----------------------|----------|----------|----------------|----------------|
|                   | 2022                  |          |          |                |                |
|                   | April 1, 2021         | Increase | Decrease | March 31, 2022 |                |
| Shares issued     |                       |          |          |                |                |
| Common stock..... | 33,025                | —        | —        | 33,025         |                |
| Total.....        | 33,025                | —        | —        | 33,025         |                |
| Treasury stock    |                       |          |          |                |                |
| Common stock..... | 407                   | 74       | 9        | 472            | Notes 1, 2 & 3 |
| Total.....        | 407                   | 74       | 9        | 472            |                |

- Notes: 1. The number of shares of treasury stock as of March 31, 2022 includes 73 thousand shares of the Bank’s stock held by the Director Remuneration BIP Trust.  
2. The increase of 74 thousand shares in common stock of treasury stock is attributable to an increase of 73 thousand shares due to the acquisition by the Director Remuneration BIP Trust and an increase of 1 thousand shares due to the purchase of shares of less than one unit.  
3. The decrease of 9 thousand shares in common stock of treasury stock is attributable to a decrease of 9 thousand shares due to the execution of stock options and a decrease of 0 thousand shares due to the sale of shares of less than one unit.

|                   | (Thousands of shares) |          |          |                | Remarks     |
|-------------------|-----------------------|----------|----------|----------------|-------------|
|                   | 2021                  |          |          |                |             |
|                   | April 1, 2020         | Increase | Decrease | March 31, 2021 |             |
| Shares issued     |                       |          |          |                |             |
| Common stock..... | 33,025                | —        | —        | 33,025         |             |
| Total.....        | 33,025                | —        | —        | 33,025         |             |
| Treasury stock    |                       |          |          |                |             |
| Common stock..... | 418                   | 1        | 12       | 407            | Notes 1 & 2 |
| Total.....        | 418                   | 1        | 12       | 407            |             |

- Notes: 1. The increase of 1 thousand shares in common stock of treasury stock is due to the purchase of shares of less than one unit.  
2. The decrease of 12 thousand shares in common stock of treasury stock is attributable to a decrease of 12 thousand shares due to the execution of stock options and a decrease of 0 thousand shares due to the sale of shares less than one unit.

### (2) Stock acquisition rights

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2021

| Classification | Breakdown   | Shares expected to be acquired upon exercise of stock acquisition rights |          |          |                | Balance at end of current fiscal year (Millions of yen) |
|----------------|---|--|----------|----------|----------------|---|
|                |   | Number of shares   |          |          |                |   |
|                |   | April 1, 2020  | Increase | Decrease | March 31, 2021 |   |
| The Bank       | Stock acquisition rights granted as stock options | —  | —        | —        | —              | ¥63   |
|                | Total   | —  | —        | —        | —              | ¥63   |

## Consolidated Financial Statements

### (3) Information on dividends is as follows:

#### (a) Dividends paid in the fiscal year ended March 31, 2022

| Millions of yen (thousands of U.S. dollars), except per share amount (yen (U.S. dollars)) |                |                               |                          |                    |                  |
|---|----------------|-------------------------------|--------------------------|--------------------|------------------|
| Resolution  | Type of shares | Aggregate amount of dividends | Cash dividends per share | Record date        | Effective date   |
| Annual stockholders' meeting held on June 29, 2021  | Common stock   | ¥1,304 (\$ 10,654)            | ¥40.00 (\$ 0.32)         | March 31, 2021     | June 30, 2021    |
| Board of Directors' meeting held on November 12, 2021                                     | Common stock   | ¥1,305 (\$ 10,662)            | ¥40.00 (\$ 0.32)         | September 30, 2021 | December 6, 2021 |

Note: Aggregate amount of dividends resolved by the Board of Directors on November 12, 2021 includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥2 million (\$16 thousand).

#### (b) Dividends paid in the fiscal year ended March 31, 2021

| Millions of yen, except per share amount (yen)        |                |                               |                          |                    |                  |
|---|----------------|-------------------------------|--------------------------|--------------------|------------------|
| Resolution  | Type of shares | Aggregate amount of dividends | Cash dividends per share | Record date        | Effective date   |
| Annual stockholders' meeting held on June 26, 2020    | Common stock   | ¥1,304                        | ¥40.00                   | March 31, 2020     | June 29, 2020    |
| Board of Directors' meeting held on November 12, 2020 | Common stock   | ¥1,304                        | ¥40.00                   | September 30, 2020 | December 7, 2020 |

#### (c) Dividends to be paid in the fiscal year ending March 31, 2023

| Millions of yen (thousands of U.S. dollars), except per share amount (yen (U.S. dollars)) |                |                               |                     |                          |                |                |
|---|----------------|-------------------------------|---------------------|--------------------------|----------------|----------------|
| Resolution  | Type of shares | Aggregate amount of dividends | Source of dividends | Cash dividends per share | Record date    | Effective date |
| Annual stockholders' meeting held on June 29, 2022  | Common stock   | ¥2,283 (\$18,653)             | Retained earnings   | ¥70.00 (\$0.57)          | March 31, 2022 | June 30, 2022  |

Note: Aggregate amount of dividends includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥5 million (\$40 thousand).

## 9. STOCKHOLDERS' EQUITY

Under the Banking Law of Japan and the Company Law, the entire amount of the issue price of shares is required to be accounted for as capital, although the Bank may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations be appropriated and set aside as legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Bank has reached 100% of common stock. Therefore, the Bank is not required to provide additional legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or more than 100% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with the Company Law.

## 10. SHARES OR INVESTMENTS IN CAPITAL OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Shares or investments in capital of unconsolidated subsidiaries and affiliates at March 31, 2022 and 2021 were as follows:

|                                       | Millions of yen |         | Thousands of U.S. dollars |
|---------------------------------------|-----------------|---------|---------------------------|
|                                       | 2022            | 2021    | 2022                      |
| Shares or investments in capital..... | ¥ 2,979         | ¥ 2,446 | \$ 24,340                 |

## 11. NONPERFORMING CLAIMS

The Bank reported claims based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions at March 31, 2022 and 2021. The claims consisted of those recorded in the consolidated balance sheets as corporate bonds in "Securities" (limited to those for which redemption of the principal and payment of interest are guaranteed in whole or in part and are issued by private placement of securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, accrued interest and suspense payments in "Other assets", customers' liabilities for acceptances and guarantees, and securities in lending securities transactions indicated in the Notes (limited to those under loan for use or lease contracts).

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2022            | 2021     | 2022                      |
| Bankrupt or quasi-bankrupt claims .....        | ¥ 3,592         | ¥ 3,848  | \$ 29,348                 |
| Doubtful claims.....                           | 42,510          | 42,769   | 347,332                   |
| Claims past due for three months or more ..... | 161             | 167      | 1,315                     |
| Restructured claims.....                       | 7,226           | 5,361    | 59,040                    |
| Total.....                                     | ¥ 53,491        | ¥ 52,147 | \$ 437,053                |

Bankrupt or quasi-bankrupt claims are claims made against obligors who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and claims similar to these.

Doubtful claims are claims that are made against obligors who are yet to have fallen into bankruptcy, but it is highly probable that the contractual principal and interest cannot be collected/received due to deterioration of the obligor's financial condition and business performance and those not classified as bankrupt or quasi-bankrupt claims.

Claims past due for three months or more represent claims for which payments of principal or interest have been in arrears for three months or more from the day following the agreed-upon payment date, but do not meet the criteria for bankrupt, quasi-bankrupt claims or doubtful claims.

Restructured claims are claims that provide certain concession favorable to the obligors with the intent of facilitating the obligor's restructuring or otherwise providing support, such as by reducing or exempting interest, postponing principal/interest payments, releasing credits, or providing other benefits and those that are not classified in any of the above categories.

The amounts of claims in the above table are before deduction of reserve for possible loan losses.

(Changes in presentation)

"Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act" (Cabinet Office Ordinance No. 3, January 24, 2020) became effective on March 31, 2022. Accordingly, the classification of "Risk management claims," etc., under the Banking Act are presented in accordance with the classification of claims requiring disclosure based on the Act on Emergency Measures for the Revitalization of Financial Functions and other requirements.

Bills discounted are accounted for as financing transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, March 17, 2022). This accounting treatment gives the Bank the right to sell or pledge such bills without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥14,169 million (\$115,769 thousand) and ¥12,797 million at March 31, 2022 and 2021, respectively.

Regarding loan participation and based on the "Accounting Treatment and Presentation of Loan Participation" (JICPA Accounting System Committee Report No. 3, November 28, 2014), of the participating principal amount accounted for as loans and bills discounted with respect to the original debtor, the amount recorded in the consolidated balance sheets was ¥3,602 million (\$29,430 thousand) and ¥3,104 million at March 31, 2022 and 2021, respectively.

## 12. PLEDGED ASSETS

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

|  | Millions of yen |           | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
|  | 2022            | 2021      | 2022                      |
| Assets pledged as collateral:                              |                 |           |                           |
| Securities.....  | ¥ 555,826       | ¥ 503,578 | \$ 4,541,433              |
| Loans and bills discounted.....                            | 387,045         | 399,311   | 3,162,390                 |
| Other assets.....  | 178             | 1,978     | 1,454                     |
| Liabilities corresponding to assets pledged as collateral: |                 |           |                           |
| Deposits.....  | 107,874         | 55,878    | 881,395                   |
| Payables under repurchase agreements.....                  | 12,742          | 37,077    | 104,109                   |
| Payables under securities lending transactions.....        | 102,432         | 106,465   | 836,931                   |
| Borrowed money.....  | 700,899         | 620,012   | 5,726                     |

In addition to the above, the following were pledged as collateral for transaction guarantees.

|                   | Millions of yen |          | Thousands of U.S. dollars |
|-------------------|-----------------|----------|---------------------------|
|                   | 2022            | 2021     | 2022                      |
| Other assets..... | ¥ 21,514        | ¥ 20,144 | \$ 175,782                |

The following was pledged as collateral for borrowed money of ¥2,173 million (\$17,754 thousand) and ¥2,847 million at March 31, 2022 and 2021, respectively.

|                                      | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
|                                      | 2022            | 2021    | 2022                      |
| Unexpired lease contract claims..... | ¥ 3,085         | ¥ 3,752 | \$ 25,206                 |

Other assets included initial margins of futures markets and security deposits and other intangible fixed assets included key money as follows:

|  | Millions of yen |       | Thousands of U.S. dollars |
|--|-----------------|-------|---------------------------|
|  | 2022            | 2021  | 2022                      |
| Initial margins of future markets..... | ¥ 762           | ¥ 664 | \$ 6,225                  |
| Security deposits.....                 | 977             | 968   | 7,982                     |
| Key money.....                         | 447             | 450   | 3,652                     |



## Consolidated Financial Statements

### 13. LOAN COMMITMENTS

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to a prescribed amount as long as there is no violation of any condition established in the contract. The amounts of unused commitments at March 31, 2022 and 2021 were ¥1,027,166 million (\$8,392,564 thousand) and ¥980,457 million, respectively, and the amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2022 and 2021 were ¥951,310 million (\$7,772,775 thousand) and ¥905,950 million, respectively.

Since many of these commitment line contracts are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily affect actual future cash flow.

Many of these commitments line contracts have clauses that allow the Group to reject the application from customers or reduce the contract amounts if economic conditions change. In addition, the Group may request that customers pledge collateral such as real estate and securities or take other necessary measures such as scrutinizing customers' financial positions and revising contracts when the need to secure claims arises.

### 14. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥44,248 million (\$361,532 thousand) and ¥44,621 million at March 31, 2022 and 2021, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥806 million (\$6,585 thousand) and ¥806 million at March 31, 2022 and 2021, respectively. For the fiscal years ended March 31, 2022 and 2021, the capital gain offset from acquisition costs was nil and ¥62 million, respectively.

### 15. GUARANTEES

The amount guaranteed by the Bank for privately placed bonds (stipulated by Article 2, Paragraph 3 of the Financial Instruments Exchange Act) included in "Bonds" of "Securities" was ¥43,674 million (\$356,842 thousand) and ¥36,586 million at March 31, 2022 and 2021, respectively.

### 16. REVENUE

#### (1) Revenue from contracts with customers

Ordinary income is not disclosed by disaggregating revenue from contracts with customers and other sources of revenue.

Revenue from contracts with customers on a disaggregated basis for the fiscal year ended March 31, 2022 was as follows:

|   | Millions of yen     |         |         |          |  |
|---|---------------------|---------|---------|----------|--|
|   | 2022                |         |         |          |  |
|   | Reportable segments |         |         | Total    |  |
|   | Banking             | Leasing | Other   |          |  |
| Fees and commissions .....                          | ¥ 9,137             | ¥ —     | ¥ 1,676 | ¥ 10,813 |  |
| Deposit and loan services .....                     | 1,890               | —       | —       | 1,890    |  |
| Exchange services .....                             | 2,349               | —       | —       | 2,349    |  |
| Trust related services .....                        | 108                 | —       | —       | 108      |  |
| Securities related services .....                   | —                   | —       | 283     | 283      |  |
| Agency services .....                               | 2,996               | —       | —       | 2,996    |  |
| Custody and safe deposit box services .....         | 233                 | —       | —       | 233      |  |
| Guarantee services .....                            | —                   | —       | —       | —        |  |
| Other .....   | 1,559               | —       | 1,392   | 2,951    |  |
| Ordinary income from contracts with customers ..... | ¥ 9,137             | ¥ —     | ¥ 1,676 | ¥ 10,813 |  |
| Ordinary income other than the above .....          | 56,346              | 8,803   | 1,568   | 66,718   |  |
| Ordinary income from outside customers .....        | ¥ 65,483            | ¥ 8,803 | ¥ 3,244 | ¥ 77,531 |  |

|   | Thousands of U.S. dollars |           |           |            |  |
|---|---------------------------|-----------|-----------|------------|--|
|   | 2022                      |           |           |            |  |
|   | Reportable segments       |           |           | Total      |  |
|   | Banking                   | Leasing   | Other     |            |  |
| Fees and commissions .....                          | \$ 74,654                 | \$ —      | \$ 13,693 | \$ 88,348  |  |
| Deposit and loan services .....                     | 15,442                    | —         | —         | 15,442     |  |
| Exchange services .....                             | 19,192                    | —         | —         | 19,192     |  |
| Trust related services .....                        | 882                       | —         | —         | 882        |  |
| Securities related services .....                   | —                         | —         | 2,312     | 2,312      |  |
| Agency services .....                               | 24,479                    | —         | —         | 24,479     |  |
| Custody and safe deposit box services .....         | 1,903                     | —         | —         | 1,903      |  |
| Guarantee services .....                            | —                         | —         | —         | —          |  |
| Other .....   | 12,737                    | —         | 11,373    | 24,111     |  |
| Ordinary income from contracts with customers ..... | \$ 74,654                 | \$ —      | \$ 13,693 | \$ 88,348  |  |
| Ordinary income other than the above .....          | 460,380                   | 71,925    | 12,811    | 545,126    |  |
| Ordinary income from outside customers .....        | \$ 535,035                | \$ 71,925 | \$ 26,505 | \$ 633,474 |  |

Note: "Other" is business segments which are not included in the reportable segments and include the following services: credit guarantees, real estate leasing and management, software development, credit cards and securities.

#### (2) Receivables from contracts with customers

Receivables from contracts with customers of ¥476 million (\$3,889 thousand) as of March 31, 2022 was included in other assets.

## 17. OTHER OPERATING INCOME

For the fiscal years ended March 31, 2022 and 2021, other operating income consisted of the following:

|                               | Millions of yen |         | Thousands of U.S. dollars |
|-------------------------------|-----------------|---------|---------------------------|
|                               | 2022            | 2021    | 2022                      |
| Gains on sales of bonds ..... | ¥ 1,928         | ¥ 3,861 | \$ 15,752                 |
| Other .....                   | 1,496           | 736     | 12,223                    |
| Total .....                   | ¥ 3,425         | ¥ 4,597 | \$ 27,984                 |

## 18. OTHER INCOME

For the fiscal years ended March 31, 2022 and 2021, other income consisted of the following:

|  | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2022            | 2021    | 2022                      |
| Gains on sales of stocks and other securities..... | ¥ 2,578         | ¥ 3,493 | \$ 21,063                 |
| Recovery of written-off claims .....               | 319             | 921     | 2,606                     |
| Other .....  | 852             | 1,892   | 6,961                     |
| Total .....  | ¥ 3,750         | ¥ 6,306 | \$ 30,639                 |

## 19. OTHER OPERATING EXPENSES

For the fiscal years ended March 31, 2022 and 2021, other operating expenses consisted of the following:

|                                | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|---------------------------|
|                                | 2022            | 2021    | 2022                      |
| Losses on sales of bonds ..... | ¥ 2,415         | ¥ 3,866 | \$ 19,732                 |
| Other .....                    | 2               | 3       | 16                        |
| Total .....                    | ¥ 2,418         | ¥ 3,869 | \$ 19,756                 |

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal years ended March 31, 2022 and 2021, general and administrative expenses consisted of the following:

|                                | Millions of yen |          | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------|---------------------------|
|                                | 2022            | 2021     | 2022                      |
| Salaries and allowances.....   | ¥ 19,076        | ¥ 19,859 | \$ 155,862                |
| Retirement benefit costs ..... | 1,563           | 1,616    | 12,770                    |
| Other .....                    | 19,594          | 20,147   | 160,094                   |
| Total .....                    | ¥ 40,234        | ¥ 41,622 | \$ 328,736                |

## 21. OTHER EXPENSES

For the fiscal years ended March 31, 2022 and 2021, other expenses consisted of the following:

|  | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2022            | 2021    | 2022                      |
| Write-offs of loans .....                            | ¥ 1,194         | ¥ 938   | \$ 9,755                  |
| Provision for possible loan losses.....              | 1,157           | 2,599   | 9,453                     |
| Losses on sales of stocks and other securities ..... | 687             | 2,457   | 5,613                     |
| Other .....  | 802             | 1,251   | 6,552                     |
| Total .....  | ¥ 3,840         | ¥ 7,245 | \$ 31,375                 |

## 22. IMPAIRMENT LOSS

The Group reports impairment loss for the following asset groups.

Fiscal year ended March 31, 2022

| Region                    | Principle use          | Type            | Millions of yen |  | Thousands of U.S. dollars |
|---------------------------|------------------------|-----------------|-----------------|--|---------------------------|
|                           |                        |                 | Impairment loss |  | 2022                      |
| Nara Prefecture - inside  | 3 business stores etc. | Buildings, etc. | ¥ 34            |  | \$ 277                    |
| Nara Prefecture - inside  | 1 idle asset           | Land            | 11              |  | 89                        |
| Nara Prefecture - outside | 1 business store, etc. | Buildings, etc. | 16              |  | 130                       |
|                           | Total                  |                 | ¥ 62            |  | \$ 506                    |

Regarding the fixed assets above, due to the decline in operating cash flows and the reorganization of the store network, the Bank reduced the carrying amount to the recoverable amount and reported the decrease as an impairment loss of ¥62 million (\$506 thousand) in other expenses.

The Bank uses the grouping method of area and business store units because it continuously determines income and expenditure for each area and for each business store. For idle assets, the grouping is carried out using each asset as the unit. Furthermore, the Headquarters, Administrative Center, Training Center, etc., are assets that contribute to the generation of the future cash flows of multiple assets and asset groups, so they are deemed to be corporate assets. Each subsidiary uses the grouping with each respective company as the unit.

The recoverable amount of impaired assets was measured at the net selling price or value in use, whichever was higher. Net selling prices were calculated based on Real Estate Appraisal Standards, etc., and the value in use was computed by discounting future cash flows at 1.0% to 1.1%.

## Consolidated Financial Statements

Fiscal year ended March 31, 2021

| Region                   | Principle use                             | Type                     | Millions of yen |     |
|--------------------------|---|--------------------------|-----------------|-----|
|                          |   |                          | Impairment loss |     |
| Nara Prefecture – inside | 10 business stores and Headquarters, etc. | Land and buildings, etc. | ¥               | 389 |
|                          | Total                                     |                          | ¥               | 389 |

Regarding the fixed assets above, due to the decline in operating cash flows, the reorganization of the store network and changes in the use of the assets, the Bank reduced the carrying amounts to the recoverable amounts and reported the total decrease as an impairment loss of ¥389 million in other expenses.

The Bank uses the grouping method of area and business store units because it continuously determines income and expenditure for each area and for each business store. For idle assets, the grouping is carried out using each asset as the unit. Furthermore, the Headquarters, Administrative Center, Training Center, etc., are assets that contribute to the generation of the future cash flows of multiple assets and asset groups, so they are deemed to be corporate assets. Each subsidiary uses the grouping with each respective company as the unit.

The recoverable amount of impaired assets was measured at the net selling prices or value in use, whichever was higher. Net selling prices were calculated based on Real Estate Appraisal Standards, etc., and the value in use was computed by discounting future cash flows at 1.8%.

### 23. OTHER COMPREHENSIVE INCOME (LOSS)

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

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Valuation difference on available-for-sale securities:      |                 |          |                           |
| Gains (losses) incurred during the year .....               | ¥ (22,457)      | ¥ 39,930 | \$ (183,487)              |
| Reclassification adjustments to net income .....            | (411)           | (998)    | (3,358)                   |
| Amount before tax effect .....                              | (22,868)        | 38,931   | (186,845)                 |
| Tax effect .....  | 6,769           | (11,067) | 55,306                    |
| Valuation difference on available-for-sale securities ..... | (16,099)        | 27,863   | (131,538)                 |
| Deferred gains or losses on hedges                          |                 |          |                           |
| Gains (losses) incurred during the year .....               | (448)           | 2,990    | (3,660)                   |
| Reclassification adjustments to net income .....            | 169             | 130      | 1,380                     |
| Amount before tax effect .....                              | (278)           | 3,120    | (2,271)                   |
| Tax effect .....  | 84              | (948)    | 686                       |
| Deferred gains or losses on hedges .....                    | (193)           | 2,171    | (1,576)                   |
| Adjustments for retirement benefits:                        |                 |          |                           |
| Gains (losses) incurred during the year .....               | (14)            | (72)     | (114)                     |
| Reclassification adjustments to net income .....            | 218             | 230      | 1,781                     |
| Amount before tax effect .....                              | 204             | 158      | 1,666                     |
| Tax effect .....  | (62)            | (48)     | (506)                     |
| Adjustments for retirement benefits .....                   | 142             | 110      | 1,160                     |
| Total other comprehensive income (loss) .....               | ¥ (16,151)      | ¥ 30,146 | \$ (131,963)              |

### 24. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2022 and 2021 and cash and cash equivalents in the consolidated statements of cash flows for the fiscal years then ended was as follows:

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | 2022            | 2021        | 2022                      |
| Cash and due from banks on the consolidated balance sheets .....             | ¥ 1,495,598     | ¥ 1,191,207 | \$ 12,219,936             |
| Current deposits due from banks .....  | (80)            | (1,114)     | (653)                     |
| Time deposits due from banks .....   | (600)           | (600)       | (4,902)                   |
| Other due from banks .....   | (1,081)         | (1,126)     | (8,832)                   |
| Cash and cash equivalents on the consolidated statements of cash flows ..... | ¥ 1,493,835     | ¥ 1,188,367 | \$ 12,205,531             |

### 25. LEASE TRANSACTIONS

#### Operating leases

##### As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2022 and 2021 were as follows:

|                           | Millions of yen |         | Thousands of U.S. dollars |
|---------------------------|-----------------|---------|---------------------------|
|                           | 2022            | 2021    | 2022                      |
| Due within one year ..... | ¥ 211           | ¥ 158   | \$ 1,723                  |
| Due after one year .....  | 793             | 873     | 6,479                     |
| Total .....               | ¥ 1,004         | ¥ 1,031 | \$ 8,203                  |

##### As lessor:

There were no applicable matters to be noted regarding future minimum lease payments under operating leases which were not cancelable at March 31, 2022 and 2021.

## 26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### a. Status of financial instruments

#### (1) Policy on financial instruments

The Group is composed of the Bank, its eleven (twelve in 2021) consolidated subsidiaries and its two (0 in 2021) affiliates accounted for by the equity method and provides financial services such as banking, securities, leasing and credit guarantee services.

The Group's major banking business includes (i) the acceptance of deposits, lending services, bills discounting and remittance, and (ii) the guarantee of debt, acceptance of bills and other services related to the banking business. The securities business includes underwriting and dealing in securities, over-the-counter derivative transactions and other related services, including security index future transactions in accordance with the Financial Instruments and Exchange Act.

The Bank, in addition to being a money lender and borrower in the interbank market to adjust its surpluses and deficits of funds, raises funds by loans and bonds with consideration for the financial market conditions and the balance of length.

The Bank conducts asset and liability management (ALM), identifying various types of risk exposures associated with the banking business as the Bank holds financial assets and liabilities exposed to the market risk associated with fluctuation in interest rates. As part of its risk management, the Bank utilizes derivative transactions such as interest rate swaps. The Bank also enters into derivative transactions for trading purposes with certain position limits.

#### (2) Contents and risk of financial instruments

Financial assets held by the Group are composed mainly of loans to corporate and individual customers that are exposed to credit risk arising from customer nonperformance. In addition, loan balances are significantly concentrated in Nara prefecture, where the head office of the Bank is located. Accordingly, changes in the economic circumstances of the region could have a great impact on the credit risk.

Securities consist principally of Japanese government bonds, Japanese local government bonds, equity securities, foreign securities, investment trusts that are classified as other securities (available-for-sale), private bonds guaranteed by the Bank that are classified as held-to-maturity debt securities and Japanese government bonds classified as trading purpose securities. These securities are exposed to the credit risk of issuers and the market risk of fluctuation in interest rates and market prices. Since financial assets denominated in foreign currencies are exposed to exchange rate risk, currency related derivative transactions are used to balance the amount of funding and amount of operations for each currency to reduce the risk.

In the banking business, financial liabilities consist principally of deposits from retail clients in Japan and are exposed to interest rate risk. In addition, foreign currency deposits are exposed to exchange rate risk. With respect to borrowed money, the Group may be forced to raise funds under unfavorable conditions and, accordingly, become significantly exposed to liquidity risk if the fund raising capacity of the Group significantly declined and led to the inability to repay under circumstances such as the significant deterioration of the financial position of the Group. Furthermore, borrowed money with floating interest rates is exposed to interest rate risk.

Derivative transactions include interest rate swaps for interest rate related transactions, currency swaps and forward foreign exchange transactions for currency related transactions, and bond future transactions and bond option transactions for bond related transactions. The Bank utilizes those derivative transactions in order to hedge the position of the customers as well as to capture various risks associated with transactions with customers and control those risks properly. The Bank also uses derivatives for trading purposes with certain position limits.

The Bank applies the deferred hedge accounting method for derivative transactions when used as hedging instruments. Interest rate swaps are used as hedging instruments to avoid interest rate risks of hedged items such as loans and deposits with fixed interest rates. Deferred hedge accounting has been applied to derivatives used as hedging instruments.

The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation between the hedged items and the hedging instruments. Transactions which do not meet the requirements of hedge accounting and derivative transactions for trading purposes are exposed to interest rate risk, foreign currency risk, price fluctuation risk and credit risk.

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

##### **Credit risk management**

The Group has established a framework for credit control which includes credit reviews for individual transactions, credit limits, credit information management, internal credit ratings, guarantees and collateral and self-assessment in accordance with the Group's "Rules on credit risk management" and "Rules on self-assessment of assets." These credit controls are performed by each branch and the Credit Analysis Division. The independent Audit Department audits the status of credit risk controls and its results. The status of credit risk controls is periodically evaluated and reported to the Management Directors' Committee and board meeting.

Credit risks associated with the issuers of securities are managed by the Financial Investment Division and Risk Management Division. With respect to the credit risks associated with the issuer of the securities and counterparty risk associated with derivative transactions, related credit information and fair values of the securities are periodically checked to monitor those risks.

##### **Market risk management**

###### (a) Interest rate risk

From the perspective of ALM, the Group manages market risk such as interest rate risk associated with assets and liabilities, including loans, deposits and securities comprehensively. The Group's "Rules on Market Risk Management" stipulates that the Bank makes efforts to manage the market sector effectively, taking risk and reward into account as well as avoiding excessive risk taking by setting appropriate risk limits based on the Group's ability to take risk and identifying market risk properly.

The ALM Committee, the decision making entity for the management of market risks, sets certain semiannual risk limits determined by VaR based upon the Bank's capital adequacy and market conditions. The Bank pursues profit opportunities within the risk limits. The Risk Management Division assesses interest rate risk by VaR, reports to the ALM Committee on a monthly basis and properly monitors its operations.

In addition to the VaR methodology, it utilizes a combination of the BPV (basis point value) methodology, simulations of interest rate fluctuations, and  $\Delta$ EVE (the decrease in economic value with respect to an interest rate shock), etc., to identify and analyze risk from a broader point of view.



## Consolidated Financial Statements

### (b) Foreign currency risk

With regard to foreign currency risk associated with operations and procurement of financial instruments denominated in foreign currency, the Group manages risk by balancing the amount of funding and amount of operations for each currency. In addition, as for foreign currency exchange transactions for investment purposes, the Risk Management Division assesses the foreign currency risk by VaR, reports to the ALM committee on a monthly basis and properly monitors its operations.

### (c) Price fluctuation risk

With regard to investments in securities, the Group prepares its asset management plan semiannually and makes investment decisions at the ALM Committee based upon expected returns and correlations between investment items and related market fluctuation risk. The Financial Investment Division plays a part in investments for investment purposes, and the Corporate Business Division plays a part in investments for the purpose of business alliances and capital affiliation. Continuous monitoring of market conditions and restrictions on investments in riskier assets such as securitized instruments help to avoid unnecessary price fluctuation risk.

The Risk Management Division assesses the price fluctuation risk of equity securities, etc., by VaR, reports monthly to the ALM Committee about compliance with risk limits and properly manages the risk.

### (d) Derivative transactions

With respect to derivative transactions for hedging purposes, the Group establishes internal rules defining the authority and hedge policies which are governed by the Risk Management Division. With respect to derivative transactions for trading purposes, certain trading limits and loss limit rules are set semiannually by the ALM Committee. The Risk Management Division, which serves as the middle office, monitors compliance and calculates the total amount of risk. The Financial Investment Division, which serves as the back office, checks each derivative transaction, marked-to-market position, and evaluates the profit and loss from the transactions on a daily basis. In addition to those functions, the related divisions check each other so as not to exceed limits on loss.

The directors of the Bank are reported to from both the middle office and the back office and monitor the risks associated with the Bank's portfolio as a whole, including loans, deposits and securities at the ALM Committee.

### (e) Quantitative information relating to market risk

The Group manages the quantity of market risk for financial instruments such as loans, deposits, securities and derivatives by VaR. To calculate VaR, the Group has adopted the historical method (confidence level of 99%, observation period of 1,250 business days, holding period of 120 business days [holding period for equity securities other than purely for investment purposes are 240 business days] and the correlation of risk categories are not considered.).

At March 31, 2022, the Group's total market risk (decrease in estimated economic value) was ¥56,464 million (\$461,344 thousand) (¥58,770 million in 2021). In addition, the Group conducted back tests comparing actual profit or loss with the VaR calculated by the model. However, VaR is a statistical measure of market risk based on past fluctuations in the market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

### **Management of liquidity risk associated with financing activities**

The Financial Investment Division manages the Bank's cash position based upon the monthly funding plan designed by the ALM Committee, while the Risk Management Division monitors the situation. The ALM Committee manages financing risk comprehensively by understanding the amount of cash for which the Bank can liquidate and also can raise from the market on a regular basis.

In addition, the Group categorizes its financing situation into "Regular Phase," "Concern Phase" and "Crisis Phase" and prepares appropriate management structures for each phase so that the Group can take proper action accordingly.

### **(4) Supplementary explanation on the fair value of financial instruments**

Certain assumptions are used in measuring the fair value of financial instruments. Accordingly, the result of these fair value measurements may vary if different assumptions are used.

## b. Fair value of financial instruments

The table below summarizes the carrying amounts, fair values and differences for financial instruments as of March 31, 2022 and 2021. Equity securities, etc., with no market price and investments in partnerships are not included in the following table (see Note 1 below).

Cash and due from banks, debt purchased, foreign exchange in assets and negotiable certificates of deposit, call money and bills sold, payables under repurchase agreements, payables under securities lending transactions and foreign exchange in liabilities, whose fair value approximates carrying amount, and because they are settled within a short term, are also omitted.

|   | Millions of yen |             |            |
|---|-----------------|-------------|------------|
|   | 2022            |             |            |
|   | Carrying amount | Fair value  | Difference |
| Money held in trust .....                   | ¥ 44,017        | ¥ 44,017    | ¥ —        |
| Securities                                  |                 |             |            |
| Held-to-maturity debt securities .....      | 43,674          | 43,678      | 4          |
| Available-for-sale securities .....         | 1,411,347       | 1,411,347   | —          |
| Loans and bills discounted .....            | 3,870,774       |             |            |
| Reserve for possible loan losses (*1) ..... | (22,059)        |             |            |
|   | 3,848,714       | 3,853,164   | 4,449      |
| Total assets .....                          | ¥ 5,347,754     | ¥ 5,352,208 | ¥ 4,453    |
| Deposits .....                              | ¥ 5,647,407     | ¥ 5,647,422 | ¥ 14       |
| Borrowed money .....                        | 709,227         | 709,201     | (26)       |
| Total liabilities .....                     | ¥ 6,356,634     | ¥ 6,356,623 | ¥ (11)     |
| Derivative transactions (*2)                |                 |             |            |
| Hedge accounting not applied .....          | ¥ (4,297)       | ¥ (4,297)   | ¥ —        |
| Hedge accounting applied (*3) .....         | 2,625           | 2,625       | —          |
| Total derivative transactions .....         | ¥ (1,671)       | ¥ (1,671)   | ¥ —        |

|   | Millions of yen |             |            |
|---|-----------------|-------------|------------|
|   | 2021            |             |            |
|   | Carrying amount | Fair value  | Difference |
| Money held in trust .....                   | ¥ 40,500        | ¥ 40,500    | ¥ —        |
| Securities                                  |                 |             |            |
| Held-to-maturity debt securities .....      | 36,586          | 36,634      | 48         |
| Available-for-sale securities .....         | 1,380,014       | 1,380,014   | —          |
| Loans and bills discounted .....            | 3,786,878       |             |            |
| Reserve for possible loan losses (*1) ..... | (21,385)        |             |            |
|   | 3,765,493       | 3,774,099   | 8,605      |
| Total assets .....                          | ¥ 5,222,594     | ¥ 5,231,248 | ¥ 8,654    |
| Deposits .....                              | ¥ 5,439,967     | ¥ 5,440,015 | ¥ 47       |
| Borrowed money .....                        | 626,700         | 626,651     | (48)       |
| Total liabilities .....                     | ¥ 6,066,668     | ¥ 6,066,666 | ¥ (1)      |
| Derivative transactions (*2)                |                 |             |            |
| Hedge accounting not applied .....          | ¥ (1,264)       | ¥ (1,264)   | ¥ —        |
| Hedge accounting applied (*4) .....         | 2,902           | 2,902       | —          |
| Total derivative transactions .....         | ¥ 1,637         | ¥ 1,637     | ¥ —        |

## Consolidated Financial Statements

|   | Thousands of U.S. dollars |                   |               |
|---|---------------------------|-------------------|---------------|
|   | 2022                      |                   |               |
|   | Carrying amount           | Fair value        | Difference    |
| Money held in trust .....                   | \$ 359,645                | \$ 359,645        | \$ —          |
| Securities                                  |                           |                   |               |
| Held-to-maturity debt securities .....      | 356,842                   | 356,875           | 32            |
| Available-for-sale securities .....         | 11,531,554                | 11,531,554        | —             |
| Loans and bills discounted .....            | 31,626,554                |                   |               |
| Reserve for possible loan losses (*1) ..... | (180,235)                 |                   |               |
|   | <b>31,446,310</b>         | <b>31,482,670</b> | <b>36,351</b> |
| Total assets .....                          | \$ 43,694,370             | \$ 43,730,762     | \$ 36,383     |
| Deposits .....                              | \$ 46,142,715             | \$ 46,142,838     | \$ 114        |
| Borrowed money .....                        | 5,794,811                 | 5,794,599         | (212)         |
| Total liabilities .....                     | \$ 51,937,527             | \$ 51,937,437     | \$ (89)       |
| Derivative transactions (*2)                |                           |                   |               |
| Hedge accounting not applied .....          | \$ (35,109)               | \$ (35,109)       | \$ —          |
| Hedge accounting applied (*3) .....         | 21,447                    | 21,447            | —             |
| Total derivative transactions .....         | \$ (13,653)               | \$ (13,653)       | \$ —          |

(\*1) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.

(\*2) Assets and liabilities arising from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(\*3) These are interest rate swaps, etc., designated as hedging instruments in order to fix the cash flow from loans, etc., which are the hedged items, and mainly deferred hedge accounting is applied. The "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issues Task Force (PITF) No. 40, March 17, 2022) is applied to these hedging relationships.

(\*4) These are interest rate swaps, etc., designated as hedging instruments in order to fix the cash flow from loans, etc., which are the hedged items, and mainly deferred hedge accounting is applied. The "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, September 29, 2020) is applied to these hedging relationships.

(Note 1) The carrying amount of equity securities, etc., with no market price and investments in partnerships as of March 31, 2022 and 2021 are set forth in the table below. These amounts are not included in "Available-for-sale securities" in the table for fair value of financial instruments.

|  | Carrying amount |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | Millions of yen |         |                           |
|  | 2022            | 2021    |                           |
| Unlisted equity securities (*1) (*2) ..... | ¥ 1,605         | ¥ 1,688 | \$ 13,113                 |
| Investments in partnerships (*3) .....     | 13,889          | 10,071  | 113,481                   |

(\*1) Unlisted equity securities are not subject to fair value disclosure in accordance with Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(\*2) The Group recognized impairment loss on unlisted equity securities of ¥108 million (\$882 thousand) and ¥1 million for the fiscal years ended March 31, 2022 and 2021, respectively.

(\*3) Investments in partnerships are not subject to fair value disclosure in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Redemption schedule of monetary claims and securities with maturities

|   | Millions of yen             |  |  |  |   |                     |
|---|-----------------------------|--|--|--|---|---------------------|
|   | 2022                        |  |  |  |   |                     |
|   | Due within 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 .....  | ¥ 1,439,653                 | ¥ —                                    | ¥ —                                      | ¥ —                                      | ¥ —                                     | ¥ —                 |
| Debt purchased .....  | 1,466                       | —                                      | —  | —  | —                                       | —                   |
| Securities .....  | 69,900                      | 122,555                                | 19,569                                   | 65,653                                   | 194,907                                 | 232,878             |
| Held-to-maturity debt securities .....                          | 11,222                      | 21,131                                 | 10,093                                   | 1,226                                    | —                                       | —                   |
| Bonds .....   | 11,222                      | 21,131                                 | 10,093                                   | 1,226                                    | —                                       | —                   |
| Available-for-sale securities with contractual maturities ..... | 58,678                      | 101,423                                | 9,476                                    | 64,427                                   | 194,907                                 | 232,878             |
| Japanese government bonds .....                                 | 12,500                      | 54,500                                 | —  | —  | 20,000                                  | 34,000              |
| Japanese local government bonds .....                           | 4,822                       | 24,542                                 | 8,252                                    | 43,752                                   | 142,313                                 | 2,206               |
| Corporate bonds .....   | 34,890                      | 14,425                                 | 1,223                                    | 6,200                                    | 1,900                                   | 156,347             |
| Other .....   | 6,465                       | 7,955                                  | —  | 14,474                                   | 30,693                                  | 40,325              |
| Loans and bills discounted (*) .....                            | 491,586                     | 740,993                                | 593,427                                  | 379,604                                  | 405,578                                 | 897,715             |
| Total .....   | ¥ 2,002,607                 | ¥ 863,549                              | ¥ 612,997                                | ¥ 445,258                                | ¥ 600,485                               | ¥ 1,130,593         |

Millions of yen

|   | 2021                        |  |  |  |   |                     |
|---|-----------------------------|--|--|--|---|---------------------|
|   | Due within 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 .....  | ¥ 1,137,792                 | ¥ —                                    | ¥ —                                      | ¥ —                                      | ¥ —                                     | ¥ —                 |
| Debt purchased .....  | 1,827                       | —                                      | —  | —  | —                                       | —                   |
| Securities .....  | 64,148                      | 128,542                                | 62,525                                   | 18,069                                   | 207,673                                 | 227,102             |
| Held-to-maturity debt securities .....                          | 7,912                       | 17,820                                 | 9,917                                    | 936                                      | —                                       | —                   |
| Bonds .....   | 7,912                       | 17,820                                 | 9,917                                    | 936                                      | —                                       | —                   |
| Available-for-sale securities with contractual maturities ..... | 56,236                      | 110,721                                | 52,608                                   | 17,133                                   | 207,673                                 | 227,102             |
| Japanese government bonds .....                                 | 31,500                      | 27,000                                 | 40,000                                   | —  | 5,000                                   | 33,500              |
| Japanese local government bonds .....                           | 18,215                      | 26,638                                 | 6,282                                    | 1,062                                    | 134,183                                 | 2,647               |
| Corporate bonds .....   | 3,405                       | 43,794                                 | 6,326                                    | 5,000                                    | 3,000                                   | 156,859             |
| Other .....   | 3,115                       | 13,288                                 | —  | 11,071                                   | 65,490                                  | 34,095              |
| Loans and bills discounted (*) .....                            | 437,805                     | 715,438                                | 622,734                                  | 406,843                                  | 400,465                                 | 860,514             |
| Total .....   | ¥ 1,641,574                 | ¥ 843,980                              | ¥ 685,260                                | ¥ 424,913                                | ¥ 608,139                               | ¥ 1,087,616         |

Thousands of U.S. dollars

|   | 2022                        |  |  |  |   |                     |
|---|-----------------------------|--|--|--|---|---------------------|
|   | Due within 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 .....  | \$11,762,831                | \$ —                                   | \$ —                                     | \$ —                                     | \$ —                                    | \$ —                |
| Debt purchased .....  | 11,978                      | —                                      | —  | —  | —                                       | —                   |
| Securities .....  | 571,125                     | 1,001,348                              | 159,890                                  | 536,424                                  | 1,592,507                               | 1,902,753           |
| Held-to-maturity debt securities .....                          | 91,690                      | 172,652                                | 82,465                                   | 10,017                                   | —                                       | —                   |
| Bonds .....   | 91,690                      | 172,652                                | 82,465                                   | 10,017                                   | —                                       | —                   |
| Available-for-sale securities with contractual maturities ..... | 479,434                     | 828,686                                | 77,424                                   | 526,407                                  | 1,592,507                               | 1,902,753           |
| Japanese government bonds .....                                 | 102,132                     | 445,297                                | —  | —  | 163,412                                 | 277,800             |
| Japanese local government bonds .....                           | 39,398                      | 200,522                                | 67,423                                   | 357,480                                  | 1,162,782                               | 18,024              |
| Corporate bonds .....   | 285,072                     | 117,860                                | 9,992                                    | 50,657                                   | 15,524                                  | 1,277,449           |
| Other .....   | 52,822                      | 64,997                                 | —  | 118,261                                  | 250,780                                 | 329,479             |
| Loans and bills discounted (*) .....                            | 4,016,553                   | 6,054,359                              | 4,848,655                                | 3,101,593                                | 3,313,816                               | 7,334,872           |
| Total .....   | \$16,362,505                | \$ 7,055,715                           | \$ 5,008,554                             | \$ 3,638,025                             | \$ 4,906,324                            | \$ 9,237,625        |

(\*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid, amounting to ¥40,871 million (\$333,940 thousand) and ¥36,696 million at March 31, 2022 and 2021, respectively, are not included.

Loans whose payment terms were not determined amounting to ¥320,997 million (\$2,622,738 thousand) and ¥306,379 million at March 31, 2022 and 2021, respectively, are not included.

## (Note 3) Redemption schedule of borrowed money and interest bearing liabilities

Millions of yen

|  | 2022                        |  |  |  |   |                     |
|--|-----------------------------|--|--|--|---|---------------------|
|  | Due within 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 |
| Deposits (*) .....                                   | ¥ 5,194,750                 | ¥ 405,250                              | ¥ 47,406                                 | ¥ —                                      | ¥ —                                     | ¥ —                 |
| Negotiable certificates of deposit .....             | 7,540                       | —                                      | —  | —  | —                                       | —                   |
| Call money and bills sold .....                      | 176,835                     | —                                      | —  | —  | —                                       | —                   |
| Payables under repurchase agreements .....           | 12,742                      | —                                      | —  | —  | —                                       | —                   |
| Payables under securities lending transactions ..... | 102,432                     | —                                      | —  | —  | —                                       | —                   |
| Borrowed money .....                                 | 458,150                     | 187,693                                | 60,936                                   | —  | 2,447                                   | —                   |
| Total .....  | ¥ 5,952,451                 | ¥ 592,943                              | ¥ 108,343                                | ¥ —                                      | ¥ 2,447                                 | ¥ —                 |

Millions of yen

|  | 2021                        |  |  |  |   |                     |
|--|-----------------------------|--|--|--|---|---------------------|
|  | Due within 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 |
| Deposits (*) .....                                   | ¥ 5,023,510                 | ¥ 366,353                              | ¥ 50,104                                 | ¥ —                                      | ¥ —                                     | ¥ —                 |
| Negotiable certificates of deposit .....             | 4,040                       | —                                      | —  | —  | —                                       | —                   |
| Call money and bills sold .....                      | —                           | —                                      | —  | —  | —                                       | —                   |
| Payables under repurchase agreements .....           | 37,077                      | —                                      | —  | —  | —                                       | —                   |
| Payables under securities lending transactions ..... | 106,465                     | —                                      | —  | —  | —                                       | —                   |
| Borrowed money .....                                 | 415,634                     | 22,861                                 | 185,965                                  | 25                                       | 2,214                                   | —                   |
| Total .....  | ¥ 5,586,727                 | ¥ 389,215                              | ¥ 236,069                                | ¥ 25                                     | ¥ 2,214                                 | ¥ —                 |



## Consolidated Financial Statements

|  | Thousands of U.S. dollars   |  |  |  |   |                     |
|--|-----------------------------|--|--|--|---|---------------------|
|  | 2022                        |  |  |  |   |                     |
|  | Due within 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 |
| Deposits (*)                                   | \$ 42,444,235               | \$ 3,311,136                           | \$ 387,335                               | \$ —                                     | \$ —                                    | \$ —                |
| Negotiable certificates of deposit             | 61,606                      | —                                      | —  | —  | —                                       | —                   |
| Call money and bills sold                      | 1,444,848                   | —                                      | —  | —  | —                                       | —                   |
| Payables under repurchase agreements           | 104,109                     | —                                      | —  | —  | —                                       | —                   |
| Payables under securities lending transactions | 836,931                     | —                                      | —  | —  | —                                       | —                   |
| Borrowed money                                 | 3,743,361                   | 1,533,564                              | 497,883                                  | —  | 19,993                                  | —                   |
| Total  | \$ 48,635,109               | \$ 4,844,701                           | \$ 885,227                               | \$ —                                     | \$ 19,993                               | \$ —                |

(\*) Demand deposits are included in "Due within one year or less."

### c. Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels depending on the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair values measured by using observable inputs that are quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by using observable inputs other than those included within Level 1

Level 3: Fair values measured by using unobservable inputs

In cases where multiple inputs with a material impact on the fair value measurement are used, the fair value is classified into the lowest level from which significant inputs were used.

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

|   | Millions of yen |           |         |           |
|---|-----------------|-----------|---------|-----------|
|   | 2022            |           |         |           |
|   | Fair value      |           |         |           |
|   | Level 1         | Level 2   | Level 3 | Total     |
| Money held in trust (trading purposes and other)                    | ¥ 9,200         | ¥ 28,756  | ¥ —     | ¥ 37,957  |
| Securities  |                 |           |         |           |
| Available-for-sale securities (*1)                                  |                 |           |         |           |
| Japanese government bonds and Japanese local government bonds, etc. | 120,589         | 224,764   | —       | 345,354   |
| Corporate bonds   | —               | 217,108   | —       | 217,108   |
| Stocks  | 73,292          | 50        | —       | 73,342    |
| Other   | 43,792          | 49,772    | —       | 93,564    |
| Derivative transactions   |                 |           |         |           |
| Interest rate related   | —               | 3,170     | —       | 3,170     |
| Currency related  | —               | 1,797     | —       | 1,797     |
| Total assets  | ¥ 246,875       | ¥ 525,419 | ¥ —     | ¥ 772,295 |
| Derivative transactions (*2)  |                 |           |         |           |
| Interest rate related   | ¥ —             | ¥ 267     | ¥ —     | ¥ 267     |
| Currency related  | —               | 6,373     | —       | 6,373     |
| Total liabilities   | ¥ —             | ¥ 6,640   | ¥ —     | ¥ 6,640   |

|   | Thousands of U.S. dollars |              |         |              |
|---|---------------------------|--------------|---------|--------------|
|   | 2022                      |              |         |              |
|   | Fair value                |              |         |              |
|   | Level 1                   | Level 2      | Level 3 | Total        |
| Money held in trust (trading purposes and other)                    | \$ 75,169                 | \$ 234,953   | \$ —    | \$ 310,131   |
| Securities  |                           |              |         |              |
| Available-for-sale securities (*1)                                  |                           |              |         |              |
| Japanese government bonds and Japanese local government bonds, etc. | 985,284                   | 1,836,457    | —       | 2,821,750    |
| Corporate bonds   | —                         | 1,773,903    | —       | 1,773,903    |
| Stocks  | 598,839                   | 408          | —       | 599,248      |
| Other   | 357,807                   | 406,667      | —       | 764,474      |
| Derivative transactions   |                           |              |         |              |
| Interest rate related   | —                         | 25,900       | —       | 25,900       |
| Currency related  | —                         | 14,682       | —       | 14,682       |
| Total assets  | \$ 2,017,117              | \$ 4,292,989 | \$ —    | \$ 6,310,115 |
| Derivative transactions (*2)  |                           |              |         |              |
| Interest rate related   | \$ —                      | \$ 2,181     | \$ —    | \$ 2,181     |
| Currency related  | —                         | 52,071       | —       | 52,071       |
| Total liabilities   | \$ —                      | \$ 54,252    | \$ —    | \$ 54,252    |

(\*1) Investment trusts, etc., to which the transitional treatment prescribed in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is applied are not included in the above table. The amount of such investment trusts, etc., in the consolidated balance sheet at March 31, 2022 was ¥688,038 million (\$5,621,684 thousand).

(\*2) The amount of derivative transactions to which hedge accounting is applied in the consolidated balance sheet at March 31, 2022 was ¥2,625 million (\$21,447 thousand).

## (2) Financial instruments not carried at fair value in the consolidated balance sheet

|                                  | Millions of yen |             |             |             |
|----------------------------------|-----------------|-------------|-------------|-------------|
|                                  | 2022            |             |             |             |
|                                  | Fair value      |             |             |             |
|                                  | Level 1         | Level 2     | Level 3     | Total       |
| Securities                       |                 |             |             |             |
| Held-to-maturity debt securities |                 |             |             |             |
| Corporate bonds .....            | ¥ —             | ¥ —         | ¥ 43,678    | ¥ 43,678    |
| Loans and bills discounted ..... | —               | 47,444      | 3,805,719   | 3,853,164   |
| Total assets .....               | ¥ —             | ¥ 47,444    | ¥ 3,849,398 | ¥ 3,896,842 |
| Deposits .....                   | ¥ —             | ¥ 5,647,422 | ¥ —         | ¥ 5,647,422 |
| Borrowed money .....             | —               | 703,425     | 5,775       | 709,201     |
| Total liabilities .....          | ¥ —             | ¥ 6,350,847 | ¥ 5,775     | ¥ 6,356,623 |

|                                  | Thousands of U.S. dollars |               |               |               |
|----------------------------------|---------------------------|---------------|---------------|---------------|
|                                  | 2022                      |               |               |               |
|                                  | Fair value                |               |               |               |
|                                  | Level 1                   | Level 2       | Level 3       | Total         |
| Securities                       |                           |               |               |               |
| Held-to-maturity debt securities |                           |               |               |               |
| Corporate bonds .....            | \$ —                      | \$ —          | \$ 356,875    | \$ 356,875    |
| Loans and bills discounted ..... | —                         | 387,646       | 31,095,015    | 31,482,670    |
| Total assets .....               | \$ —                      | \$ 387,646    | \$ 31,451,899 | \$ 31,839,545 |
| Deposits .....                   | \$ —                      | \$ 46,142,838 | \$ —          | \$ 46,142,838 |
| Borrowed money .....             | —                         | 5,747,405     | 47,185        | 5,794,599     |
| Total liabilities .....          | \$ —                      | \$ 51,890,244 | \$ 47,185     | \$ 51,937,437 |

(Note) Valuation techniques and inputs used in fair value measurement

### Assets

#### Money held in trust:

The fair value of securities managed as trust assets in individually managed money held in trust primarily for securities management purposes is determined based on the price provided by the financial institutions, and classified according to the level of their components.

Money held in trust categorized by holding purposes is described in Note 27, "SECURITIES AND MONEY HELD IN TRUST."

#### Securities:

The fair value of securities with unadjusted quoted prices in active markets are classified as Level 1. This includes mainly listed equity securities and Japanese government bonds.

Even when there are published quoted prices, however, fair values arising from markets that are not active are classified as Level 2. This mainly includes Japanese local government bonds, corporate bonds and residential mortgage-backed securities.

The fair value of investment trusts is determined using the published standard quotation pursuant to the transitional treatment prescribed in Paragraph 26 of the Accounting Standard for Fair Value Measurement and is not classified by level.

The fair value of private bonds guaranteed by the Bank is calculated by discounting the total amount of principal and interest at an interest rate applicable to new similar bonds, following a division into certain periods, redemption methods and guarantee classification. For private bonds guaranteed by the Bank issued by "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, an estimated loan loss is calculated based on either a present value of estimated future cash flows or an amount expected to be recovered from collateral and guarantees. Therefore, their fair value approximates the carrying amount of claims at the balance sheet date less reserve for possible loan losses, and such amount is used as fair value. The fair value of private bonds guaranteed by the Bank is classified as Level 3.

Securities categorized by the purpose for which they are held are described in Note 27, "SECURITIES AND MONEY HELD IN TRUST."

#### Loans and bills discounted:

The fair value of loans and bills discounted is calculated by discounting the total amount of principal and interest at a discounted rate, that is a market interest rate adjusted for credit risk, etc., following a division into loan type, internal rating and period. For loans with floating interest rates which reflect market interest rates within a short period of time, fair value approximates carrying amount as long as the credit standing of the borrowers has not changed significantly from the time of the transaction, therefore the carrying amount is used as the fair value. For loans to "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, the fair value is calculated based on the discounted present value of the estimated future cash flows or that using an amount expected to be recovered from collateral and guarantees. These are classified as Level 3.

The fair value of embedded derivative loans is determined based on the discounted present value of future cash flows or a value calculated by option pricing models, etc., using observable inputs, such as interest rates, and are classified as Level 2.

### Liabilities

#### Deposits:

For demand deposits, the amount required to be paid if demanded on the consolidated balance sheet date is deemed to be the fair value. The fair value of time deposits is determined based on the present value by discounting future cash flows classified by a certain period. The interest rate applicable to new deposits is used as the discount rate. For deposits whose contract period is short (within a year), the fair value approximates carrying amount, which is therefore used as the fair value.

These are classified as Level 2.

## Consolidated Financial Statements

### Borrowed money:

The fair value of borrowed money is based on the net present value calculated by discounting the total amount of principal and interest classified by a certain period at an interest rate that takes the remaining period and credit risk into account. For borrowed money with floating interest rates which reflect market interest rates within a short period of time, the fair value is deemed to approximate the carrying amount as long as the credit standing of the Bank and its consolidated subsidiaries has not changed significantly after the transaction. In the cases, the carrying amount is used as fair value. For borrowed money whose contract period is short (within a year), the fair value approximates the carrying amount, which is therefore used as fair value.

These are classified mainly as Level 2.

### Derivative transactions:

The fair value of derivative transactions with unadjusted quoted prices in active markets available is classified as Level 1. This includes mainly bond futures transactions and interest rate futures transactions.

However, as most derivatives are over-the-counter transactions and there are no published quoted prices, the fair value is determined based on a discounted present value of future cash flows or a value calculated by option pricing models, etc., depending on the transaction type and the period to maturity. In cases in which unobservable inputs are not used or their impact is immaterial, fair value is classified as Level 2. These cases include plain vanilla interest rate swaps and forward foreign exchange contracts. In addition, in cases in which significant unobservable inputs are used, the fair value is classified as Level 3.

## 27. SECURITIES AND MONEY HELD IN TRUST

The securities in this note include "Trading account securities" and beneficial interests in trust assets under "Debt purchased," in addition to "Securities" classified on the consolidated balance sheets.

### (1) Trading account securities and securities with available fair values at March 31, 2022 and 2021

#### (a) Trading securities

Not applicable for the fiscal years ended March 31, 2022 and 2021.

#### (b) Held-to-maturity debt securities

|   | Millions of yen |            |                           |
|---|-----------------|------------|---------------------------|
|   | 2022            |            |                           |
|   | Carrying amount | Fair value | Unrealized gains (losses) |
| Fair value exceeding carrying amount:     |                 |            |                           |
| Corporate bonds .....                     | ¥ 21,075        | ¥ 21,108   | ¥ 32                      |
| Subtotal.....                             | ¥ 21,075        | ¥ 21,108   | ¥ 32                      |
| Fair value not exceeding carrying amount: |                 |            |                           |
| Corporate bonds .....                     | ¥ 22,598        | ¥ 22,569   | ¥ (28)                    |
| Subtotal.....                             | ¥ 22,598        | ¥ 22,569   | ¥ (28)                    |
| Total .....                               | ¥ 43,674        | ¥ 43,678   | ¥ 4                       |

|   | Millions of yen |            |                           |
|---|-----------------|------------|---------------------------|
|   | 2021            |            |                           |
|   | Carrying amount | Fair value | Unrealized gains (losses) |
| Fair value exceeding carrying amount:     |                 |            |                           |
| Corporate bonds .....                     | ¥ 33,128        | ¥ 33,191   | ¥ 62                      |
| Subtotal.....                             | ¥ 33,128        | ¥ 33,191   | ¥ 62                      |
| Fair value not exceeding carrying amount: |                 |            |                           |
| Corporate bonds .....                     | ¥ 3,458         | ¥ 3,443    | ¥ (14)                    |
| Subtotal.....                             | ¥ 3,458         | ¥ 3,443    | ¥ (14)                    |
| Total .....                               | ¥ 36,586        | ¥ 36,634   | ¥ 48                      |

|   | Thousands of U.S. dollars |            |                           |
|---|---------------------------|------------|---------------------------|
|   | 2022                      |            |                           |
|   | Carrying amount           | Fair value | Unrealized gains (losses) |
| Fair value exceeding carrying amount:     |                           |            |                           |
| Corporate bonds .....                     | \$ 172,195                | \$ 172,465 | \$ 261                    |
| Subtotal.....                             | \$ 172,195                | \$ 172,465 | \$ 261                    |
| Fair value not exceeding carrying amount: |                           |            |                           |
| Corporate bonds .....                     | \$ 184,639                | \$ 184,402 | \$ (228)                  |
| Subtotal.....                             | \$ 184,639                | \$ 184,402 | \$ (228)                  |
| Total .....                               | \$ 356,842                | \$ 356,875 | \$ 32                     |

**(c) Available-for-sale securities**

|   | Millions of yen |                  |                           |
|---|-----------------|------------------|---------------------------|
|   | 2022            |                  |                           |
|   | Carrying amount | Acquisition cost | Unrealized gains (losses) |
| Carrying amount exceeding acquisition cost:     |                 |                  |                           |
| Stocks.....                                     | ¥ 71,051        | ¥ 31,526         | ¥ 39,525                  |
| Bonds .....                                     | 206,577         | 204,585          | 1,992                     |
| Japanese government bonds .....                 | 68,002          | 67,120           | 882                       |
| Japanese local government bonds .....           | 55,704          | 55,272           | 432                       |
| Japanese corporate bonds.....                   | 82,870          | 82,192           | 678                       |
| Others .....                                    | 95,788          | 92,645           | 3,142                     |
| Foreign securities included.....                | 17,905          | 17,828           | 77                        |
| Subtotal.....                                   | ¥ 373,417       | ¥ 328,756        | ¥ 44,660                  |
| Carrying amount not exceeding acquisition cost: |                 |                  |                           |
| Stocks.....                                     | ¥ 2,290         | ¥ 2,547          | ¥ (257)                   |
| Bonds .....                                     | 355,884         | 360,183          | (4,298)                   |
| Japanese government bonds .....                 | 52,587          | 54,007           | (1,419)                   |
| Japanese local government bonds .....           | 169,059         | 170,679          | (1,619)                   |
| Japanese corporate bonds.....                   | 134,237         | 135,497          | (1,259)                   |
| Others .....                                    | 679,755         | 700,840          | (21,085)                  |
| Foreign securities included.....                | 83,276          | 90,215           | (6,938)                   |
| Subtotal.....                                   | ¥ 1,037,930     | ¥ 1,063,572      | ¥ (25,641)                |
| Total .....                                     | ¥ 1,411,347     | ¥ 1,392,328      | ¥ 19,019                  |

|   | Millions of yen |                  |                           |
|---|-----------------|------------------|---------------------------|
|   | 2021            |                  |                           |
|   | Carrying amount | Acquisition cost | Unrealized gains (losses) |
| Carrying amount exceeding acquisition cost:     |                 |                  |                           |
| Stocks.....                                     | ¥ 79,031        | ¥ 36,336         | ¥ 42,695                  |
| Bonds .....                                     | 330,549         | 326,506          | 4,042                     |
| Japanese government bonds .....                 | 100,423         | 98,672           | 1,750                     |
| Japanese local government bonds .....           | 101,588         | 100,662          | 925                       |
| Japanese corporate bonds.....                   | 128,538         | 127,171          | 1,366                     |
| Others .....                                    | 500,188         | 491,264          | 8,924                     |
| Foreign securities included.....                | 62,643          | 60,797           | 1,846                     |
| Subtotal.....                                   | ¥ 909,769       | ¥ 854,107        | ¥ 55,662                  |
| Carrying amount not exceeding acquisition cost: |                 |                  |                           |
| Stocks.....                                     | ¥ 1,202         | ¥ 1,302          | ¥ (100)                   |
| Bonds .....                                     | 218,746         | 219,728          | (982)                     |
| Japanese government bonds .....                 | 38,038          | 38,401           | (363)                     |
| Japanese local government bonds .....           | 88,092          | 88,384           | (292)                     |
| Japanese corporate bonds.....                   | 92,616          | 92,942           | (325)                     |
| Others .....                                    | 250,296         | 263,444          | (13,148)                  |
| Foreign securities included.....                | 73,980          | 79,644           | (5,664)                   |
| Subtotal.....                                   | ¥ 470,245       | ¥ 484,476        | ¥ (14,230)                |
| Total .....                                     | ¥ 1,380,014     | ¥ 1,338,583      | ¥ 41,431                  |



## Consolidated Financial Statements

|   | Thousands of U.S. dollars |                  |                           |
|---|---------------------------|------------------|---------------------------|
|   | 2022                      |                  |                           |
|   | Carrying amount           | Acquisition cost | Unrealized gains (losses) |
| Carrying amount exceeding acquisition cost:     |                           |                  |                           |
| Stocks.....                                     | \$ 580,529                | \$ 257,586       | \$ 322,943                |
| Bonds .....                                     | 1,687,858                 | 1,671,582        | 16,275                    |
| Japanese government bonds .....                 | 555,617                   | 548,410          | 7,206                     |
| Japanese local government bonds .....           | 455,135                   | 451,605          | 3,529                     |
| Japanese corporate bonds .....                  | 677,097                   | 671,558          | 5,539                     |
| Others .....                                    | 782,645                   | 756,965          | 25,672                    |
| Foreign securities included.....                | 146,294                   | 145,665          | 629                       |
| Subtotal.....                                   | \$ 3,051,041              | \$ 2,686,134     | \$ 364,899                |
| Carrying amount not exceeding acquisition cost: |                           |                  |                           |
| Stocks.....                                     | \$ 18,710                 | \$ 20,810        | \$ (2,099)                |
| Bonds .....                                     | 2,907,786                 | 2,942,912        | (35,117)                  |
| Japanese government bonds .....                 | 429,667                   | 441,269          | (11,594)                  |
| Japanese local government bonds .....           | 1,381,313                 | 1,394,550        | (13,228)                  |
| Japanese corporate bonds .....                  | 1,096,797                 | 1,107,092        | (10,286)                  |
| Others .....                                    | 5,554,007                 | 5,726,284        | (172,277)                 |
| Foreign securities included.....                | 680,415                   | 737,110          | (56,687)                  |
| Subtotal.....                                   | \$ 8,480,513              | \$ 8,690,023     | \$ (209,502)              |
| Total .....                                     | \$ 11,531,554             | \$ 11,376,158    | \$ 155,396                |

No securities loaned under unsecured securities lending transactions were included at March 31, 2022. Such securities were included in Japanese government bonds under "Securities" in the amount of ¥40,582 million at March 31, 2021.

**(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2022 and 2021**

|                                | Millions of yen |                |                 |
|--------------------------------|-----------------|----------------|-----------------|
|                                | 2022            |                |                 |
|                                | Sales amount    | Gains on sales | Losses on sales |
| Bonds .....                    | ¥ 654           | ¥ 656          | ¥ 2             |
| Japanese corporate bonds ..... | 654             | 656            | 2               |
| Total .....                    | ¥ 654           | ¥ 656          | ¥ 2             |

|                                | Millions of yen |                |                 |
|--------------------------------|-----------------|----------------|-----------------|
|                                | 2021            |                |                 |
|                                | Sales amount    | Gains on sales | Losses on sales |
| Bonds .....                    | ¥ 175           | ¥ 175          | ¥ 0             |
| Japanese corporate bonds ..... | 175             | 175            | 0               |
| Total .....                    | ¥ 175           | ¥ 175          | ¥ 0             |

|                                | Thousands of U.S. dollars |                |                 |
|--------------------------------|---------------------------|----------------|-----------------|
|                                | 2022                      |                |                 |
|                                | Sales amount              | Gains on sales | Losses on sales |
| Bonds .....                    | \$ 5,343                  | \$ 5,359       | \$ 16           |
| Japanese corporate bonds ..... | 5,343                     | 5,359          | 16              |
| Total .....                    | \$ 5,343                  | \$ 5,359       | \$ 16           |

(Reason for sale) Sales of Japanese corporate bonds comprise retirement by purchase of private bonds.

**(3) Available-for-sale securities sold for the fiscal years ended March 31, 2022 and 2021**

|                                       | Millions of yen |                |                 |
|---------------------------------------|-----------------|----------------|-----------------|
|                                       | 2022            |                |                 |
|                                       | Sales amount    | Gains on sales | Losses on sales |
| Stocks.....                           | ¥ 5,042         | ¥ 1,309        | ¥ 53            |
| Bonds .....                           | 51,566          | 148            | 8               |
| Japanese government bonds .....       | 51,356          | 148            | 7               |
| Japanese local government bonds ..... | 179             | —              | 0               |
| Japanese corporate bonds .....        | 30              | —              | 0               |
| Others .....                          | 123,283         | 3,045          | 3,040           |
| Foreign securities included.....      | 96,006          | 2,241          | 2,408           |
| Total .....                           | ¥ 179,892       | ¥ 4,504        | ¥ 3,102         |

|                                       | Millions of yen |                |                 |
|---------------------------------------|-----------------|----------------|-----------------|
|                                       | 2021            |                |                 |
|                                       | Sales amount    | Gains on sales | Losses on sales |
| Stocks.....                           | ¥ 5,790         | ¥ 1,399        | ¥ 128           |
| Bonds .....                           | 82,968          | 219            | 0               |
| Japanese government bonds .....       | 82,681          | 219            | —               |
| Japanese local government bonds ..... | 179             | —              | 0               |
| Japanese corporate bonds.....         | 107             | —              | 0               |
| Others .....                          | 291,086         | 5,735          | 6,195           |
| Foreign securities included.....      | 241,444         | 4,787          | 629             |
| Total .....                           | ¥ 379,845       | ¥ 7,354        | ¥ 6,324         |

|                                       | Thousands of U.S. dollars |                |                 |
|---------------------------------------|---------------------------|----------------|-----------------|
|                                       | 2022                      |                |                 |
|                                       | Sales amount              | Gains on sales | Losses on sales |
| Stocks.....                           | \$ 41,196                 | \$ 10,695      | \$ 433          |
| Bonds .....                           | 421,325                   | 1,209          | 65              |
| Japanese government bonds .....       | 419,609                   | 1,209          | 57              |
| Japanese local government bonds ..... | 1,462                     | —              | 0               |
| Japanese corporate bonds.....         | 245                       | —              | 0               |
| Others .....                          | 1,007,296                 | 24,879         | 24,838          |
| Foreign securities included.....      | 784,426                   | 18,310         | 19,674          |
| Total .....                           | \$ 1,469,825              | \$ 36,800      | \$ 25,345       |

#### (4) Money held in trust at March 31, 2022 and 2021

Money held in trust for trading purposes

|   | Millions of yen                   |          | Thousands of U.S. dollars |
|---|-----------------------------------|----------|---------------------------|
|   | 2022                              | 2021     | 2022                      |
|   | Carrying amount (fair value)..... | ¥ 22,000 | ¥ 38,000                  |
| Amount of net unrealized gains (losses) included in the consolidated statements of income ..... | 358                               | (58)     | 2,925                     |

Money held in trust for purposes other than trading or held-to-maturity

|                        | Millions of yen       |          | Thousands of U.S. dollars |
|------------------------|-----------------------|----------|---------------------------|
|                        | 2022                  | 2021     | 2022                      |
|                        | Carrying amount ..... | ¥ 22,017 | ¥ 2,500                   |
| Acquisition cost ..... | 22,473                | 2,500    | 183,617                   |
| Difference .....       | (455)                 | —        | (3,717)                   |
| Unrealized gain .....  | —                     | —        | —                         |
| Unrealized loss.....   | (455)                 | —        | (3,717)                   |

The principal amount in trust with contracts to compensate losses on the principal was as follows:

|  | Millions of yen           |         | Thousands of U.S. dollars |
|--|---------------------------|---------|---------------------------|
|  | 2022                      | 2021    | 2022                      |
|  | Money held in trust ..... | ¥ 5,467 | ¥ 6,265                   |

#### (5) Components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2022 and 2021

|  | Millions of yen           |          | Thousands of U.S. dollars |
|--|---------------------------|----------|---------------------------|
|  | 2022                      | 2021     | 2022                      |
|  | Valuation difference..... | ¥ 18,562 | ¥ 41,431                  |
| Deferred tax liabilities .....   | (3,440)                   | (10,209) | (28,106)                  |
| Valuation difference on available-for-sale securities before adjustment for noncontrolling interests ..... | ¥ 15,121                  | ¥ 31,221 | \$ 123,547                |
| Noncontrolling interests adjustment .....  | —                         | —        | —                         |
| Valuation difference on available-for-sale securities .....  | ¥ 15,121                  | ¥ 31,221 | \$ 123,547                |

#### (6) Securities reclassified for the fiscal years ended March 31, 2022 and 2021

Not applicable.

## Consolidated Financial Statements

## (7) Impairment loss on securities

In the event that the fair value of securities other than securities held for trading purpose (excluding stocks, etc. that do not have a market price and investments in partnerships) declines significantly from the acquisition cost and the fair value is not expected to recover, such securities are stated at fair value and the difference between the fair value and the acquisition cost is recognized as loss in the period of the decline ("impairment loss"). The fair value is regarded as "significantly declined" when (i) the fair value as of the end of the fiscal year has declined by more than 50% of the acquisition cost or (ii) the fair value as of the end of the fiscal year has declined by more than 30% but less than 50% of the acquisition cost, and is not expected to recover within one year. The Bank recognized impairment loss on stocks of ¥143 million (\$1,168 thousand) and ¥33 million for the fiscal years ended March 31, 2022 and 2021, respectively.

## 28. DERIVATIVE TRANSACTIONS

## (1) Derivative contracts to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, the contract amount or notional principal amount defined in the contract, fair value and unrealized gains (losses) by transaction type as of March 31, 2022 and 2021 were as follows.

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

## (a) Interest rate related transactions

|                               |  | Millions of yen |                                    |            |                           |
|-------------------------------|--|-----------------|------------------------------------|------------|---------------------------|
|                               |  | 2022            |                                    |            |                           |
| Category                      | Transaction type                             | Contract amount | Contract amount due after one year | Fair value | Unrealized gains (losses) |
| Exchange transactions         | Interest rate futures                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
|                               | Interest rate options                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
| Over-the-counter transactions | Forward rate agreements                      |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
|                               | Interest rate swaps                          |                 |                                    |            |                           |
|                               | Receive fixed rate/pay floating rate .....   | ¥ 36,680        | ¥ 36,680                           | ¥ (78)     | ¥ (78)                    |
|                               | Receive floating rate/pay fixed rate .....   | 38,409          | 38,243                             | 357        | 357                       |
|                               | Receive floating rate/pay floating rate..... | —               | —                                  | —          | —                         |
|                               | Interest rate options                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
| Other                         |  |                 |                                    |            |                           |
| Sold.....                     | —  | —               | —                                  | —          |                           |
| Bought .....                  | —  | —               | —                                  | —          |                           |
| Total .....                   |  | ¥ —             | ¥ —                                | ¥ 278      | ¥ 278                     |

|                               |  | Millions of yen |                                    |            |                           |
|-------------------------------|--|-----------------|------------------------------------|------------|---------------------------|
|                               |  | 2021            |                                    |            |                           |
| Category                      | Transaction type                             | Contract amount | Contract amount due after one year | Fair value | Unrealized gains (losses) |
| Exchange transactions         | Interest rate futures                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
|                               | Interest rate options                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
| Over-the-counter transactions | Forward rate agreements                      |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
|                               | Interest rate swaps                          |                 |                                    |            |                           |
|                               | Receive fixed rate/pay floating rate .....   | ¥ 25,445        | ¥ 25,445                           | ¥ 257      | ¥ 257                     |
|                               | Receive floating rate/pay fixed rate .....   | 28,084          | 27,758                             | (102)      | (102)                     |
|                               | Receive floating rate/pay floating rate..... | —               | —                                  | —          | —                         |
|                               | Interest rate options                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought .....                                 | —               | —                                  | —          | —                         |
| Other                         |  |                 |                                    |            |                           |
| Sold.....                     | —  | —               | —                                  | —          |                           |
| Bought .....                  | —  | —               | —                                  | —          |                           |
| Total .....                   |  | ¥ —             | ¥ —                                | ¥ 154      | ¥ 154                     |

Thousands of U.S. dollars

|                               |  | 2022            |                                    |            |                           |
|-------------------------------|--|-----------------|------------------------------------|------------|---------------------------|
| Category                      | Transaction type                             | Contract amount | Contract amount due after one year | Fair value | Unrealized gains (losses) |
| Exchange transactions         | Interest rate futures                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought.....                                  | —               | —                                  | —          | —                         |
|                               | Interest rate options                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought.....                                  | —               | —                                  | —          | —                         |
| Over-the-counter transactions | Forward rate agreements                      |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought.....                                  | —               | —                                  | —          | —                         |
|                               | Interest rate swaps                          |                 |                                    |            |                           |
|                               | Receive fixed rate/pay floating rate.....    | \$ 299,697      | \$ 299,697                         | \$ (637)   | \$ (637)                  |
|                               | Receive floating rate/pay fixed rate.....    | 313,824         | 312,468                            | 2,916      | 2,916                     |
|                               | Receive floating rate/pay floating rate..... | —               | —                                  | —          | —                         |
|                               | Interest rate options                        |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought.....                                  | —               | —                                  | —          | —                         |
| Other                         |  |                 |                                    |            |                           |
|                               | Sold.....                                    | —               | —                                  | —          | —                         |
|                               | Bought.....                                  | —               | —                                  | —          | —                         |
| Total                         |  | \$ —            | \$ —                               | \$ 2,271   | \$ 2,271                  |

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses), except as in Note 2 below, are recognized in the consolidated statements of income.

2. The following amounts for which the application of hedge accounting was cancelled since the requirements for hedge accounting were not met were included in "Receive floating rate/pay fixed rate" of interest rate swaps.

|                                | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|---------------------------|
|                                | 2022            | 2021    | 2022                      |
| Contract amount.....           | ¥ 1,729         | ¥ 2,638 | \$ 14,126                 |
| Fair value.....                | (49)            | (87)    | (400)                     |
| Unrealized gains (losses)..... | (49)            | (87)    | (400)                     |

The following unrealized gains (losses) on "Receive floating rate/pay fixed rate" were deferred over the hedge period due to the cancellation.

|                                | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|---------------------------|
|                                | 2022            | 2021    | 2022                      |
| Unrealized gains (losses)..... | ¥ 81            | ¥ (118) | \$ 661                    |

**(b) Currency related transactions**

|                               |                                    | Millions of yen |                                    |            |                           |
|-------------------------------|------------------------------------|-----------------|------------------------------------|------------|---------------------------|
|                               |                                    | 2022            |                                    |            |                           |
| Category                      | Transaction type                   | Contract amount | Contract amount due after one year | Fair value | Unrealized gains (losses) |
| Exchange transactions         | Currency futures                   |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought.....                        | —               | —                                  | —          | —                         |
|                               | Currency options                   |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought.....                        | —               | —                                  | —          | —                         |
| Over-the-counter transactions | Currency swaps.....                | ¥ 522,426       | ¥ 435,097                          | ¥ (3,084)  | ¥ (3,084)                 |
|                               | Forward foreign exchange contracts |                 |                                    |            |                           |
|                               | Sold.....                          | 35,135          | 10,419                             | (2,397)    | (2,397)                   |
|                               | Bought.....                        | 10,835          | 8,828                              | 905        | 905                       |
|                               | Currency options                   |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought.....                        | —               | —                                  | —          | —                         |
| Other                         |                                    |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought.....                        | —               | —                                  | —          | —                         |
| Total                         |                                    | ¥ —             | ¥ —                                | ¥ (4,575)  | ¥ (4,575)                 |



## Consolidated Financial Statements

|                               |                                    | Millions of yen |                                    |            |                           |
|-------------------------------|------------------------------------|-----------------|------------------------------------|------------|---------------------------|
|                               |                                    | 2021            |                                    |            |                           |
| Category                      | Transaction type                   | Contract amount | Contract amount due after one year | Fair value | Unrealized gains (losses) |
| Exchange transactions         | Currency futures                   |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought .....                       | —               | —                                  | —          | —                         |
|                               | Currency options                   |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought .....                       | —               | —                                  | —          | —                         |
| Over-the-counter transactions | Currency swaps .....               | ¥ 514,988       | ¥ 348,172                          | ¥ (1,148)  | ¥ (1,148)                 |
|                               | Forward foreign exchange contracts |                 |                                    |            |                           |
|                               | Sold.....                          | 19,079          | 8,801                              | (418)      | (418)                     |
|                               | Bought .....                       | 11,421          | 8,026                              | 147        | 147                       |
|                               | Currency options                   |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought .....                       | —               | —                                  | —          | —                         |
|                               | Other                              |                 |                                    |            |                           |
|                               | Sold.....                          | —               | —                                  | —          | —                         |
|                               | Bought .....                       | —               | —                                  | —          | —                         |
| Total .....                   | ¥ —                                | ¥ —             | ¥ (1,419)                          | ¥ (1,419)  |                           |

|                               |                                    | Thousands of U.S. dollars |                                    |             |                           |
|-------------------------------|------------------------------------|---------------------------|------------------------------------|-------------|---------------------------|
|                               |                                    | 2022                      |                                    |             |                           |
| Category                      | Transaction type                   | Contract amount           | Contract amount due after one year | Fair value  | Unrealized gains (losses) |
| Exchange transactions         | Currency futures                   |                           |                                    |             |                           |
|                               | Sold.....                          | —                         | —                                  | —           | —                         |
|                               | Bought .....                       | —                         | —                                  | —           | —                         |
|                               | Currency options                   |                           |                                    |             |                           |
|                               | Sold.....                          | —                         | —                                  | —           | —                         |
|                               | Bought .....                       | —                         | —                                  | —           | —                         |
| Over-the-counter transactions | Currency swaps .....               | \$ 4,268,535              | \$ 3,555,004                       | \$ (25,198) | \$ (25,198)               |
|                               | Forward foreign exchange contracts |                           |                                    |             |                           |
|                               | Sold.....                          | 287,074                   | 85,129                             | (19,584)    | (19,584)                  |
|                               | Bought .....                       | 88,528                    | 72,130                             | 7,394       | 7,394                     |
|                               | Currency options                   |                           |                                    |             |                           |
|                               | Sold.....                          | —                         | —                                  | —           | —                         |
|                               | Bought .....                       | —                         | —                                  | —           | —                         |
|                               | Other                              |                           |                                    |             |                           |
|                               | Sold.....                          | —                         | —                                  | —           | —                         |
|                               | Bought .....                       | —                         | —                                  | —           | —                         |
| Total .....                   | \$ —                               | \$ —                      | \$ 37,380                          | \$ 37,380   |                           |

Note: The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.

**(c) Stock related transactions**

None.

**(d) Bond related transactions**

None.

**(e) Commodity related transactions**

None.

**(f) Credit derivative transactions**

None.

## (2) Derivative contracts to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, the contract amount or notional principal amount defined in the contract, and fair value by transaction type and by hedge accounting method as of March 31, 2022 and 2021 were as follows. Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

### (a) Interest rate related transactions

|   |                                      |   | Millions of yen |                                    |            |
|---|--------------------------------------|---|-----------------|------------------------------------|------------|
|   |                                      |   | 2022            |                                    |            |
| Hedge accounting method                               | Transaction type                     | Major hedged items  | Contract amount | Contract amount due after one year | Fair value |
| Fundamental method                                    | Interest rate swaps:                 | Interest bearing assets and liabilities such as loans, deposits, and securities denominated in foreign currencies |                 |                                    |            |
|   | Receive fixed rate/pay floating rate |   | —               | —                                  | —          |
|   | Receive floating rate/pay fixed rate |   | ¥ 25,065        | ¥ 25,060                           | ¥ 2,625    |
|   | Interest rate futures                |   | —               | —                                  | —          |
|   | Interest rate options                |   | —               | —                                  | —          |
|   | Other                                |   | —               | —                                  | —          |
| Exceptional accounting method for interest rate swaps | Interest rate swaps                  | —   |                 |                                    |            |
|   | Receive fixed rate/pay floating rate |   | —               | —                                  | —          |
|   | Receive floating rate/pay fixed rate |   | —               | —                                  | —          |
| Total   |                                      | —   | ¥ —             | ¥ —                                | ¥ 2,625    |

|   |                                      |   | Millions of yen |                                    |            |
|---|--------------------------------------|---|-----------------|------------------------------------|------------|
|   |                                      |   | 2021            |                                    |            |
| Hedge accounting method                               | Transaction type                     | Major hedged items  | Contract amount | Contract amount due after one year | Fair value |
| Fundamental method                                    | Interest rate swaps:                 | Interest bearing assets and liabilities such as loans, deposits, and securities denominated in foreign currencies |                 |                                    |            |
|   | Receive fixed rate/pay floating rate |   | —               | —                                  | —          |
|   | Receive floating rate/pay fixed rate |   | ¥ 17,971        | ¥ 17,971                           | ¥ 2,902    |
|   | Interest rate futures                |   | —               | —                                  | —          |
|   | Interest rate options                |   | —               | —                                  | —          |
|   | Other                                |   | —               | —                                  | —          |
| Exceptional accounting method for interest rate swaps | Interest rate swaps                  | —   |                 |                                    |            |
|   | Receive fixed rate/pay floating rate |   | —               | —                                  | —          |
|   | Receive floating rate/pay fixed rate |   | —               | —                                  | —          |
| Total   |                                      | —   | ¥ —             | ¥ —                                | ¥ 2,902    |

|   |                                      |   | Thousands of U.S. dollars |                                    |            |
|---|--------------------------------------|---|---------------------------|------------------------------------|------------|
|   |                                      |   | 2022                      |                                    |            |
| Hedge accounting method                               | Transaction type                     | Major hedged items  | Contract amount           | Contract amount due after one year | Fair value |
| Fundamental method                                    | Interest rate swaps:                 | Interest bearing assets and liabilities such as loans, deposits, and securities denominated in foreign currencies |                           |                                    |            |
|   | Receive fixed rate/pay floating rate |   | —                         | —                                  | —          |
|   | Receive floating rate/pay fixed rate |   | \$ 204,796                | \$ 204,755                         | \$ 21,447  |
|   | Interest rate futures                |   | —                         | —                                  | —          |
|   | Interest rate options                |   | —                         | —                                  | —          |
|   | Other                                |   | —                         | —                                  | —          |
| Exceptional accounting method for interest rate swaps | Interest rate swaps                  | —   |                           |                                    |            |
|   | Receive fixed rate/pay floating rate |   | —                         | —                                  | —          |
|   | Receive floating rate/pay fixed rate |   | —                         | —                                  | —          |
| Total   |                                      | —   | \$ —                      | \$ —                               | \$ 21,447  |

Note: Gain/loss on the above contracts is principally deferred until the maturity of the hedged items under the fundamental method in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24, March 17, 2022).

## Consolidated Financial Statements

### (b) Currency related transactions

None.

### (c) Stock related transactions

None.

### (d) Bond related transactions

None.

## 29. PROJECTED BENEFIT OBLIGATIONS

### (1) Outline of employees' retirement allowance

The Bank provides a non-contributory unfunded lump-sum retirement allowance plan, a funded defined benefit pension plan, and a funded defined contribution pension plan for employees.

On April 1, 2018, the Bank transferred its defined benefit pension plans to risk sharing pension plans and defined contribution pension plans classified as a defined contribution plan provided in Paragraph 4 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, December 16, 2016). In addition, a plan similar to a cash balance plan has been introduced to some of the employees subject to the risk sharing pension plans.

In addition to the amounts that are equivalent to standard contributions, the Bank makes contributions to risk sharing pension plans that are commensurate with risks as prescribed in the plan terms. Benefits from the risk sharing pension plans increase or decrease each fiscal year based on the assets of the pension plan.

Under the plan similar to a cash balance plan, a virtual individual account balance corresponding to the funded amounts and source of pension funds will be set up for each participant, and after retirement, interest principally based on market interest rate trends will be credited to the balance.

Eleven consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans as defined benefit plans and apply the simplified method in the calculation of their liability for retirement benefits and retirement benefit costs using the method in which the necessary amounts to be paid for retirement benefits on a voluntary basis is regarded as the retirement benefit obligations.

Certain consolidated subsidiaries have adopted funded defined contribution pension plans and participate in the Smaller Enterprise Retirement Allowance Mutual Aid Scheme (the "SERAMA Scheme").

### (2) Defined benefit plans

#### (a) Movement in projected benefit obligations

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Balance at the beginning of the fiscal year ..... | ¥ 12,072        | ¥ 12,028 | \$ 98,635                 |
| Service cost .....                                | 627             | 645      | 5,122                     |
| Interest cost .....                               | 80              | 80       | 653                       |
| Actuarial loss (gain) .....                       | 14              | 72       | 114                       |
| Benefits paid .....                               | (601)           | (754)    | (4,910)                   |
| Prior service costs .....                         | —               | —        | —                         |
| Balance at the end of the fiscal year .....       | ¥ 12,191        | ¥ 12,072 | \$ 99,607                 |

Note: Plans based on the simplified method have been included in the above.

#### (b) Movements in plan assets

Not applicable for the fiscal years ended March 31, 2022 and 2021.

#### (c) Reconciliation from projected benefit obligations and plan assets to liability (asset) for retirement benefits

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Funded projected benefit obligations .....  | ¥ 448           | ¥ 415    | \$ 3,660                  |
| Plan assets .....   | —               | —        | —                         |
| Funded assets under the SERAMA Scheme .....   | (215)           | (199)    | (1,756)                   |
|   | 232             | 216      | 1,895                     |
| Unfunded projected benefit obligations .....  | 11,743          | 11,656   | 95,947                    |
| Net liability (assets) for retirement benefits recorded on the consolidated balance sheet ..... | ¥ 11,976        | ¥ 11,872 | \$ 97,851                 |
| Liability for retirement benefits .....   | ¥ 11,976        | ¥ 11,872 | \$ 97,851                 |
| Asset for retirement benefits .....   | —               | —        | —                         |
| Net liability (assets) for retirement benefits recorded on the consolidated balance sheet ..... | ¥ 11,976        | ¥ 11,872 | \$ 97,851                 |

Note: Plans based on the simplified method have been included in the above.

#### (d) Retirement benefit costs

|   | Millions of yen |       | Thousands of U.S. dollars |
|---|-----------------|-------|---------------------------|
|   | 2022            | 2021  | 2022                      |
| Service cost.....                         | ¥ 627           | ¥ 645 | \$ 5,122                  |
| Interest cost.....                        | 80              | 80    | 653                       |
| Expected return on plan assets.....       | —               | —     | —                         |
| Net actuarial loss amortization .....     | 218             | 230   | 1,781                     |
| Amortization of prior service costs ..... | —               | —     | —                         |
| Total retirement benefit costs .....      | ¥ 925           | ¥ 956 | \$ 7,557                  |

Note: Retirement benefit costs of consolidated subsidiaries which have applied the simplified method are included in "Service cost."

#### (e) Adjustments for retirement benefits

The components of adjustments for retirement benefits (before tax effect) were as follows:

|                             | Millions of yen |       | Thousands of U.S. dollars |
|-----------------------------|-----------------|-------|---------------------------|
|                             | 2022            | 2021  | 2022                      |
| Actuarial gain (loss) ..... | ¥ 204           | ¥ 158 | \$ 1,666                  |
| Total.....                  | ¥ 204           | ¥ 158 | \$ 1,666                  |

#### (f) Accumulated adjustments for retirement benefits

The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

|  | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2022            | 2021    | 2022                      |
| Unrecognized actuarial gain (loss) ..... | ¥ (784)         | ¥ (988) | \$ (6,405)                |
| Total.....                               | ¥ (784)         | ¥ (988) | \$ (6,405)                |

#### (g) Plan assets

Not applicable for the fiscal years ended March 31, 2022 and 2021.

#### (h) Actuarial assumptions

The principal actuarial assumptions for the fiscal years ended March 31, 2022 and 2021 were as follows:

|  | 2022  | 2021  |
|--|-------|-------|
| Discount rate .....                        | 0.70% | 0.70% |
| Long-term expected rate of return .....    | —%    | —%    |
| Estimated rate of increase in salary ..... | 2.50% | 2.50% |

#### (3) Defined contribution plans

##### (a) Retirement benefit costs for defined contribution plans

The amounts paid to defined contribution plans by the Bank and its consolidated subsidiaries which have newly adopted defined contribution plans from the fiscal year ended March 31, 2022 was ¥642 million (\$5,245 thousand) and ¥661 million for the fiscal years ended March 31, 2022 and 2021, respectively.

##### (b) The amounts equivalent to contributions commensurate with risks

The contributions that are commensurate with risks required to be contributed from the next fiscal year onwards are ¥1,140 million (\$9,314 thousand), and the number of years remaining for contributions equivalent to the contributions that are commensurate with risks is seven and a half years.



## Consolidated Financial Statements

## 30. STOCK OPTIONS

## (1) Items and amounts expensed related to stock options

|  | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2022            | 2021 | 2022                      |
| General and administrative expenses..... | ¥ 3             | ¥ 16 | \$ 24                     |

Note: On August 31, 2021, the Bank abolished a system of stock options granted as stock-based compensation and shifted to a performance-linked stock compensation plan.

## (2) Stock options outstanding at March 31, 2022

## (a) Outline of stock options

Beneficiaries qualifying for stock option rights are entitled to acquire shares of common stock upon the exercise of their rights. The following table summarizes the number of shares upon exercise of the stock option rights granted by the Bank outstanding at March 31, 2022:

| Stock options      | Persons granted  | Number of options granted (Note) | Date of grant | Exercise price | Exercise period                     | Vesting conditions | Target of service period |
|--------------------|--|----------------------------------|---------------|----------------|-------------------------------------|--------------------|--------------------------|
| 2010 Stock Options | 15 directors of the Bank                               | Common stock 9,440 shares        | July 29, 2010 | ¥1 (\$0.00)    | From July 30, 2010 to July 29, 2040 | Not defined        | Not defined              |
| 2011 Stock Options | 14 directors of the Bank                               | Common stock 10,940 shares       | July 29, 2011 | ¥1 (\$0.00)    | From July 30, 2011 to July 29, 2041 | Not defined        | Not defined              |
| 2012 Stock Options | 15 directors of the Bank                               | Common stock 13,620 shares       | July 27, 2012 | ¥1 (\$0.00)    | From July 28, 2012 to July 27, 2042 | Not defined        | Not defined              |
| 2013 Stock Options | 15 directors of the Bank                               | Common stock 11,950 shares       | July 26, 2013 | ¥1 (\$0.00)    | From July 27, 2013 to July 26, 2043 | Not defined        | Not defined              |
| 2014 Stock Options | 14 directors (excluding outside directors) of the Bank | Common stock 9,970 shares        | July 25, 2014 | ¥1 (\$0.00)    | From July 26, 2014 to July 25, 2044 | Not defined        | Not defined              |
| 2015 Stock Options | 13 directors (excluding outside directors) of the Bank | Common stock 8,400 shares        | July 24, 2015 | ¥1 (\$0.00)    | From July 25, 2015 to July 24, 2045 | Not defined        | Not defined              |
| 2016 Stock Options | 7 directors (excluding outside directors) of the Bank  | Common stock 6,560 shares        | July 29, 2016 | ¥1 (\$0.00)    | From July 30, 2016 to July 29, 2046 | Not defined        | Not defined              |
| 2017 Stock Options | 7 directors (excluding outside directors) of the Bank  | Common stock 6,910 shares        | July 28, 2017 | ¥1 (\$0.00)    | From July 29, 2017 to July 28, 2047 | Not defined        | Not defined              |
| 2018 Stock Options | 7 directors (excluding outside directors) of the Bank  | Common stock 7,800 shares        | July 27, 2018 | ¥1 (\$0.00)    | From July 28, 2018 to July 27, 2048 | Not defined        | Not defined              |
| 2019 Stock Options | 6 directors (excluding outside directors) of the Bank  | Common stock 10,170 shares       | July 26, 2019 | ¥1 (\$0.00)    | From July 27, 2019 to July 26, 2049 | Not defined        | Not defined              |
| 2020 Stock Options | 6 directors (excluding outside directors) of the Bank  | Common stock 10,410 shares       | July 22, 2020 | ¥1 (\$0.00)    | From July 23, 2020 to July 22, 2050 | Not defined        | Not defined              |

Note: The number of stock options has been converted to the number of shares after the one-for-ten reverse stock split implemented on October 1, 2016.

**(b) Stock option activity:**

## 1) Number of stock options

|                                   | Number of shares      |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |       |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------|
|                                   | 2010<br>Stock Options | 2011<br>Stock Options | 2012<br>Stock Options | 2013<br>Stock Options | 2014<br>Stock Options | 2015<br>Stock Options | 2016<br>Stock Options | 2017<br>Stock Options | 2018<br>Stock Options | 2019<br>Stock Options | 2020<br>Stock Options |       |
| <b>Nonvested</b>                  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |       |
| March 31, 2021 – Outstanding..... | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | 2,603 |
| Granted .....                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —     |
| Forfeited .....                   | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —     |
| Vested .....                      | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | 2,603 |
| March 31, 2022 – Outstanding..... | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —     |
| <b>Vested</b>                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |       |
| March 31, 2021 – Outstanding..... | 590                   | 740                   | 870                   | 770                   | 750                   | 1,050                 | 1,260                 | 2,010                 | 3,180                 | 8,200                 | 7,807                 | —     |
| Vested .....                      | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | 2,603 |
| Exercised .....                   | —                     | —                     | —                     | —                     | —                     | —                     | —                     | 670                   | 1,670                 | 2,910                 | 4,610                 | —     |
| Forfeited .....                   | 590                   | 740                   | 870                   | 770                   | 750                   | 1,050                 | 1,260                 | 1,340                 | 1,510                 | 5,290                 | 5,800                 | —     |
| March 31, 2022 – Outstanding..... | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —                     | —     |

Notes: 1. The number of stock options has been converted to the number of shares after the one-for-ten reverse stock split implemented on October 1, 2016.

2. "Forfeited" under "Vested" refers to unexercised stock acquisition rights that have been granted in connection with the abolition of the system of stock options granted as stock-based compensation and the introduction of the performance-linked stock compensation plan and that were waived on the condition that the corresponding number of points under the performance-linked stock compensation plan be granted to those who had not exercised their stock acquisition rights.

## 2) Price information

|  | Yen                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |     |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----|
|  | 2010<br>Stock Options | 2011<br>Stock Options | 2012<br>Stock Options | 2013<br>Stock Options | 2014<br>Stock Options | 2015<br>Stock Options | 2016<br>Stock Options | 2017<br>Stock Options | 2018<br>Stock Options | 2019<br>Stock Options | 2020<br>Stock Options |     |
| Exercise price .....                     | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1                   | ¥ 1 |
| Average stock price at exercise date.... | —                     | —                     | —                     | —                     | —                     | —                     | —                     | 1,837                 | 1,837                 | 1,837                 | 1,837                 | —   |
| Fair value price at grant date.....      | 4,410                 | 3,860                 | 3,030                 | 3,720                 | 4,010                 | 3,970                 | 3,660                 | 2,861                 | 2,663                 | 1,787                 | 1,485                 | —   |

|  | U.S. dollars          |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |         |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------|
|  | 2010<br>Stock Options | 2011<br>Stock Options | 2012<br>Stock Options | 2013<br>Stock Options | 2014<br>Stock Options | 2015<br>Stock Options | 2016<br>Stock Options | 2017<br>Stock Options | 2018<br>Stock Options | 2019<br>Stock Options | 2020<br>Stock Options |         |
| Exercise price .....                     | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00               | \$ 0.00 |
| Average stock price at exercise date.... | —                     | —                     | —                     | —                     | —                     | —                     | —                     | 15.00                 | 15.00                 | 15.00                 | 15.00                 | —       |
| Fair value price at grant date.....      | 36.03                 | 31.53                 | 24.75                 | 30.39                 | 32.76                 | 32.43                 | 29.90                 | 23.37                 | 21.75                 | 14.60                 | 12.13                 | —       |

Note: "Average stock price at exercise date" and "Fair value price at grant date" have been calculated after the one-for-ten reverse stock split implemented on October 1, 2016.

## Consolidated Financial Statements

## 31. INCOME TAXES

The Group is subject to a number of taxes based on income, including corporation tax, inhabitant tax and enterprise tax, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.4 % for the fiscal years ended March 31, 2022 and 2021.

(1) Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

|   | Millions of yen |                 | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
|   | 2022            | 2021            | 2022                      |
| <b>Deferred tax assets:</b>   |                 |                 |                           |
| Excess reserve for possible loan losses.....  | ¥ 7,442         | ¥ 7,252         | \$ 60,805                 |
| Liability for retirement benefits.....  | 3,651           | 3,619           | 29,830                    |
| Depreciation.....   | 733             | 737             | 5,989                     |
| Write-down of land.....   | 875             | 872             | 7,149                     |
| Impairment loss.....  | 1,388           | 1,430           | 11,340                    |
| Valuation loss on securities.....   | 2,805           | 2,757           | 22,918                    |
| Tax loss carryforwards.....   | 559             | 428             | 4,567                     |
| Other.....  | 2,384           | 2,323           | 19,478                    |
| <b>Subtotal deferred tax assets:</b> .....  | <b>19,840</b>   | <b>19,422</b>   | <b>162,104</b>            |
| Valuation allowance pertaining to tax loss carryforwards (Note 3).....                | (541)           | (425)           | (4,420)                   |
| Valuation allowance pertaining to total of deductible temporary differences, etc. ... | (7,686)         | (7,245)         | (62,799)                  |
| Subtotal valuation allowance.....   | (8,228)         | (7,671)         | (67,227)                  |
| <b>Total deferred tax assets</b> .....  | <b>11,612</b>   | <b>11,751</b>   | <b>94,877</b>             |
| <b>Deferred tax liabilities:</b>  |                 |                 |                           |
| Valuation difference on available-for-sale securities.....                            | (3,440)         | (10,209)        | (28,106)                  |
| Deferred gains or losses on hedges.....   | (792)           | (877)           | (6,471)                   |
| Other.....  | (143)           | (63)            | (1,168)                   |
| <b>Total deferred tax liabilities</b> .....   | <b>(4,377)</b>  | <b>(11,151)</b> | <b>(35,762)</b>           |
| <b>Net deferred tax assets (liabilities) (Note 1)</b> .....                           | <b>¥ 7,235</b>  | <b>¥ 600</b>    | <b>\$ 59,114</b>          |

Notes: 1. Net deferred tax assets (liabilities) as of March 31, 2022 and 2021 are included in the following accounts in the consolidated balance sheets:

|                               | Millions of yen |         | Thousands of U.S. dollars |
|-------------------------------|-----------------|---------|---------------------------|
|                               | 2022            | 2021    | 2022                      |
| Deferred tax assets.....      | ¥ 7,247         | ¥ 1,054 | \$ 59,212                 |
| Deferred tax liabilities..... | 12              | 454     | 98                        |

2. As described in Note 4, "CHANGES IN ACCOUNTING POLICIES," the Group has changed the criteria for recognizing income from installment sales transactions from the fiscal year ended March 31, 2022. Accordingly, the figures for the fiscal year ended March 31, 2021 after retrospectively applying this change are presented in the above table.

3. Amount of tax loss carryforwards and their deferred tax assets by carryforwards period

|                               | Millions of yen  |                                  |                                     |                                      |                                     |                  |       |
|-------------------------------|------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|-------|
|                               | 2022             |                                  |                                     |                                      |                                     |                  |       |
|                               | One year or less | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years | Total |
| Tax loss carryforwards (*)... | ¥ —              | ¥ —                              | ¥ —                                 | ¥ —                                  | ¥ —                                 | ¥ 559            | ¥ 559 |
| Valuation allowance.....      | —                | —                                | —                                   | —                                    | —                                   | (541)            | (541) |
| Deferred tax assets.....      | —                | —                                | —                                   | —                                    | —                                   | 18               | 18    |

|                               | Millions of yen  |                                  |                                     |                                      |                                     |                  |       |
|-------------------------------|------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|-------|
|                               | 2021             |                                  |                                     |                                      |                                     |                  |       |
|                               | One year or less | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years | Total |
| Tax loss carryforwards (*)... | ¥ —              | ¥ —                              | ¥ —                                 | ¥ —                                  | ¥ —                                 | ¥ 428            | ¥ 428 |
| Valuation allowance.....      | —                | —                                | —                                   | —                                    | —                                   | (425)            | (425) |
| Deferred tax assets.....      | —                | —                                | —                                   | —                                    | —                                   | 3                | 3     |

|                               | Thousands of U.S. dollars |                                  |                                     |                                      |                                     |                  |          |
|-------------------------------|---------------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|----------|
|                               | 2022                      |                                  |                                     |                                      |                                     |                  |          |
|                               | One year or less          | After one year through two years | After two years through three years | After three years through four years | After four years through five years | After five years | Total    |
| Tax loss carryforwards (*)... | \$ —                      | \$ —                             | \$ —                                | \$ —                                 | \$ —                                | \$ 4,567         | \$ 4,567 |
| Valuation allowance.....      | —                         | —                                | —                                   | —                                    | —                                   | (4,420)          | (4,420)  |
| Deferred tax assets.....      | —                         | —                                | —                                   | —                                    | —                                   | 147              | 147      |

(\*) The tax loss carryforwards are the amounts multiplied by the statutory tax rate.

**(2) Significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2022 and 2021**

|  | 2022   | 2021   |
|--|--------|--------|
| Statutory tax rate.....                      | 30.4%  | 30.4%  |
| Valuation allowance.....                     | 3.0%   | (1.4)% |
| Non-deductible expenses.....                 | 0.1%   | 0.1%   |
| Non-taxable income.....                      | (0.7)% | (0.7)% |
| Inhabitant tax on per capita basis, etc..... | 0.4%   | 0.4%   |
| Other.....                                   | 0.3%   | 0.3%   |
| Effective tax rate.....                      | 33.7%  | 29.2%  |

**32. SEGMENT AND RELATED INFORMATION**

**(1) Overview of the reportable segments**

The Bank's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performance of the segments within the Group. The Group's main operations are banking services. The Bank also provides leasing services and operates securities services, credit card services, and consulting services. The Group has divided its business operations into the two reportable segments of "Banking" and "Leasing."

**(2) Basis of measurement for reported segment profit (loss), segment assets, segment liabilities and other material items**

The accounting methods used for reportable business segments are presented in accordance with Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." The reportable segment profit figures are based on ordinary profit. Income arising from intersegment transactions is based on arm's length prices.

(Changes in measurement method of profit (loss) of reportable segments)

As described in Note 4, "CHANGES IN ACCOUNTING POLICIES," the Group has changed the criteria for recognizing income from installment sales transactions in the leasing business from the fiscal year ended March 31, 2022. Accordingly, segment information for the fiscal year ended March 31, 2021 is presented in accordance with the new measurement method for profit (loss). As a result of this change, ordinary income from outside customers, segment assets and tax expense in the leasing business increased by ¥28 million, ¥111 million and ¥8 million, respectively from the amounts that would have been reported without the change.

**(3) Reportable segment profit (loss), segment assets, segment liabilities and other material items**

Segment information for the fiscal years ended March 31, 2022 and 2021 is summarized as follows:

|   | Millions of yen     |         |           |         |           |            |              |
|---|---------------------|---------|-----------|---------|-----------|------------|--------------|
|   | Reportable segments |         |           | Other   | Total     | Adjustment | Consolidated |
|   | Banking             | Leasing | Total     |         |           |            |              |
| Ordinary income:                                    |                     |         |           |         |           |            |              |
| Outside customers.....                              | ¥ 65,483            | ¥ 8,773 | ¥ 74,256  | ¥ 3,186 | ¥ 77,442  | ¥ 88       | ¥ 77,531     |
| Intersegment income.....                            | 1,402               | 695     | 2,098     | 2,733   | 4,831     | (4,831)    | —            |
| Total.....  | ¥ 66,886            | ¥ 9,468 | ¥ 76,354  | ¥ 5,919 | ¥ 82,274  | ¥ (4,742)  | ¥ 77,531     |
| Segment profit.....                                 | ¥ 17,455            | ¥ 306   | ¥ 17,761  | ¥ 1,567 | ¥ 19,329  | ¥ (1,347)  | ¥ 17,981     |
| Segment assets.....                                 | 6,981,997           | 39,220  | 7,021,218 | 31,582  | 7,052,800 | (51,359)   | 7,001,441    |
| Segment liabilities.....                            | 6,706,723           | 34,364  | 6,741,088 | 13,358  | 6,754,446 | (39,479)   | 6,714,967    |
| Others:   |                     |         |           |         |           |            |              |
| Depreciation.....                                   | 3,107               | 91      | 3,199     | 113     | 3,313     | (16)       | 3,296        |
| Interest income.....                                | 48,920              | 5       | 48,925    | 739     | 49,664    | (1,478)    | 48,185       |
| Interest expense.....                               | 906                 | 80      | 987       | 6       | 994       | (91)       | 902          |
| Extraordinary gain.....                             | 85                  | —       | 85        | 160     | 246       | (160)      | 85           |
| Extraordinary loss.....                             | 128                 | 0       | 128       | 92      | 220       | (63)       | 156          |
| Tax expense.....                                    | 5,550               | 93      | 5,643     | 376     | 6,020     | 21         | 6,042        |
| Increase in tangible and intangible fixed assets... | 2,766               | 133     | 2,899     | 67      | 2,967     | (4)        | 2,963        |

- Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development, credit cards and securities.
3. Adjustments are as below:
- (1) Adjustment of ordinary income from outside customers of ¥88 million is mainly the recovery of written-off claims included in "Others."
  - (2) Adjustment of segment profit of ¥(1,347) million is the elimination of intersegment transactions.
  - (3) Adjustment of segment assets of ¥(51,359) million is the elimination of intersegment transactions.
  - (4) Adjustment of segment liabilities of ¥(39,479) million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
  - (5) Adjustment of depreciation of ¥(16) million is the elimination of intersegment transactions.
  - (6) Adjustment of interest income of ¥(1,478) million is the elimination of intersegment transactions.
  - (7) Adjustment of interest expense of ¥(91) million is the elimination of intersegment transactions.
  - (8) Adjustment of extraordinary gain of ¥(160) million is the elimination of intersegment transactions.
  - (9) Adjustment of extraordinary loss of ¥(63) million is the elimination of intersegment transactions.
  - (10) Adjustment of tax expense of ¥21 million is the elimination of intersegment transactions.
  - (11) Adjustment of increase in tangible and intangible fixed assets of ¥(4) million is due to intersegment transactions.
4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

## Consolidated Financial Statements

|  | Millions of yen     |         |           |         |           |            |              |
|--|---------------------|---------|-----------|---------|-----------|------------|--------------|
|  | Reportable segments |         |           | Other   | Total     | Adjustment | Consolidated |
|  | Banking             | Leasing | Total     |         |           |            |              |
| 2021   |                     |         |           |         |           |            |              |
| Ordinary income:                                     |                     |         |           |         |           |            |              |
| Outside customers .....                              | ¥ 69,680            | ¥ 8,487 | ¥ 78,167  | ¥ 2,960 | ¥ 81,128  | ¥ 98       | ¥ 81,227     |
| Intersegment income .....                            | 1,127               | 788     | 1,915     | 2,664   | 4,580     | (4,580)    | —            |
| Total .....  | ¥ 70,808            | ¥ 9,275 | ¥ 80,083  | ¥ 5,625 | ¥ 85,708  | ¥ (4,481)  | ¥ 81,227     |
| Segment profit .....                                 | ¥ 14,967            | ¥ 410   | ¥ 15,378  | ¥ 1,294 | ¥ 16,672  | ¥ (928)    | ¥ 15,744     |
| Segment assets .....                                 | 6,542,567           | 38,360  | 6,580,927 | 31,767  | 6,612,694 | (52,351)   | 6,560,343    |
| Segment liabilities .....                            | 6,260,077           | 33,573  | 6,293,651 | 13,357  | 6,307,008 | (40,224)   | 6,266,784    |
| Others:  |                     |         |           |         |           |            |              |
| Depreciation .....                                   | 3,383               | 98      | 3,481     | 113     | 3,595     | (20)       | 3,574        |
| Interest income .....                                | 48,645              | 5       | 48,650    | 547     | 49,198    | (1,077)    | 48,121       |
| Interest expense .....                               | 1,264               | 84      | 1,348     | 7       | 1,355     | (96)       | 1,258        |
| Extraordinary gain .....                             | 92                  | —       | 92        | 0       | 93        | (28)       | 64           |
| Extraordinary loss .....                             | 444                 | 0       | 444       | 4       | 449       | —          | 449          |
| Tax expense .....                                    | 3,984               | 129     | 4,114     | 355     | 4,470     | 27         | 4,497        |
| Increase in tangible and intangible fixed assets ... | 1,778               | 51      | 1,830     | 66      | 1,896     | (44)       | 1,852        |

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.

2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development, credit cards and securities.

3. Adjustments are as below:

(1) Adjustment of ordinary income from outside customers of ¥98 million is mainly the recovery of written-off claims included in "Others."

(2) Adjustment of segment profit of ¥(928) million is the elimination of intersegment transactions.

(3) Adjustment of segment assets of ¥(52,351) million is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of ¥(40,224) million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of ¥(20) million is the elimination of intersegment transactions.

(6) Adjustment of interest income of ¥(1,077) million is the elimination of intersegment transactions.

(7) Adjustment of interest expense of ¥(96) million is the elimination of intersegment transactions.

(8) Adjustment of extraordinary gain of ¥(28) million is the elimination of intersegment transactions.

(9) Adjustment of tax expense of ¥27 million is the elimination of intersegment transactions.

(10) Adjustment of increase in tangible and intangible fixed assets of ¥(44) million is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

|  | Thousands of U.S. dollars |           |            |           |            |             |              |
|--|---------------------------|-----------|------------|-----------|------------|-------------|--------------|
|  | Reportable segments       |           |            | Other     | Total      | Adjustment  | Consolidated |
|  | Banking                   | Leasing   | Total      |           |            |             |              |
| 2022   |                           |           |            |           |            |             |              |
| Ordinary income:                                     |                           |           |            |           |            |             |              |
| Outside customers .....                              | \$ 535,035                | \$ 71,680 | \$ 606,716 | \$ 26,031 | \$ 632,747 | \$ 719      | \$ 633,474   |
| Intersegment income .....                            | 11,455                    | 5,678     | 17,141     | 22,330    | 39,472     | (39,472)    | —            |
| Total .....  | \$ 546,498                | \$ 77,359 | \$ 623,858 | \$ 48,361 | \$ 672,228 | \$ (38,744) | \$ 633,474   |
| Segment profit .....                                 | \$ 142,617                | \$ 2,500  | \$ 145,118 | \$ 12,803 | \$ 157,929 | \$ (11,005) | \$ 146,915   |
| Segment assets .....                                 | 57,047,119                | 320,451   | 57,367,579 | 258,043   | 57,625,623 | (419,633)   | 57,205,989   |
| Segment liabilities .....                            | 54,797,965                | 280,774   | 55,078,748 | 109,142   | 55,187,891 | (322,567)   | 54,865,323   |
| Others:  |                           |           |            |           |            |             |              |
| Depreciation .....                                   | 25,386                    | 743       | 26,137     | 923       | 27,069     | (130)       | 26,930       |
| Interest income .....                                | 399,705                   | 40        | 399,746    | 6,038     | 405,784    | (12,076)    | 393,700      |
| Interest expense .....                               | 7,402                     | 653       | 8,064      | 49        | 8,121      | (743)       | 7,369        |
| Extraordinary gain .....                             | 694                       | —         | 694        | 1,307     | 2,009      | (1,307)     | 694          |
| Extraordinary loss .....                             | 1,045                     | 0         | 1,045      | 751       | 1,797      | (514)       | 1,274        |
| Tax expense .....                                    | 45,346                    | 759       | 46,106     | 3,072     | 49,187     | 171         | 49,366       |
| Increase in tangible and intangible fixed assets ... | 22,599                    | 1,086     | 23,686     | 547       | 24,242     | (32)        | 24,209       |

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.

2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development, credit cards and securities.

3. Adjustments are as below:

(1) Adjustment of ordinary income from outside customers of \$719 thousand is mainly the recovery of written-off claims included in "Others."

(2) Adjustment of segment profit of \$(11,005) thousand is the elimination of intersegment transactions.

(3) Adjustment of segment assets of \$(419,633) thousand is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of \$(322,567) thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of \$(130) thousand is the elimination of intersegment transactions.

(6) Adjustment of interest income of \$(12,076) thousand is the elimination of intersegment transactions.

(7) Adjustment of interest expense of \$(743) thousand is the elimination of intersegment transactions.

(8) Adjustment of extraordinary gain of \$(1,307) thousand is the elimination of intersegment transactions.

(9) Adjustment of extraordinary loss of \$(514) thousand is the elimination of intersegment transactions.

(10) Adjustment of tax expense of \$171 thousand is the elimination of intersegment transactions.

(11) Adjustment of increase in tangible and intangible fixed assets of \$(32) thousand is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.



#### (4) Information about services

|   | Millions of yen |                            |         |          |          |
|---|-----------------|----------------------------|---------|----------|----------|
|   | 2022            |                            |         |          |          |
|   | Lending         | Securities and investments | Leasing | Other    | Total    |
| Ordinary income from outside customers..... | ¥ 32,810        | ¥ 19,540                   | ¥ 8,773 | ¥ 16,406 | ¥ 77,531 |

|   | Millions of yen |                            |         |          |          |
|---|-----------------|----------------------------|---------|----------|----------|
|   | 2021            |                            |         |          |          |
|   | Lending         | Securities and investments | Leasing | Other    | Total    |
| Ordinary income from outside customers..... | ¥ 32,018        | ¥ 23,964                   | ¥ 8,487 | ¥ 16,757 | ¥ 81,227 |

|   | Thousands of U.S. dollars |                            |           |            |            |
|---|---------------------------|----------------------------|-----------|------------|------------|
|   | 2022                      |                            |           |            |            |
|   | Lending                   | Securities and investments | Leasing   | Other      | Total      |
| Ordinary income from outside customers..... | \$ 268,077                | \$ 159,653                 | \$ 71,680 | \$ 134,046 | \$ 633,474 |

Note: Ordinary income ("Total income" less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.

#### (5) Information about geographic areas

##### (a) Ordinary income

The ratio of ordinary income from outside customers within Japan to the total ordinary income in the consolidated statements of income exceeded 90% for both fiscal years ended March 31, 2022 and 2021; therefore, no information about geographic areas is required to be disclosed.

##### (b) Tangible fixed assets

The ratio of tangible fixed assets located in Japan to the total tangible fixed assets in the consolidated balance sheets exceeded 90% as of March 31, 2022 and 2021; therefore, no information about geographic areas is required to be disclosed.

#### (6) Information about major customers

There was no ordinary income from a specific customer exceeding 10% of the total consolidated ordinary income for both fiscal years ended March 31, 2022 and 2021; therefore, information about major customers is not required to be disclosed.

#### (7) Impairment loss on fixed assets for each reportable segment

|                       | Millions of yen     |     |  |       |       |
|-----------------------|---------------------|-----|--|-------|-------|
|                       | 2022                |     |  |       |       |
|                       | Reportable segments |     |  | Other | Total |
| Banking               | Leasing             |     |  |       |       |
| Impairment loss ..... | ¥ 58                | ¥ — |  | ¥ 3   | ¥ 62  |

|                       | Millions of yen     |     |  |       |       |
|-----------------------|---------------------|-----|--|-------|-------|
|                       | 2021                |     |  |       |       |
|                       | Reportable segments |     |  | Other | Total |
| Banking               | Leasing             |     |  |       |       |
| Impairment loss ..... | ¥ 385               | ¥ — |  | ¥ 4   | ¥ 389 |

|                       | Thousands of U.S. dollars |      |  |       |        |
|-----------------------|---------------------------|------|--|-------|--------|
|                       | 2022                      |      |  |       |        |
|                       | Reportable segments       |      |  | Other | Total  |
| Banking               | Leasing                   |      |  |       |        |
| Impairment loss ..... | \$ 473                    | \$ — |  | \$ 24 | \$ 506 |

Note: "Other" comprises financial product transactions.

#### (8) Amortization of goodwill and its remaining balance for each reportable segment

There is no information to be reported on amortization of goodwill and its remaining balance.

#### (9) Gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill.

## Consolidated Financial Statements

## 33. RELATED PARTY TRANSACTIONS

For the fiscal year ended March 31, 2022, related party transactions were as follows:

| Relationship with the Bank  | Name                                 | Location         | Paid-in capital (millions of yen) | Occupation/Business | Voting rights ownership (%) | Relationship of related parties | Details of transactions   | Transaction amount (millions of yen) | Transaction amount (thousands of U.S. dollars) | Accounting title | Year-end balance (millions of yen) | Year-end balance (thousands of U.S. dollars) |
|---|--------------------------------------|------------------|-----------------------------------|---------------------|-----------------------------|---------------------------------|---------------------------|--------------------------------------|--|------------------|------------------------------------|--|
| Officers of the Bank and their relatives  | Haruyuki Kakutani                    | —                | ¥—                                | Office worker       | —                           | Executive Officer of the Bank   | Lending of money (Note 2) | ¥—                                   | ¥—   | Loans            | ¥11                                | \$89   |
|   |                                      |                  |                                   |                     |                             |                                 | Interest receivable       | 0                                    | 0  | —                | —                                  | —  |
| A company in which a majority of voting rights are held by officers of the Bank and their relatives | Kitamura Forestry Co., Ltd. (Note 3) | Osaka City Osaka | 32                                | Forestry            | Directly owned 1.28         | Loans                           | Lending of money          | 200                                  | 1,634  | Loans            | 200                                | 1,634  |
|   |                                      |                  |                                   |                     |                             |                                 | Interest receivable       | 2                                    | 16   | —                | —                                  | —  |
|   | NIKKEN BLAST CO., LTD. (Note 4)      | Daito City Osaka | 10                                | Metal processing    | —                           | Loans                           | Lending of money          | —                                    | —  | Loans            | 82                                 | 669  |
|   |                                      |                  |                                   |                     |                             |                                 | Interest receivable       | 0                                    | 0  | —                | —                                  | —  |
| Kyowa Shokai Yakuhin K.K. (Note 5)  | Kizugawa City Kyoto                  | 10               | Sales of chemicals                | —                   | Loans                       | Lending of money                | 76                        | 620                                  | Loans  | 80               | 653                                |  |
|   |                                      |                  |                                   |                     |                             | Interest receivable             | 0                         | 0                                    | —  | —                | —                                  |  |

## Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.

2. Real estate is accepted as collateral for loan transactions.

3. Matazaemon Kitamura (Director of the Bank) and his relatives owned 6% and 94% of the voting rights, respectively, of this company directly.

4. Relatives of Naoki Minowa (Corporate Auditor of the Bank) owned 62.5% of the voting rights of this company directly.

5. Relatives of Hisayoshi Tahara (Executive Officer of the Bank) owned 62.5% of the voting rights of this company directly.

6. Mr. Satou Wada resigned as a Director of the Bank on June 29, 2021 and the loan balance to Mr. Masato Ibi, Mr. Wada's son-in-law, was ¥24 million (\$196 thousand) as of that date.

For the fiscal year ended March 31, 2021, related party transactions were as follows:

| Relationship with the Bank  | Name                                 | Location         | Paid-in capital (millions of yen) | Occupation/Business | Voting rights ownership (%) | Relationship of related parties  | Details of transactions   | Transaction amount (millions of yen) | Accounting title | Year-end balance (millions of yen) |
|---|--------------------------------------|------------------|-----------------------------------|---------------------|-----------------------------|--|---------------------------|--------------------------------------|------------------|------------------------------------|
| Officers of the Bank and their relatives  | Masato Ibi                           | —                | ¥—                                | Office worker       | —                           | Son-in-law of Satou Wada (Director and Managing Executive Officer of the Bank) | Lending of money (Note 2) | ¥—                                   | Loans            | ¥24                                |
|   |                                      |                  |                                   |                     |                             |  | Interest receivable       | 0                                    | —                | —                                  |
| A company in which a majority of voting rights are held by officers of the Bank and their relatives | Kitamura Forestry Co., Ltd. (Note 3) | Osaka City Osaka | 32                                | Forestry            | Directly owned 1.28         | Loans  | Lending of money          | 200                                  | Loans            | 200                                |
|   |                                      |                  |                                   |                     |                             |  | Interest receivable       | 2                                    | —                | —                                  |
|   | NIKKEN BLAST CO., LTD. (Note 4)      | Daito City Osaka | 10                                | Metal processing    | —                           | Loans  | Lending of money          | 60                                   | Loans            | 90                                 |
|   |                                      |                  |                                   |                     |                             |  | Interest receivable       | 0                                    | —                | —                                  |
| Kyowa Shokai Yakuhin K.K. (Note 5)  | Kizugawa City Kyoto                  | 10               | Sales of chemicals                | —                   | Loans                       | Lending of money   | 77                        | Loans                                | 80               |                                    |
|   |                                      |                  |                                   |                     |                             | Interest receivable  | 0                         | —                                    | —                |                                    |

## Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.

2. Real estate is accepted as collateral for loan transactions.

3. Matazaemon Kitamura (Director of the Bank) and his relatives owned 6% and 94% of the voting rights, respectively, of this company directly.

4. Relatives of Naoki Minowa (Corporate Auditor of the Bank) owned 62.5% of the voting rights of this company directly.

5. Relatives of Hisayoshi Tahara (Executive Officer of the Bank) owned 62.5% of the voting rights of this company directly.

6. Mr. Yasuo Ueno resigned as a Director of the Bank on June 26, 2020 and the loan balance to Mr. Kohei Ueno, his second son, was ¥20 million as of that date.

7. Mr. Masashi Hashimoto resigned as an Executive Officer of the Bank on March 31, 2021 and the loan balance to Mr. Kazuyuki Hashimoto, Mr. Masashi Hashimoto's younger brother, was ¥11 million as of that date.

### 34. PER SHARE INFORMATION

Net assets per share at March 31, 2022 and 2021 and net income per share for the fiscal years then ended were as follows:

|                                      | Yen        |            | U.S. dollars |
|--------------------------------------|------------|------------|--------------|
|                                      | 2022       | 2021       | 2022         |
| Net assets per share.....            | ¥ 8,800.10 | ¥ 8,997.85 | \$ 71.90     |
| Net income per share – basic .....   | 364.29     | 333.02     | 2.97         |
| Net income per share – diluted ..... | —          | 332.73     | —            |

Basic information in computing the above per share data was as follows:

|  | Millions of yen |           | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
|  | 2022            | 2021      | 2022                      |
| (Net assets per share)   |                 |           |                           |
| Net assets .....   | ¥ 286,473       | ¥ 293,559 | \$ 2,340,656              |
| Amounts to be deducted from net assets: .....  | —               | 63        | —                         |
| Stock acquisition rights .....   | (—)             | (63)      | (—)                       |
| Net assets attributed to common stock .....  | 286,473         | 293,495   | 2,340,656                 |
| Outstanding number of shares of common stock at end of year<br>(unit: thousands of shares) ..... | 32,553          | 32,618    | —                         |
| (Basic and diluted net income per share)   |                 |           |                           |
| Net income attributable to owners of parent .....  | ¥ 11,867        | ¥ 10,861  | \$ 96,960                 |
| Net income attributable to common stockholders of parent .....                                   | 11,867          | 10,861    | 96,960                    |
| Average outstanding number of shares during the year (unit: thousands of shares) ...             | 32,577          | 32,615    | —                         |
| Adjustment to net income attributable to owners of parent .....                                  | —               | —         | —                         |
| Increase in number of shares of common stock: (unit: thousands of shares) .....                  | —               | 28        | —                         |
| Stock acquisition rights (unit: thousands of shares) .....                                       | (—)             | (28)      | (—)                       |
| Convertible securities not diluting net income per share .....                                   | —               | —         | —                         |

Notes: 1. As described in Note 4, "CHANGES IN ACCOUNTING POLICIES," the Group has changed the criteria for recognizing income from installment sales transactions from the fiscal year ended March 31, 2022. Accordingly, the figures for the fiscal year ended March 31, 2021 after retrospectively applying this change are presented in the above table. As a result, compared with the amounts that would have been reported without the change, net assets per share as of March 31, 2021 increased by ¥3.42 and net income per share – basic and diluted for the fiscal year ended March 31, 2021 each increased by ¥0.60.

2. Net income per share – diluted for the fiscal year ended March 31, 2022 is not presented because there were no residual shares.

3. The Bank introduced the Director Remuneration BIP Trust from the fiscal year ended March 31, 2022. Shares of the Bank remaining in the Trust, which were recorded as treasury stock in stockholders' equity, were included in treasury stock to be deducted for computing net assets per share and net income per share.

The number of shares of treasury stock as of March 31, 2022 that was deducted for computing net asset per share was 73 thousand. In addition, the average number of shares of treasury stock during the fiscal year ended March 31, 2022 that were deducted for computing net income per share was 47 thousand.

### 35. SUBSEQUENT EVENTS.

#### Acquisition of treasury stock

At the Board of Directors' meeting held on August 2, 2022, the Bank resolved to acquire its treasury stock based on Article 156 of the Companies Act as applied with the necessary changes mutatis mutandis pursuant, to Article 165, Paragraph 3 of the Act, with the details of the resolution and results of the acquisition as follows:

#### (1) Details of the resolution

- (a) Purpose of the acquisition: To improve capital efficiency and flexibly implement capital policy in response to changes in the management environment
- (b) Type of shares to be acquired: The Bank's common stock
- (c) Total number of shares to be acquired: Up to 800,000 shares (2.45% of the total number of shares issued, excluding treasury stock)
- (d) Total acquisition cost: Up to ¥1,800,000,000 (\$14,707 thousand)
- (e) Acquisition date: August 3, 2022
- (f) Acquisition method: Through the off-hours trading system of the Tokyo Stock Exchange (ToSTNet-3)

#### (2) Results of the acquisition

- (a) Type of shares acquired: The Bank's common stock
- (b) Total number of shares acquired: 800,000 shares
- (c) Total acquisition cost: ¥1,615,200,000 (\$13,197 thousand)
- (d) Acquisition date: August 3, 2022

## Consolidated Financial Statements

### 36. BORROWED MONEY AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2022 and 2021 were as follows:

|   | Millions of yen |           | Thousands of<br>U.S. dollars |
|---|-----------------|-----------|------------------------------|
|   | 2022            | 2021      | 2022                         |
| Borrowed money                          |                 |           |                              |
| Due from April 2022 through August 2030 | ¥ 709,227       | ¥ 626,700 | \$ 5,794,811                 |
| Average interest rate: 0.05% p.a. ....  |                 |           |                              |

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

|                           | Millions of yen |                              | Thousands of<br>U.S. dollars |
|---------------------------|-----------------|------------------------------|------------------------------|
|                           | Millions of yen | Thousands of<br>U.S. dollars |                              |
| 2023.....                 | ¥ 458,150       | \$ 3,743,361                 |                              |
| 2024.....                 | 86,569          | 707,320                      |                              |
| 2025.....                 | 101,124         | 826,243                      |                              |
| 2026.....                 | 60,731          | 496,208                      |                              |
| 2027.....                 | 205             | 1,674                        |                              |
| 2028 and thereafter ..... | 2,447           | 19,993                       |                              |
| Total.....                | ¥ 709,227       | \$ 5,794,811                 |                              |

#### b. Lease obligations

Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets.

Annual maturities of lease obligation as of March 31, 2022 were as follows:

|                           | Millions of yen |                              | Thousands of<br>U.S. dollars |
|---------------------------|-----------------|------------------------------|------------------------------|
|                           | Millions of yen | Thousands of<br>U.S. dollars |                              |
| 2023.....                 | ¥ 0             | \$ 0                         |                              |
| 2024 and thereafter ..... | —               | —                            |                              |
| Total.....                | ¥ 0             | \$ 0                         |                              |

Average interest rates are omitted since the interest equivalent amount included in total lease charges is allocated over the related period using the straight-line method.

#### c. Other

The Group has not issued commercial paper by way of promissory notes to fund operating activities.



# Independent auditor's report

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

## Opinion

We have audited the accompanying consolidated financial statements of The Nanto Bank, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

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



### Appropriateness of the estimates of the reserve for possible loan losses for loans and bills discounted to small and medium-sized enterprises (SMEs)

| The key audit matter  | How the matter was addressed in our audit  |
|---|--|
| <p>The Nanto Bank, Ltd. (“the Company”) and its consolidated subsidiaries reported loans and bills discounted of ¥3,870,774 million, accounting for 55.2% of total assets, and a related reserve for possible loan losses of ¥22,059 million in the consolidated balance sheet. Reserve for possible loan losses reported in the balance sheet of the Company accounted for a significant portion in the consolidated balance sheet.</p> <p>As described in the Notes to Consolidated Financial Statements, 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES i. Reserve for possible loan losses and 3 SIGNIFICANT ACCOUNTING ESTIMATES, the Company classifies borrowers based on their credit risk rating in accordance with the predetermined standards for write-offs and reserves, and reports the reserve for possible loan losses by calculating the loan loss ratio based on the category of borrowers by region.</p> <p>The category of borrowers is determined based on the credit rating determined by the rating models and the borrower’s repayment ability based on their substantial financial position, financing capacities, and profitability, etc., and the terms and conditions of the loans and payment status of the borrower. Also, the Company gives comprehensive consideration to the borrower’s sustainability, projected profitability, and ability to pay obligations based on their annual repayable amount, appropriateness of their management improvement plans, and other factors in light of the borrower’s industry characteristics.</p> <p>The Company aims to increase Nara prefecture’s real gross domestic product by 10% over 2016 in its management plan, “Nanto Mission and Objectives for the Next 10 Years,” targeted to be achieved by 2029. To achieve this goal, the Company will take the initiative in resolving regional economic issues and contribute to the development of the region by focusing on “contributing to improved productivity”, “support for asset formation” and “facilitating commercialization.”</p> | <p>The primary procedures we performed to assess whether the Company’s estimates of the reserve for possible loan losses for loans and bills discounted to SMEs was appropriate included the following:</p> <p><b>(1) Internal control testing</b><br/>In order to test the design and operating effectiveness of certain of the Company’s internal controls relevant to the determination of the category of borrowers, we:</p> <ul style="list-style-type: none"> <li>● tested the effectiveness of internal controls related to various regulations for the internal self-assessment criteria, and the policy for write-offs and provisions;</li> <li>● tested the effectiveness of internal controls to ensure the reliability of borrowers’ financial information entered into the financing support system;</li> <li>● tested IT application controls over the quantitative determination of the category of borrowers; and</li> <li>● tested the effectiveness of internal controls of the Credit Analysis Division related to the determination of the category of borrowers in consideration of qualitative factors.</li> </ul> <p><b>(2) Assessment of determination of the category of borrowers</b><br/>In order to assess the appropriateness of the determination of the category of borrowers, we selected borrowers to be tested individually by considering quantitative factors such as credit limits and qualitative factors such as the progress of the Company’s management improvement plans and the impact of the</p> |

The Company operates mainly in Nara prefecture, neighboring prefectures, and Tokyo, but its business coverage area is limited. The main borrowers are SMEs, and the Company's balance sheet reported loans and bills discounted to SMEs of ¥1,446,580 million.

Since the fundamental business foundation of SMEs generally tends to be weaker than medium to large-sized enterprises, the Company determines the category of SME borrowers by comprehensively considering not only their financial conditions but their technical capabilities, sales capacity and growth potential, their managements' income status, asset quality, and guarantee status and capacity, in light of their business condition.

Therefore, there is judgment over the qualitative factors including the estimate of reasonableness and feasibility of the management improvement plan which is important for borrowers categorized as needs attention borrowers (excluding claims corresponding to restructured loans) based mainly on the grounds that a drastic and highly feasible or a reasonable and highly feasible management improvement plan exists.

In addition, SMEs are still significantly impacted by the deterioration of the local economy due to the spread of the new coronavirus. Accordingly, management's judgment on the determination of the category of borrowers may have a significant impact on the reported amount of the reserve for possible loan losses.

We, therefore, determined that our assessment of the appropriateness of the estimates of the reserve for possible loan losses for loans and bills discounted to SMEs, especially the appropriateness of the management's judgment on the category of borrowers, was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

spread of the new coronavirus, and performed the following procedures:

- compared the quantitative information of borrowers, including financial ratios, to the supporting materials;
- inspected related documents and inquired of personnel in the relevant divisions, such as the Credit Analysis Division, to assess whether judgments based on qualitative factors were made in a timely and appropriate manner, and assessed the appropriateness of the determination of the categories of borrowers based on qualitative factors for borrowers whose category have a relatively high degree of dependence on management's judgment, particularly including those under intensive credit monitoring and those categorized as needs attention borrowers (excluding claims corresponding to restructured loans) based mainly on the grounds that a drastic and highly feasible or a reasonable and highly feasible management improvement plan exists; and
- assessed whether the determined categories of borrowers were appropriate, focusing on the recoverability from the current business performance and financing situation by understanding the latest business conditions of borrowers and considering their industry characteristics through the inspection of related documents and the inquiries of personnel in the relevant divisions, such as the Credit Analysis Division, to evaluate the impact of the spread of the new coronavirus on borrowers' operating results.

## Other Information

The other information comprises the information included in the the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

## Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

## Convenience Translation

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

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Katsuhiko Akimune

Designated Engagement Partner

Certified Public Accountant

Manabu Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

November 1, 2022

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



## Capital Management

### • Consolidated Capital Adequacy Ratio

As of March 31, 2022 and 2021

|   | Millions of yen  |           |
|---|------------------|-----------|
|   | 2022             | 2021      |
| (1) Capital adequacy ratio ((2)/(3))..... | <b>9.60%</b>     | 9.47%     |
| (2) Capital .....                         | ¥ <b>273,267</b> | ¥ 264,565 |
| (3) Risk-weighted assets .....            | <b>2,844,259</b> | 2,793,490 |
| (4) Requisite capital.....                | <b>113,770</b>   | 111,739   |

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

### • Nonconsolidated Capital Adequacy Ratio

As of March 31, 2022 and 2021

|   | Millions of yen  |           |
|---|------------------|-----------|
|   | 2022             | 2021      |
| (1) Capital adequacy ratio ((2)/(3))..... | <b>9.29%</b>     | 9.15%     |
| (2) Capital .....                         | ¥ <b>261,864</b> | ¥ 253,354 |
| (3) Risk-weighted assets .....            | <b>2,817,900</b> | 2,768,260 |
| (4) Requisite capital.....                | <b>112,716</b>   | 110,730   |

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.



This publication uses Yoshino 3.9 paper, which supports use of thinned trees from the Yoshino region of Nara prefecture, contributing to increased CO<sub>2</sub> absorption by the forests in the region.  
The Nanto Bank Group is a supporter of the Kizukai Movement organized to promote use of wood from Japan's domestic forests.

Issued: October 2022  
Nanto Bank, Ltd. Corporate Planning Department  
16, Hashimoto-cho, Nara City, Nara Prefecture 630-8677, Japan  
Tel.: +81-742-27-1599