

Nanto Report *Integrated Report*

Fiscal year ended March 2023



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 IFRS Foundation’s “International Integrated Reporting Framework.”

The specific purpose of its creation is 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*.”

Scope of coverage

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

Covered period

April 1, 2022 ~ March 31, 2023

Date issued

July 2023

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.





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Compiling the Nanto Report

Icons representing the eight categories of content advocated by the IFRS Foundation's "International Integrated Reporting Framework" 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?



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.



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



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



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



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



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



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



Nanto Bank Profile (as of March 31, 2023)

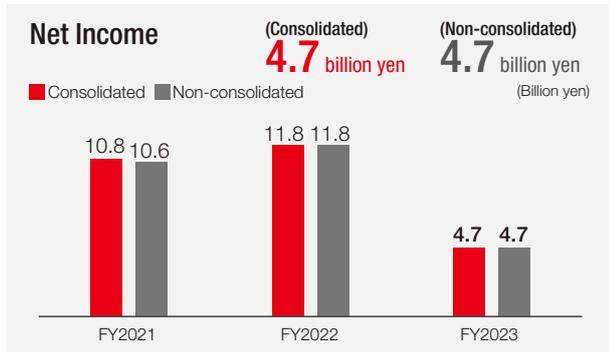
Established:	June 1, 1934
Headquarters:	16 Hashimoto-cho, Nara, Japan
Capitalization:	¥37,924.15 million

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.

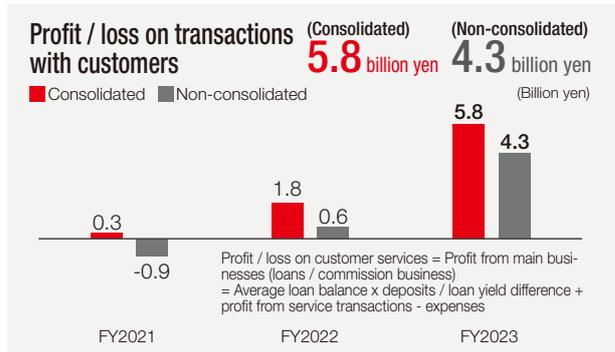
Today, the Bank and its Group offer comprehensive financial services, including leasing, trusts, securities and consulting, in addition to the banking business (deposits, loans, exchange, etc.), with Nara prefecture and the surrounding region as its primary base of operations.

Information Highlights

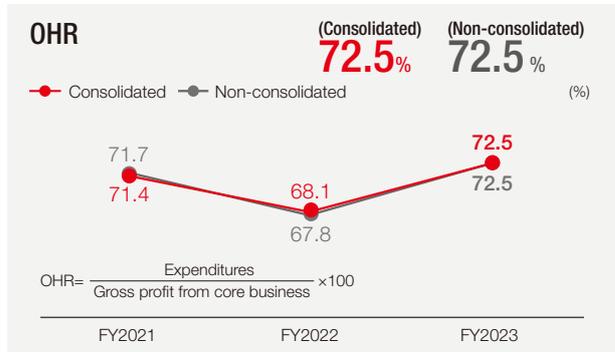
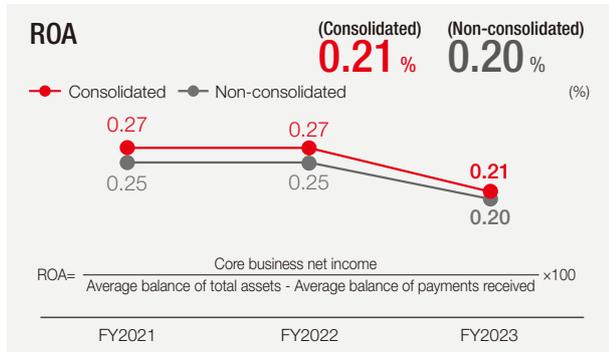
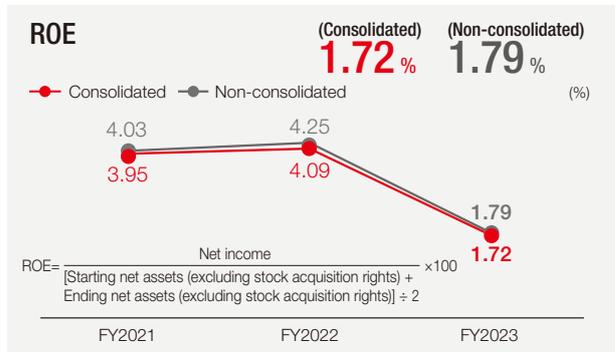
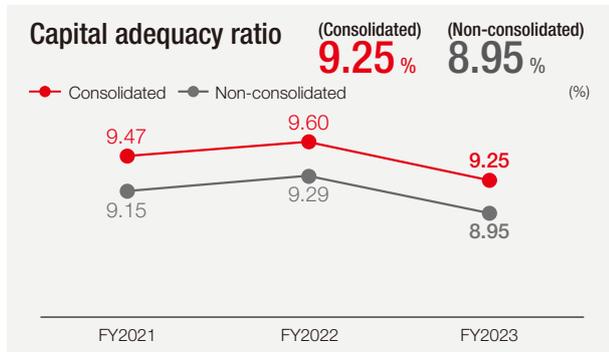
Financial Highlights



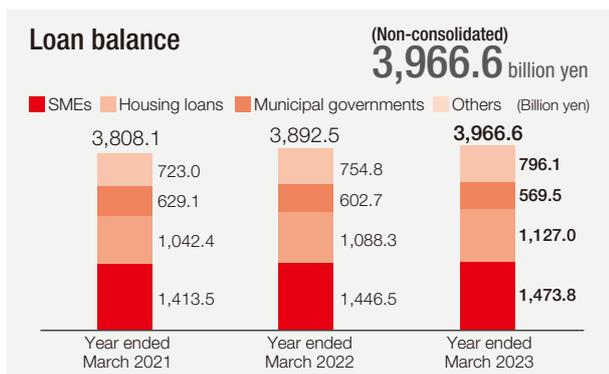
Consolidated net income declined by 7.1 billion yen from the previous year to 4.7 billion yen due to decreases in net interest income and profit/losses on bond transactions.



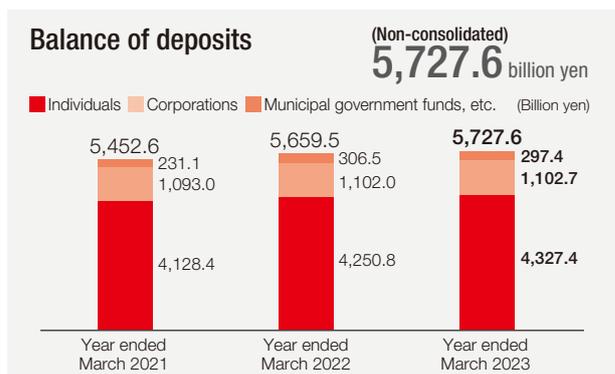
Consolidated net business profit earned through transactions with customers grew by 4.0 billion yen from the previous year to 5.8 billion yen, boosted by increases in commissions and interest on loans and fees accompanied by a decrease in operating expenses.



The consolidated and non-consolidated capital adequacy ratios fell to 9.25% and 8.95%, respectively, from the end of the previous fiscal year, due mainly to lower profits from the disposal of losses in the market sector. ROE also turned downward from the previous year. ROA and OHR both declined year-on-year in the wake of a downturn in core business profit. We are working to improve both these indicators in FY2023, building on the continued strength of our core business division earnings and the promise of improved earnings in the market sector.



The balance of loans, comprising primarily loans to small and medium-sized enterprises and housing loans, increased by 74.1 billion yen from the end of the same period of the previous year to 3,966.6 billion yen.



Deposits, mainly retail deposits, totaled 5,727.6 billion yen, with an increase of 68.1 billion yen from the same period of the previous year.



Non-financial Highlights (non-consolidated)



Environment

E

Rate of CO₂ emissions reduction
(FY2013 → FY2022)

-49.0%

(Emissions for scopes 1 and 2)
(Decrease of 13 points from the previous year)

CO₂ reduction through renewable energy-related loans
(FY2022)

Approx. **19,000** tons CO₂
(Number of loan transactions/ amount: 7 loans/6.1 billion yen)



Society
(End March 2023)

S

Percentage of female executives
(Section manager and above)

14.8%

(Increase of 0.5 point from the previous year)

Number of certified personnel participating in vitality creation*

601

Percentage of employees 26.4%
(Increase of 42 from the previous year)
(Increase of 5.0 points)

*Applied information engineer, SME management consultant, real estate consultant, FP level 1, bookkeeping level 2, and equivalent or higher qualifications



Governance

G

Number/ratio of outside directors (End June 2023)



5 (41.6%)

Cross-shareholdings

March 31, 2015 March 31, 2023

Percentage in net assets (market value)

38.3% ▶ **28.6%**

Book value

51.5 billion yen ▶ **33.3** billion yen

Number of issuers

129 ▶ **88**



**The Nanto Bank Group's
“unconventional” human
resources provide
support for issues faced
by customers and the
region.**

President (Representative Director)
Takashi Hashimoto



Organizational overview and external environment



Governance



Business model



Risks and opportunities



Strategies and resources allocation



Performance



Outlook

Introduction

The Japanese economy is currently showing signs of recovery, as economic activity returns to normal following the downgrading of the new coronavirus strands to category 5. Consumer spending is recovering steadily, boosted by rising wages and a positive appetite for investment, including capital investment in the corporate sector.

Downside risks to the economy are increasing at the same time, however, due to proliferating geopolitical risks and rising prices of resources and raw materials. In the financial markets, the environment surrounding financial institutions remains uncertain due to financial system instability and prolonged monetary tightening in the United States and Europe.

In Nara prefecture, which forms the primary business base of the Nanto Bank Group, consumer spending and corporate activity are gradually recovering, and demand for tourism, driven largely by foreign visitors to Japan, is picking up. On the other hand, structural social issues, such as contraction of the regional economy due to a declining birthrate and aging population and a shortage of successors to take over private companies, are increasing in severity. As a regional financial institution, we consider it our role and responsibility to continue contributing to regional development by confronting these issues head-on. We are working together with our customers and local communities to resolve them, attaining sustainable growth of the Group as a result.

President's Message

Progress of the Management Plan

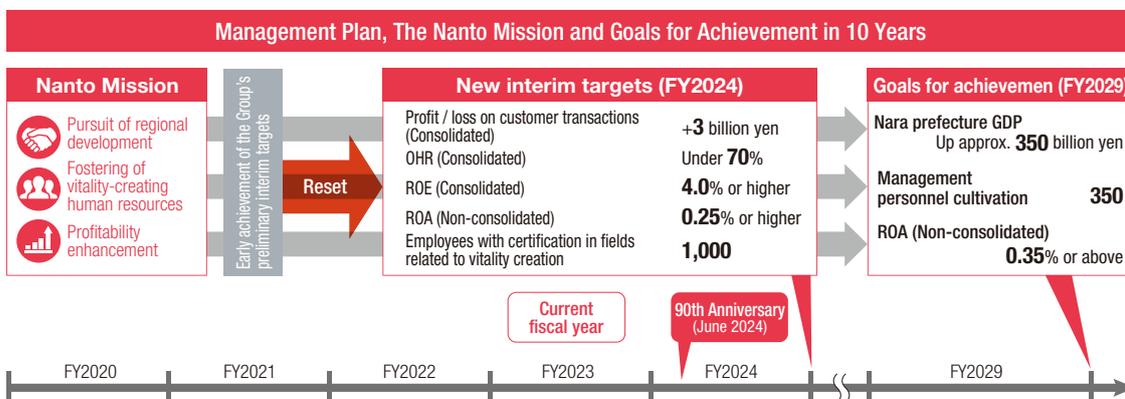
Since April 2020, the Group has been working to implement the Nanto Mission: "Pursuit of regional development, fostering of vitality-creating human resources, and enhancement of profitability," in accordance with our Management Plan, "Nanto Mission and the Group's Goals for Achievement in 10 Years."

In FY2021, we achieved the preliminary interim target stated in our Management Plan for non-consolidated profit from transactions with customers by FY2024, three years ahead of schedule. We then moved in December 2021 to establish a new interim target of 3 billion yen in non-consolidated profit from transactions with customers aimed at achieving a higher level of profitability as a Group.

In the fiscal year ended March 31, 2023, consolidated net profit from transactions with customers exceeded the revised interim target due to increased interest on loans and fees, profits on service transactions, and reduced expenses, results underpinning a steady increase in net business profit. We credit the stable profitability of our customer transactions for facilitating construction of a "muscular" management structure capable of supporting strategic investment in IT fields such as smartphone banking from a medium- to long-term perspective.

At the same time, however, our net income decreased due to lower earnings in the market sector. This reflected the sale of instruments such as fixed-rate foreign bonds, all of which saw their earnings reversed due to rising interest rates in Europe and the United States. Going forward, we will stabilize our market sector earnings by restructuring our portfolio to emphasize yen bonds.

The Nanto Bank Group will celebrate its 90th anniversary in June 2024. We are proud to attribute our long-term market presence to growth together with the regional community we serve, achieved through a commitment to regional development based on the invisible assets of confidence and trust granted us by our stakeholders. In this fiscal year, it will be important for us to finalize achievement of our interim goals for FY2024. All the Group's officers and employees share a commitment to working together to realize the Nanto Mission with the aim of ensuring our ability to remain a bank that grows together with the community.





Fostering human resources to realize sustainable growth for customers and the community

Do customers feel a strong desire to work on their issues with us?

Over the nine decades since its establishment, the Group has steadily built relationships of trust with its customers by providing products and services that ensure their ability to conduct transactions with us safely and securely. With changes in our operating environment, such as a contraction of the working-age population and rapid progress in digitalization, however, the challenges confronting customers are becoming increasingly diverse and complex. Our ability to continue contributing to their sustainable growth under these circumstances will require seeking solutions to their various challenges from the customers' perspective, rather than simply providing products and services generated in our traditional deposit and loan business.

The first step toward achieving this ability will be to realize ourselves as a Group with which customers feel a genuine desire to work closely. We are responding by fostering "unconventional" human resources who meet this standard. When customers want to take on new challenges or solve difficult problems, the Group will be the first institution they turn to for advice, and we will have earned the right to claim that we have established true relationships of trust that enable us to grow together.

Not only in our relationships with customers but also within the Group itself, the presence of many human resources with whom customers express a desire to work and who are recognized by the community as their "go-to experts" to consult with about issues will undoubtedly contribute to increasing the Group's corporate value.

At a time when the concept of human capital management is becoming increasingly prevalent, the Group is investing actively in personnel recruitment based on a recognition that "human resources are our most valuable management capital."

An organization that pursues diversity and cultivates unconventional human resources

Inspiring customers and colleagues with a genuine desire to work in collaboration with us requires our personnel to acquire specialized skills and accumulate a diverse range of experiences. We are responding by providing growth opportunities such as secondment to outside organizations, dispatch of trainees, personnel exchanges among Group companies, and support for acquisition of qualifications that contribute to problem-solving. We are also working to diversify our human resources by expanding our career recruitment program and introducing a system to encourage participation in side jobs.

If every Group employee combines advanced expertise, varying values, and diverse experience with a clear awareness of their personal goals for accomplishment in the Group, the growth direction they wish to follow, and the ways in which they want to give back to the community, and if they consistently draw on these attributes to find the best possible solutions from their own perspective, new financial services and solutions will naturally emerge.

I consider it my most important mission to foster an organizational culture in which every single employee's ideas are respected, and in which each can continue to do what they want to and should do with conviction.



Value created by the Group's human resources

We will deploy our human resources to achieve sustainable management that enables collaborative development of the Group with its local communities by addressing and resolving issues faced by each individual customer, the regional communities and society as a whole.

Resolving customer issues

Since the introduction of the Management Plan, we have been devoting ourselves to maximizing efforts to “know our customers.” Among these efforts, we not only propose financial products or services but also endeavor to further deepen mutual understanding with our customers by tackling the real, underlying problem causing the issues they face together..

Problems uncovered in these “know our customer” efforts involve various matters beyond the need for cash flow support, such as management improvement, securing human resources, and business succession. We not only work together as a Group to resolve such issues, but we also make the utmost use of our external expert network to provide a variety of solutions that go beyond financial activities in furtherance of our customers' sustainable growth.

We continue to help individual customers achieve affluent lives with peace of mind by cooperating closely in their life planning and providing superior services and information in a timely manner to meet their various needs and challenges, especially those emerging in today's “era of 100-year lifetimes.”

Responding to local issues

As concerns fostering the growth of the regional economy, there are challenges facing the region that cannot be addressed merely by solving the issues of individual customers. For example, Nara's agricultural output is among the lowest in Japan, and its farming industry's sustainability is becoming a common concern due to the aging of farmers and increase in the number of abandoned farms.

As concerns tourism, despite Nara's being one of the nation's richest prefectures in terms of tourism resources that include numerous World Heritage sites and national treasures, the majority of tourists are daytime visitors, and spending on tourism is relatively low compared to that in neighboring prefectures.

The Group is responding directly to these various regional issues, not only by meeting customers' needs, but also by taking the initiative proactively in establishing local businesses. Specific examples of these efforts include our founding of Nara Mirai Design Co., Ltd., a regional revitalization company organized to establish a profitable and sustainable agricultural model by using the so-called “smart agriculture” technology, as well as information and communication technologies (ICT). Among its various efforts to promote excursions and longer-





stay tourism, Nara Mirai Design has acquired an old private house in the town of Yoshino, which it plans to renovate as an attractive lodging and tourism facility over the next several years.

Another issue involves Nara prefecture's forests, which account for approximately 77% of the prefectural land area and are recognized as one of Japan's leading sources of high-quality timber. We are seriously considering engagement in a platform project to improve productivity in the forestry and lumber industries.

In October 2022, our specialized investment subsidiary Nanto Capital Partners established a social impact fund, the first of its kind among regional banks, to invest in startup companies that seek solutions to such regional issues as the declining population and aging society of Nara prefecture and the surrounding region.

Confronting issues facing society at large

Attaining sustainable growth of our regional community will also require society to tackle the challenges facing it. These include the falling birthrate and aging and contraction of the population as well as the exacerbation of natural disasters and reduction of biodiversity accompanying climate change that have illuminated the urgency of dealing with environmental issues. In accordance with the TCFD recommendations we endorsed in 2021, the Group has pursued decarbonization efforts aimed at reducing its CO₂ emissions by at least 50% from their fiscal 2013 level by fiscal 2030, while also endeavoring to reduce consumption of paper in its operations.

The Group supports customers' efforts to address climate change and other issues related to the SDGs through funding, including environment-related loans, sustainable finance, and other financial instruments, to help them in organizing their sustainability initiatives. We also offer the Nanto SDGs Introduction Consulting Service to facilitate our customers' commitment to the SDGs.

In conclusion

Operating in this challenging environment surrounding Japan's regional financial institutions today, we will continue our efforts to enhance the corporate value of the Group by sharing our vision for the future with our stakeholders and by deepening our mutual understanding through close communication and dialogue at every opportunity.

Companies with price-to-book (P/B) ratios under 1.0 are recently exhibiting accelerating momentum toward improvement. We realize that Nanto Bank's weak P/B ratio results from both structural problems faced by regional banks and the fact that our return on equity (ROE) is lower than the cost of capital anticipated by investors.

Banks, especially regional banks, bear an important responsibility as the backbone of the local economy. While mindful of our P/B ratio, we are committed to supporting our customers in a manner that aligns with the unique characteristics of our region, and to doing so from a long-term perspective.

We are committed to making further efforts to achieve sustainable growth of the Group and the development of the local community. Your continued support would be much appreciated by every member of our staff, each of whom is willing to respond to innovative ideas and challenging tasks.



Progress under the Management Plan

Progress under the Management Plan

Management Plan overview

In December 2019, the Nanto Bank Group announced its management goals and mission for the period from April 2020 to March 2030 under the title “Nanto Mission and Goals for Achievement in 10 Years.”

The three tenets of the Nanto Mission are “pursuit of regional development,” “creation of vitality-creating human resources,” and “improvement of profitability.” All are aimed at contributing to achievement of Nanto Bank’s goals of increasing Nara prefecture’s GDP by approximately 350 billion yen, cultivating 350 management personnel, and achieving non-consolidated ROA of 0.35% or above.

We followed this goal creation in December 2021 by formulating five new indicators as renewed interim targets for FY2024: consolidated profit of 3 billion yen from customer transactions; OHR of less than 70%; ROE of at least 4.0%; non-consolidated ROA of at least 0.25%; and cultivation of 1,000 qualified vitality creation personnel.

Earliest possible return to profitability of core businesses and progress toward interim targets

Interim targets (to March 2024) and status of achievement

	FY2021 results	FY2022 results	FY2023 plan	Interim target (FY2024)
Profit from customer transactions (consolidated)	1.8 billion yen	5.8 billion yen	5.6 billion yen	30 billion yen
OHR (consolidated)	68.1%	72.5%	73.1%	Below 70%
ROE (consolidated)	4.09%	1.72%	4.18%	Above 4.0%
ROA (non-consolidated)	0.25%	0.20%	0.21%	0.25% or above
Number of employees with qualifications related to vitality creation	559	601	750	1,000

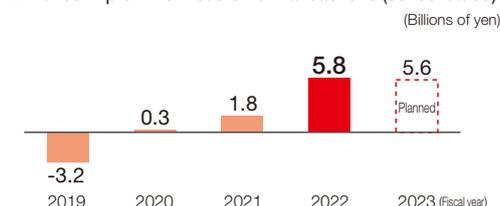
In FY2021, we succeeded three years ahead of schedule in surpassing our initial interim target for non-consolidated profit from customer transactions, also referred to herein as “profit from core businesses operations,” set for achievement by FY2024. Subsequent efforts to further reinforce the Group’s ability to achieve its revised interim target led to consolidated profit on customer transactions of 5.8 billion yen in FY2022, exceeding the new interim target by 4.0 billion yen year on year. The same period saw our OHR worsen and our ROE and ROA decline due to a falloff in profit resulting from a disposal of losses in the market sector.

In FY2023, we plan to enhance our ROE and ROA indicators through improved market sector earnings.

Fiscal 2022 results and outlook for fiscal 2023

Profit from customer transactions

Trends in profit from customer transactions (consolidated)



In the “income” column in our FY2022 results, interest on loans and bills discounted increased by 2.1 billion yen from the previous fiscal year to 34.2 billion yen due to improved loan yields stemming primarily from an increase in the balance of loans and bills discounted as a result of comprehensive funding support for responses to the coronavirus pandemic. Net profit on services and other transactions also grew by 0.6 billion yen from the previous fiscal year to 7.0 billion yen due to an increase in home loan-related fees and income from corporate solutions.

The “expenses” column, meanwhile, showed year-on-year downturns in both personnel expenses and property and equipment expenses of 0.1 billion yen and 0.5 billion

yen, respectively, owing mainly to a decrease in deposit insurance premiums.

Consolidated net profit from customer services increased as a result, rising by 4.0 billion yen from the previous fiscal year to 5.8 billion yen due to an improvement in the Bank’s non-consolidated net profit from customer services.

We expect to achieve higher income in FY2023 by raising interest on loans by 0.9 billion yen from the previous fiscal year to 35.1 billion yen through an increase in the average balance of loans, and by raising net fees and commissions by 0.1 billion yen from the previous fiscal year to 7.1 billion yen through an increase in fees and commissions. We expect to record higher revenues in the corporate solutions business as well.

As concerns expenses, meanwhile, although we will continue to implement our planned personnel reductions, our personnel expenses are expected to remain almost unchanged due to such factors as higher basic salaries, while property expenses are expected to rise by 1.1 billion yen from the previous fiscal year to 14.9 billion yen due to strategic investments in such IT instruments as smartphone banking applications.

In consideration of the above factors, we expect to record consolidated net profit from customer transactions of 5.6 billion yen in FY2023, a year-on-year decline of 0.2 billion yen.

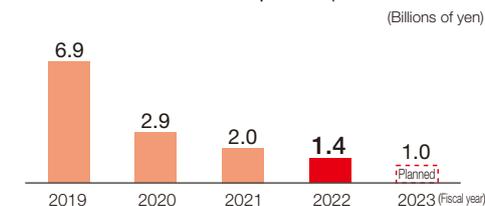
Credit-related expenses

Credit-related expenses slipped by 0.5 billion yen from the previous fiscal year to 1.4 billion yen in FY2022, as the occurrence of nonperforming loans fell in response to our efforts to shore up our core businesses to cope with the effects of the pandemic.

The nonperforming loan balance rose by 5.5 billion yen from the end of the previous fiscal year to 58.9 billion yen, leading to a nonperforming loan ratio of 1.46%.

While new accruals are expected to increase year on year in FY2023 due to such factors as higher prices and the start of full repayment of pandemic-related loans, we foresee a downturn in credit expenses of ¥0.4 billion year on year to ¥1.0 billion in response to an expected reversal of allowances for loan losses resulting from improved business performance by customers of our business improvement services.

Trends in credit-related expenses (non-consolidated)

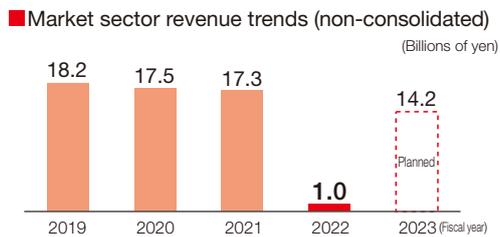


Trends in non-performing loans outstanding and the NPL ratio





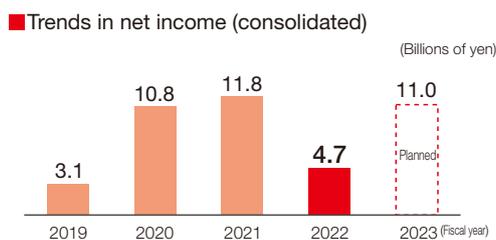
Market sector revenue



Income in the market sector fell sharply by 16.2 billion yen from the previous year to 1.0 billion yen in FY2022 in response to the sale of all fixed-rate foreign bonds whose positions had reversed in order to secure stable income from FY2023 forward. This result reflected ordinary income of 10.7 billion yen and capital income of -9.7 billion yen.

We are planning to increase our market sector earnings by 13.2 billion yen from the previous fiscal year to 14.2 billion yen in FY2023 through improvements in both capital income and earned income.

Net Income



Consolidated net income for FY2022 fell to 4.7 billion yen, a decrease of 7.1 billion yen from the previous year attributed to a significant downturn in market sector income, while income from customer transactions increased and credit-related expenses decreased. Our main business segment earnings excluding the market segment remained steady owing to a restructuring of our portfolio.

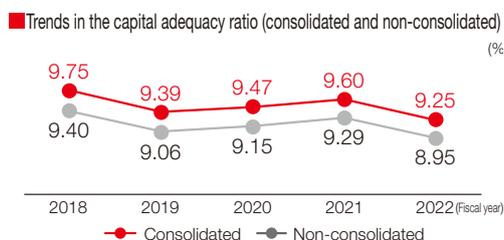
We anticipate consolidated net income of 11.0 billion yen in FY2023, a year-on-year increase of 6.2 billion yen due to improved market sector earnings, although profit from customer transactions will likely remain mostly unchanged.

Capital policy

Basic policy

While implementing comprehensive measures to ensure the Group's financial soundness, we are also working to raise its medium- to long-term corporate value by realizing returns commensurate with the cost of shareholders' equity through strategic investments for sustainable growth and stable, flexible returns to shareholders.

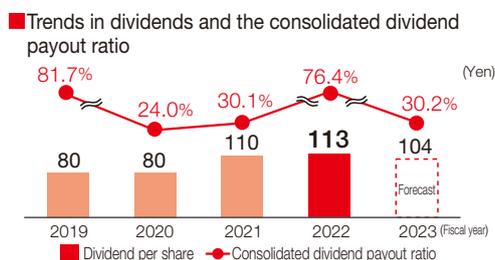
Capital adequacy ratio



The Group's consolidated capital adequacy ratio decreased by 0.35 percentage point to 9.25% and its non-consolidated capital adequacy ratio by 0.34 percentage point to 8.95% from the previous year in FY2022 due to an increase in risk-weighted assets and a decrease in net income for the period.

The future will see us continue our efforts to maintain an appropriate capital adequacy ratio and to manage capital efficiently.

Policy on returns to shareholders

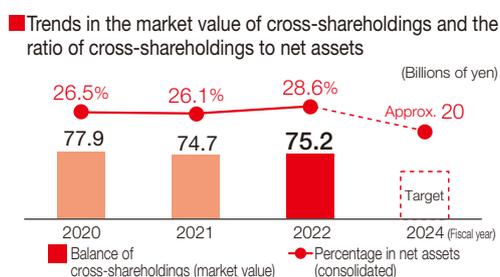


Although our FY2022 financial results recorded a significant decrease in net income, we paid the year-end dividend of 73 yen per share as announced in September of last year. This action reflected the fact that our business performance, including our profit from customer transactions and excluding the impact of the disposal of losses in the market sector, was generally in line with our plan. As a result, the annual dividend for the year, including an interim dividend of 40 yen, was 113 yen per share. The annual dividend planned for FY2023 is 104 yen per share in accordance with the policy on returns to shareholders shown below.

Policy on returns to shareholders (announced February 2022)

Maintain a stable dividend of ¥80 per share, while aiming for a dividend payout ratio of 30% of net income payable to shareholders of the parent company.

Cross-shareholding



Nanto Bank engages in cross-shareholding when it contributes to ensuring the Group's sustainable growth and maintenance or enhancement of its corporate value, and when it is considered necessary to the Group's business strategy.

The ratio of the balance of cross-shareholdings to consolidated net assets on a market value basis declined from 38.3% at March 31, 2015 to 28.6% at March 31, 2023. We have set a target of reducing this ratio to about 20% by end March 2025 as part of efforts to maintain an awareness of capital efficiency in the Bank's management.

Nara Prefecture's Potential and Issues to Be Addressed

Development potential of Nara prefecture, the Nanto Bank Group's core business base

Nara prefecture, the Group's primary base of operations, is an inland prefecture situated in the middle of the Kii Peninsula in central Japan and distinguished by a range of towering mountains known as the "roof of the Kinki region" in the south. Although it has no airport or port facilities, the prefecture is characterized by strong resistance to natural disasters.

Characteristics of Nara prefecture

Tourism resources

- World Heritage sites **3** **No.1** in Japan
- National Treasures/
Important Cultural Properties **1,328** **3rd** place in Japan
- Historic sites and
natural monuments **148** **No.1** in Japan
- Number of rooms
in Japanese inns and hotels **9,948** **44th** place in Japan
- Number of
annual tourists **26.23** million

Potential perceived by the Group

Blessed with numerous world-famous cultural and historic sites, including World Heritage sites and National Treasures, Nara has the potential to attract many more tourists and travelers than it does now, thus generating such economic benefits as revitalization of the local economy and job creation.

Issues under consideration by the Group

The region is currently attracting a relatively small number of overnight visitors, an important segment of the tourism industry. This raises the challenge of transforming the prefecture from a daytime tourist destination to a tourism hub that visitors choose as a home base for visiting various destinations in the region.

Economy and industry

- Ratio of forest area **76.8%** **6th** place in Japan
- GDP (real) **3,892.3** billion yen **37th** place in Japan
- Number of
private businesses **46** thousand **40th** place in Japan
- Number of
employed residents **434,135** **37th** place in Japan
- Per capita
income **2,728** thousand yen **36th** place in Japan
- Agricultural
output **39.5** billion yen **45th** place in Japan

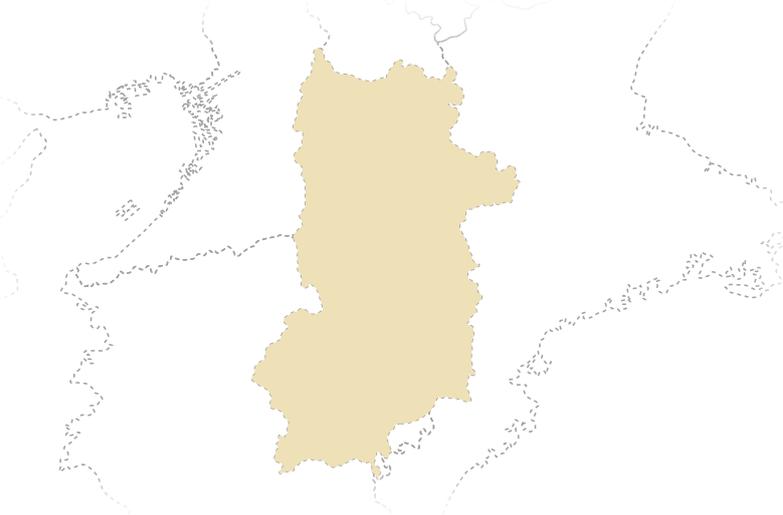
Potential perceived by the Group

The prefecture has an abundance of forest resources, which provide it with the potential to create new economic value by leveraging its wealth of natural resources, especially under current circumstances in which interest in its natural resources is growing.

Issues under consideration by the Group

Nara prefecture's economy remains among the smallest in Japan. To improve this situation, job creation and local economic revitalization by promoting local industries and establishing new businesses and startups will be required.

Sources: "FY2019 Prefectural Accounts," Cabinet Office; "2016 Economic Census," Ministry of Internal Affairs and Communications (MIC); "Nara Prefecture Today: 2022"; "2022 Basic School Survey," Ministry of Education, Culture, Sports, Science and Technology (MEXT); "2019 National Household Survey," MIC; "National Census for 2015 and 2020," MIC; "2022 Report on Survey of Construction Starts," Ministry of Land, Infrastructure, Transport and Tourism (MLIT); "2020 National Census of Employment and School Commuting Areas (Nara Prefecture)"



Household finances and living conditions

- Financial assets per household **15,645** thousand yen 2nd place in Japan
- Ratio of owner-occupied households **73.1** % 8th place in Japan
- Percentage of consumer spending (purchasing) outside the prefecture **19.1** % No.1 in Japan

Potential perceived by the Group

The standard of living in the prefecture is relatively high. An affluent population with ample per-household financial assets and a high percentage of owner-occupied homes offers the potential to increase consumer spending and accelerate the flow from savings to investment.

Issues under consideration by the Group

With consumer spending flowing out to neighboring regions such as Osaka and Kyoto, Nara prefecture faces the challenge of revitalizing personal consumption within the prefecture.

Human resources

- Percentage of high school graduates obtaining higher education **63.4** % 7th place in Japan
- Nara prefecture's overall employment rate **72.7** % 45th place in Japan
- Ratio of women in the labor force **46.8** % 47th place in Japan

Potential perceived by the Group

The prefecture's high educational level provides rich soil for producing excellent human resources, thus supporting the potential to diversify the region's industrial structure and increase its companies' competitiveness.

Issues under consideration by the Group

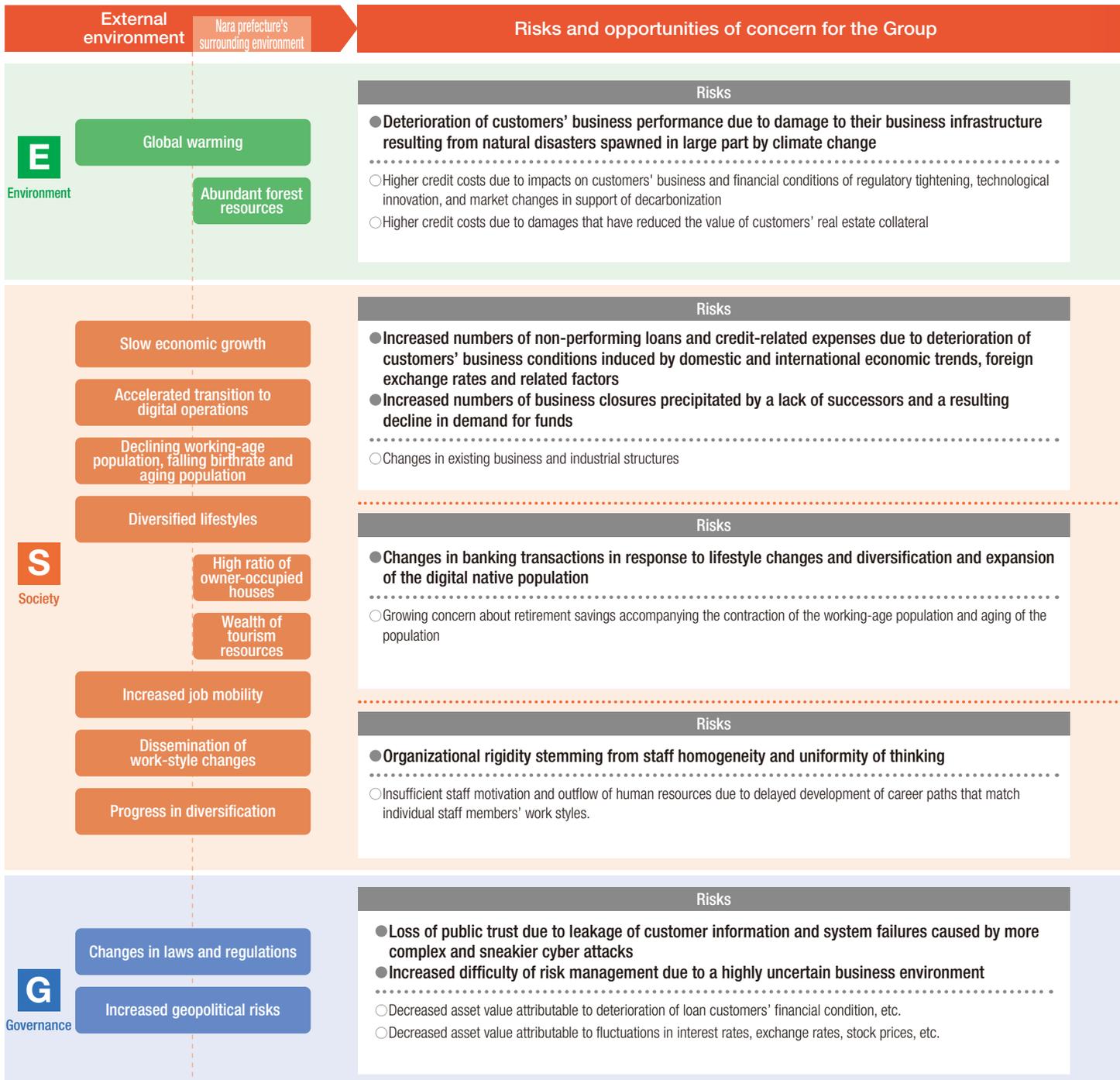
In addition to the problems raised by a shrinking working-age population due to a declining birthrate and aging population, a large number of Nara's human resources have been leaving for neighboring prefectures such as Osaka and Kyoto. This makes the creation of employment opportunities, improvement of the working environment, and human resources development high-priority challenges for Nara prefecture.

The Group's Materialities

Materialities (Priority Issues)

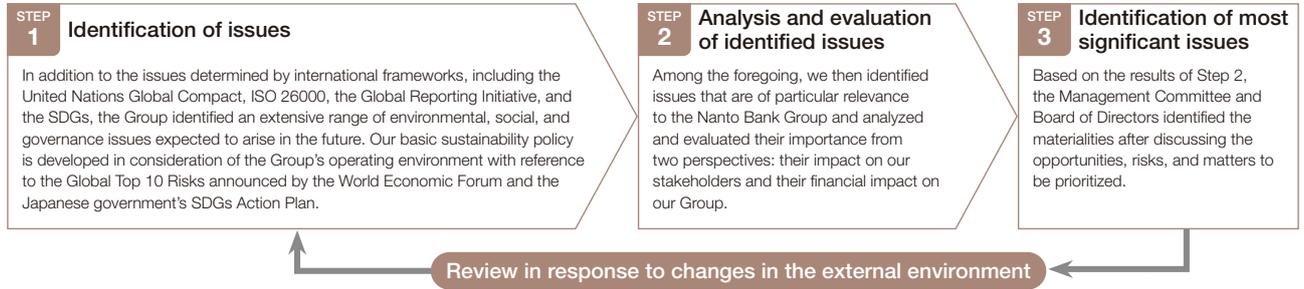
Besides focusing on our core business of providing financial services to support our regional customers, the Nanto Bank Group's Board of Directors discusses sustainability issues that must be addressed globally and the wide-ranging challenges facing local communities. It has now identified the following materialities to be prioritized along with specific themes to be addressed in consideration of their importance to our Group and its stakeholders. The contents of the list will be revised periodically to reflect changes in the business environment.

Risks (● Most threatening risks; ○ Threatening risks)
Opportunities (● Most promising opportunities, ○ Promising opportunities)





Materiality determination process



Materialities (Priority Issues)

Opportunities

- Increased demand for environment-related businesses and other activities aimed at decarbonization
 - Cultivation of regional environmental awareness through proactive environmental conservation efforts
-
- Increased demand for funds for investment in disaster prevention infrastructure
 - Growing need for protection against wind and/or flood disasters and other environmental changes, and resulting opportunities to provide insurance and other financial products and services to support environmental protection measures in preparation for disasters

Responding to the Effects of Accelerating Climate Change



Opportunities

- Increased customer demand for non-financial services, including M&A, asset succession, and employee placement services
 - Increased number of business opportunities benefiting from the region's wealth of tourism resources
-
- Increased number of business opportunities stemming from new job creation in cooperation with local governments and other external organizations
 - Increased demand for funds to support customers' cash management and core businesses, and greater number of opportunities to provide new services

Realizing Sustainable Growth of Our Regional Economy



Opportunities

- Growing demand for asset-building services from members of the younger generation
 - Increased opportunities to provide services that meet customers' need for inheritance services and diversifying bequest and donation needs
 - Steady demand for products and services responding to homeowners' growing needs
-
- Increased opportunities for provision of new products and services employing digital technologies

Realizing a Convenient, Prosperous Society



Opportunities

- Expansion of the business territory through acquisition of highly specialized IT, risk management, and other personnel
 - Provision of high value-added services through utilization of diverse human resources
-
- Provision of greater opportunities for women with potential for social advancement

Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources



Opportunities

- Improved awareness of investors' needs obtained by creating more opportunities for constructive dialogue with shareholders and investors

Preparing for Increasingly Varied and Complex Risks



Fiscal 2023 Action Plan

Value Creation Process

Sustainable management developed together with the community

The Nanto Bank Group has been continuously implementing its Management Plan for the 10-year period that began in 2020 in pursuance of our declared missions to facilitate “pursuit of regional development,” “fostering of vitality-creating human resources,” and “enhancement of profitability,” setting our “Dynamic Creative Bank” management vision as the pillar of Group operations.

Realizing development of sustainable management in cooperation with the community requires the Group to deploy its management capital, including “unconventional” human resources, to address the issues faced by our customers, the community, and society at large.



Materialities

Business activities

Responding 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



Management capital Fiscal 2023 Action Plan

Customer base

• Large share of deposits and loans in Nara prefecture

Deposits **50.0%**
Loans **50.6%**

• Chosen as the main bank by businesses operating in Nara Prefecture

61.20%
(Teikoku Databank National Corporate "Main Bank" Trend Survey 2022)

Human resources base

• Number of employees supporting the Bank's management philosophy

2,275

• Number of employees with qualifications related to vitality creation

601

Financial base

• Strong capital adequacy ratio

Capital adequacy ratio
Consolidated **9.25%**

Non-consolidated **8.95%**
(End March 2023)

Enhancement of Customers' Corporate Value
P.26-29

Support for Customers' Asset Formation
P.30-31

Regional Business Creation
P.32-37

Cultivating Unconventional Human Resources
P.18-25

Ensuring Greater Convenience
P.38-39

Furthering Sophisticated Market Management
P.47

Advanced Risk Management and Governance
P.44-46
P.48-55

Initiatives Addressing Climate Change Issues
P.40-43



Organizational overview and external environment



Governance



Business model



Risks and opportunities



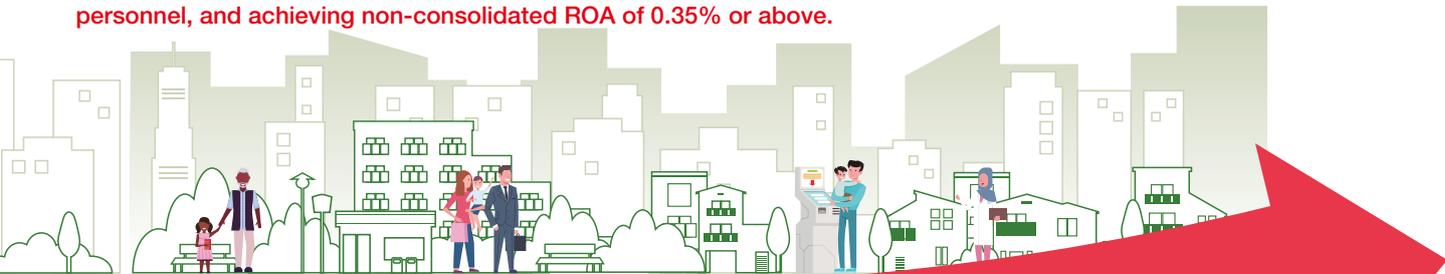
Strategies and resources allocation



Performance

Our “unconventional” human resources resolve issues faced by our customers and the community, and tackle social issues by commercialization and other means.

Through these problem-solving undertakings, we provide our stakeholders with added value and contribute to development of our operating region. We believe that repetition of this cycle will eventually lead to achievement of Nanto Bank’s goals for 2030: **increasing Nara prefecture’s GDP by approximately 350 billion yen, cultivating 350 management personnel, and achieving non-consolidated ROA of 0.35% or above.**



Value we are offering all our stakeholders

Goals to be achieved by 2030

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 (non-consolidated)
0.35% or above

*1 To be achieved by the end of fiscal 2026, so that the achievement will be announced in 2029 (Nara prefecture’s GDP is usually announced approximately two-and-a-half years after the relevant fiscal year-end).

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

Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources

Cultivating “Unconventional” Human Resources

Basic Policy

Human resources are the Nanto Bank Group’s most valuable management capital. It is essential that we secure and develop highly skilled, well-qualified human resources to realize our Management Plan.

We are developing personal and professional growth opportunities by increasing our external secondments, dispatching trainees, and promoting exchanges among Group companies. We are also diversifying our human resources by introducing a side job system and expanding our career recruitment.

What are “Unconventional” human resources?

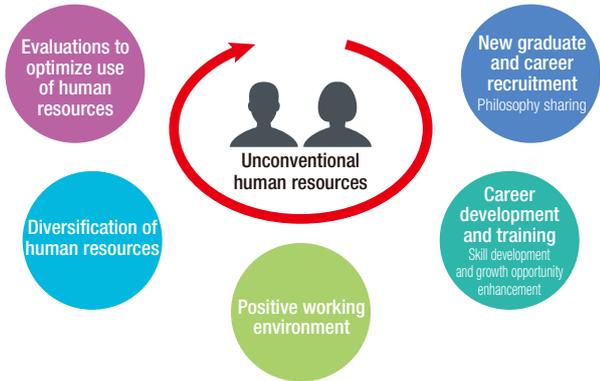
Employees who would be their colleagues’ and our customers’ first choice as collaborating partners.

Fiscal 2023 Action Plan

Competencies required of staff

- Ability to engage in management decision-making with customers
- Business planning capability
- Ability to innovate

Human resources creation cycle



Goal to be achieved

Cultivation of unconventional human resources

Why do we need unconventional human resources?

What kinds of personnel does the Group seek?



President's Message

See page 4 for details.



Roundtable Discussion with the Outside Directors

See page 22 for details.



■ New graduate/career recruitment Recruitment of human resources who share our Group's Philosophy

Nanto Bank is committed to developing a working environment that adequately rewards employees with a passion for community development and willingness to improve their capability and value. We seek to imbue our personnel with our Management Philosophy and Vision, and to encourage them to play active roles in our various Group companies.

At the same time, we envision a reduction in employee workloads and a natural decrease in our employment rolls as we expand the application of digital technologies and other new approaches. This makes it especially important for every individual staff member to achieve a high performance level, and for all our Group companies to shift their human resources to high value-added operations by adopting the so-called "smart work" style and digital technologies to improve their operating efficiency and productivity.

To meet the growing demand for more enhanced employee knowledge and skills in every field of business, the Bank is seeking to reinforce recruitment of highly specialized personnel through new graduate and career hiring, as well as through Group-wide human resources development and personnel exchanges.

New graduate recruitment

All our Group employees are growing toward their goals and participating actively in a variety of fields.



VOICE

Frank roundtable discussion among young employees



Voices of 50 Nanto Bank personnel

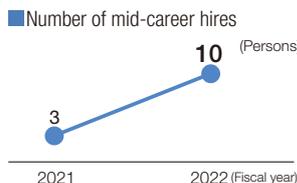


Available on our website.



Recruiting more mid-career hires

We are strengthening recruitment for mid-career positions through the use of both recruitment agencies and direct recruiting and by increasing the number of open positions. Efforts to revitalize our organization include hiring promising personnel with advanced expertise and an ability to make an immediate impact in the sales arena.



Previous jobs	Number
Regional banks	4
Financial firms	1
General companies	4
Attorneys	1

VOICE

I intend to apply my experience and expertise as an attorney fully in my work.

In my previous position at a cooperative financial institution, I worked in the corporate planning and general affairs departments, where I was responsible for compliance system development and personnel and labor affairs. The experience and expertise I acquired there are extremely useful in my current position, where my responsibilities center mainly on legal and compliance matters.

As a regional financial institution, Nanto Bank feels a strong responsibility for pursuing regional economic development. I find it highly rewarding to work as a member of a bank like this, which has earned the trust of regional customers over its long history. I hope to expand the scope of my work gradually in the future with the goal of playing the kind of role that is expected of a financial institution, including consulting and solution provision, by drawing on my expertise in the legal, labor, tax, and other fields.



Compliance Control Division
Department Chief
Yoshihide Sawa

VOICE

I intend to leverage my experience as an alumnus of several companies.

After joining Nanto Bank upon graduation in 2009, I worked at other regional banks and companies before returning to the Bank last year.

I believe that my experience working at multiple companies has broadened my thinking and perspectives by exposing me to a varied range of values and corporate cultures, and that the personal connections I established through those experiences have broadened the scope of information and added value I bring to my work.

In my current position as a corporate sales representative, I work closely with business owners to share and solve the actual issues facing them. I plan to continue making the most of my experience to provide a wide range of solutions.



Osaka-chuo Branch
Yousuke Sakai

VOICE

I am committed to providing management support based on my previous experience.

My responsibilities in my previous position at a regional bank primarily involved providing management and financial support for distressed corporate clients. I am currently expanding the scope of my work to include preventative management support for customers whose businesses are deteriorating, while continuing to offer the types of initiatives I provided in my previous work.

I also participate in a cross-organizational project team for customers who are considering business expansion or renewal, while supporting their projects and engaging with them in a companionable manner.

In the future, our team will further deepen our cooperation with others to expand the range of added value we can provide and make greater use of the Bank's consulting function for the benefit of the community.



Examination Department Business
Revitalization Office
Department Chief
Takeshi Morimoto

Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources

Cultivating “Unconventional” Human Resources

Career development and training Helping employees improve their skills and build on their experience to provide added value to customers

Reinforcement and systemization of consulting sales

Individual customer sales	Overview
Branch managers and executives	Efforts to improve the rate of participation in transactions and breadth of transactions through practical training meetings Reinforcement of sales structures to comply with FD and compliance requirements
General public sales representatives	Increase in total asset sales, including real estate sales Enhancement of sales skills conforming to FD and compliance requirements
Younger staff	Acquisition of fuller knowledge of sales regulations and administrative procedures related to assets under custody Upgrading of proposal capabilities through acquisition of home loan knowhow (L-Plaza training)

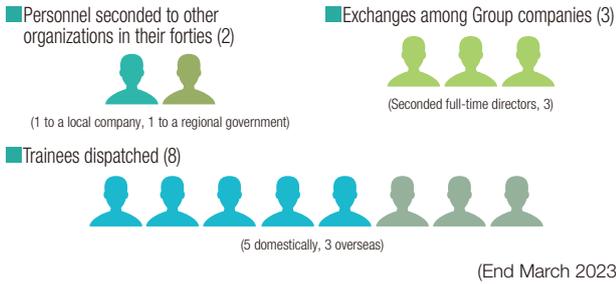
Corporate sales	Overview
Branch managers	Continuation of consultation training (for new branch managers) Implementation of practical consulting training
Corporate sales representatives	Continuation of practical skills training Video distribution of consulting case studies
Younger staff	Early acquisition of corporate sales skills Strengthening of cooperation with guarantee companies

Developing growth opportunities

Main initiatives
<ul style="list-style-type: none"> ● Increased number of secondments ● Dispatching trainees ● Exchanges among Group companies

We promote the growth of young employees by dispatching them to external companies/institutions where they can acquire management literacy and other skills.

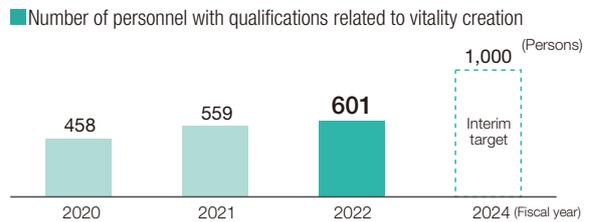
We also actively promote secondments within the Group to provide opportunities for acquiring specialized skills.



Main initiatives
<ul style="list-style-type: none"> ● Support for acquisition of qualifications that contribute to problem-solving ● Training to strengthen logical thinking skills, joint training with other companies

We encourage the acquisition of qualifications that contribute to problem-solving through the provision of learning opportunities such as preparatory courses to help employees acquire specialized knowledge to respond to customers' diverse values (varied needs).

We offer a variety of training programs to help employees improve their thinking skills, acquire new perspectives through exposure to diverse cultures and values, and expand their horizons.



VOICE

I find it rewarding to participate in management decisions in close cooperation with management.

My colleagues and I at Toyo Screen Kogyo Co., Ltd., to which I was seconded from Nanto Bank, are working to establish a rewarding work environment by focusing on "our people" as a management resource. Most recently, we organized a management plan presentation designed to unify the various vectors within the company. I now hope to apply experience I acquired working for the Bank's labor union to help construct a personnel evaluation system here. My efforts at Toyo Screen have a greater impact on the direction of the company than they would at a large company. I am able to participate in management decisions in close proximity to management, a situation I find extremely rewarding.

At the same time, I have observed major differences in the corporate culture and scope of individual employees' work here. The general affairs work I am currently responsible for is a daily learning experience.

When I return to the Bank, I plan to make use of the knowledge and know-how I gained through my secondment to develop as a banker who can relate closely with regional customers by implementing solutions to the problems and issues they face.



Section Chief, Management Division **Takashi Kawasaki**
 Seconded to TOYO SCREEN KOGYO CO., LTD.
 Manager, General Affairs Department

VOICE

Seeking growth as a venture capitalist contributing to community revitalization.

I am currently employed as a trainee at XTech Ventures, an independent venture capital firm that invests in seed funding and early-stage support for startups.

My work as a venture capitalist, investing in newly established startups and supporting their business growth following the investment, requires me to view companies from a completely different perspective from a banker's. We refer to financial information when making investment decisions, but because seed and early-stage startups have limited track records in terms of sales and profits, we have to make investment decisions based on our assessment of the entrepreneur's character, the marketability of the business, its growth strategy, and its superiority.

After returning to the Bank, I hope to employ my investment expertise, my know-how in working cooperatively to support business growth, and the network I have cultivated during my secondment to contribute to regional revitalization by providing full-scale support for entrepreneurs who are considering starting a business in Nara Prefecture.



Nanto Capital Partners Co., Ltd.
Naoya Yamamoto
 Trainee dispatched to XTech Ventures, Inc



Friendly work environment Initiatives to improve work styles and retain staff See page 58 for details. >>>

Full realization of a variety of leave programs

We are pursuing creation of an environment that incorporates various types of leave, including paternity leave and family support leave, so that employees can make full use of their planned leaves, consecutive holidays, and summer and winter vacations.

Expansion of childcare support systems

We are expanding various childcare support systems to make it easier for employees to seek career advancement while balancing work and child-rearing.

- Paternity leave system
- Expanded family support leave system
- Fertility treatment leave system
- Expanded child nursing care leave system
- Expanded period during which employees can benefit from childcare support programs such as shorter working hours



Diversification of human resources Responding to increasingly complex and varied customer issues by increasing the number of staff with diverse values

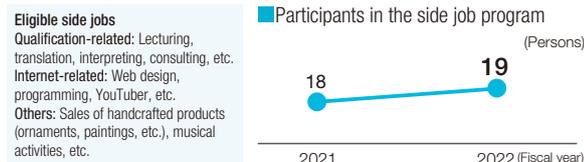
Promoting gender equality and other diversity initiatives

Nanto Bank is working to raise awareness and develop systems that enable a diverse range of human resources, including women, to play an active role.

We are pursuing initiatives to achieve a balance of work with childcare, including the introduction of paternity leaves.

Promoting a subsidiary business system

Acting from a belief that diverse experience, advanced expertise and skills, personal connections, and networks acquired through side-business activities conducted in addition to employees' banking responsibilities are indispensable, we have established an environment that allows employees to engage in side jobs.



Eligible side jobs
Qualification-related: Lecturing, translation, interpreting, consulting, etc.
Internet-related: Web design, programming, YouTuber, etc.
Others: Sales of handcrafted products (ornaments, paintings, etc.), musical activities, etc.

VOICE

Contributing to regional revitalization through employee participation in second jobs employing their qualifications.

In my side job, I take advantage of my qualification as an SME diagnostician to undertake preparation of various business plans and other projects introduced by other diagnosticians and SME support companies in Japan.

This side job enables me to interact with people outside the Bank, and to work on projects involving unique local industries in various regions of Japan. It is stimulating work providing rewarding growth experience that introduces variety into my daily life and adds to my store of knowledge.

I try to make use of this experience in my main business, not only from a banker's point of view, but also as a means of adding a certain amount of depth to financial services, such as by sharing and solving problems from the business owner's viewpoint.

I hope to continue this side business with the understanding and cooperation of everyone concerned, and to contribute to revitalization of the region in any way I can.

Kouriyama Branch Assistant Manager
Ryuta Doi



Employment of personnel with disabilities

In August 2018, Nanto Bank established Nanto Challenged Co., Ltd. as a wholly owned subsidiary committed to promoting employment of people with disabilities by creating environments in which they can enjoy safe, rewarding work experiences.

In February 2019, the new company was certified as a special-purpose subsidiary.

VOICE

I apply specialized skills in my work.

I have been employed since 2018 by my current company, where I am responsible for conducting data entry and producing business cards for all Group employees. Since I have advanced computer skills, I entered the Word Processing event in the National Skills Competition for the Disabled (associated with the Abilympics) to test my skills against others. Last year, my fourth year of participation, I took home the gold medal I had set my heart on. In preparing for the competition, I had continued working hard to hone my skills after work in the evenings by attending computer classes twice a week.

When I won the gold medal, everyone around me was as happy as if they had won it themselves. I want to continue challenging myself in a variety of fields by participating in friendly competitions.

Nanto Challenged Co., Ltd.
Mei Antatsu



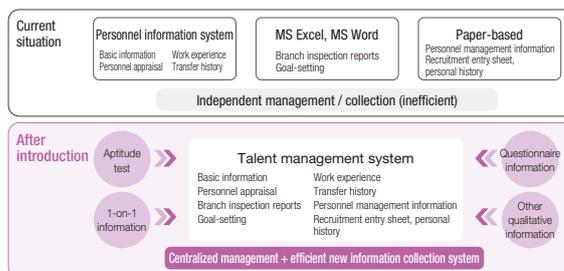
Evaluations to make the most of human resources Accept and evaluate staff with viewpoints and ideas different from your own.

Centralization of human resources information

Deployment of a talent management system

We have introduced a talent management system for purposes of centralizing the consolidation, accumulation, and visualization of personnel data and implementing strategic personnel policies (recruitment, training, assignment, and promotion) based on the data.

The system assesses the qualifications, experience, and abilities of employees comprehensively, and optimizes our deployment of human resources by assigning the right personnel to the right positions.



Capable human resources recruiting system Revisions of various personnel systems currently under consideration (to be implemented in January 2024)



Roundtable Discussion with the Outside Directors

Cultivating “Unconventional” human resources

Three of Nanto Bank’s outside directors, Hidetaka Matsuzaka, Kozue Nakayama, and Shuhei Aoki, joined Executive Vice President and Director Satoshi Ishida and Director and Senior Managing Executive Officer Kazuya Yokoya in an exchange of opinions concerning their impressions and evaluations of the Group’s personnel, with a special focus on the actions the Group is considering taking to cultivate unconventional human resources.



Vice President
Satoshi Ishida

Outside Director
Hidetaka Matsuzaka

Outside Director
Kozue Nakayama

Outside Director
Member, Audit and Supervisory Board
Shuhei Aoki

Director and Senior
Managing Executive Officer
Kazuya Yokotani

Nanto Bank’s human resources development from the outside directors’ perspective

Ishida: Four years have passed since I came to Nanto Bank. During early courtesy visits to local customers, I received a distinct impression that the Bank’s executives and employees had earned these customers’ genuine trust. I soon came to view this trust as the single most important asset differentiating the Group from others, and as convincing proof that its executives and employees have consistently exhibited a sincere commitment to the community and its customers throughout its long history.

When I turned my attention to the Bank’s internal organization, on the other hand, it struck me that the officers and employees had formed a homogeneous group, with a resulting rigidity in their organization. Considering today’s rapidly changing business environment, I was concerned that it would be difficult for a bank with a homogenous staff and a rigid organization of this kind to continue addressing the various issues confronting customers successfully in the future. We have responded by making cultivation of unconventional human resources the core issue of our business strategy and implementing a range of other measures.

Human resources development does not take place overnight. Today, I would like to hear how you, as outside directors, evaluate the Bank’s human resources.



Governance



Business model



Strategies and resources allocation



Outlook

Nakayama: I have been an outside director of Nanto Bank for one year now, and I have found that most of the Board members are serious, sensible people. I honestly find it difficult to say whether creative, innovative personnel are likely to emerge from within the Group immediately. On the other hand, the love the executives and employees so clearly feel for their local region is one of the Bank's most compelling features.

Yokotani: Many of our Group employees were born in this region and grew up with the Bank as part of their environment. This makes them particularly eager to contribute to the community and regional development through their work.

It is clear that employees such as these have created the Bank's image as a safe, secure regional bank through their steady, conscientious work. At the same time, however, they tend to overly value rules and avoid risk, and they exhibit a pronounced hesitancy to take up new challenges.

Aoki: The Bank's officers and employees are typical bankers. They are knowledgeable, rational, and imbued with a strong work ethic. On the otherhand, they lack the requisite assertiveness to take up new challenges proactively. Thanks in large part to the Bank's current management policy of nurturing "unconventional" staff, the younger employees seem to be working with considerable freedom of thought. Since these reforms have only just begun, however, both the new and the more experienced employees are wondering to what extent they can break out of their characteristic banker shells. Or so it seems to me.

Matsuzaka: I should add without reservation, however, that I feel this reformation of human resources is moving too slowly, although I do perceive clear signs of progress in the right direction from the perspectives of cost management and IT introduction. Cultivation of unconventional human resources is the most pressing issue for management, and if we fail to time it right, we stand to lose out in the competition with other banks. At the same time, I do not think that any reform of human character will occur simply because management says it should. I believe that employees will change and grow only when they acquire new awareness through a process in which management strategically allocates people with unique personalities to positions requiring them to respond to various unfamiliar issues. The banner of reform may have been raised, but I am not at all sure that every employee has fully embraced change yet.



What kind of human resources does the Bank require?

Yokotani: We believe that the Group will be further differentiated by cultivating personnel with the ability to realize customers' goals by consulting with them about the real concerns particular to their organization, cooperating with them in making decisions, and working with them toward a final resolution.

We also recognize a limitation in our management stemming from the fact that engaging in rule-based banking alone will not broaden employees' perspectives beyond the banking business. The process of cultivating more



executives and employees with broad perspectives must begin by systematically assigning personnel to branches outside the prefecture, conducting personnel exchanges between branch offices and headquarters, and transferring employees to Group companies.

Some employees may no doubt wonder exactly what they should do to become unconventional, or to acquire the requisite skills for consulting sales.

I would like to ask you all one important question: What specific skills do you think we should expect our human resources to possess?

Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources

Roundtable Discussion with the Outside Directors



Aoki: Nanto Bank is embarking on a path of diversifying its business beyond traditional core banking operations. Since this will require various unknown and varied services, it might appear at first glance that it would be sufficient to secure a diverse workforce. But this may not be enough. Of course, we will in any case be required by society to diversify our personnel in terms of gender, educational background, and age from the perspectives of fairness and justice. But I believe that the personnel who will be active in the Bank in the future will be those with the courage to tackle unfamiliar tasks and the intelligence to conceptualize solutions for which there is no precedent.

Matsuzaka: I consider it important for both executives and employees to possess what I call a variety of “drawers.” These can be constructed through such experiences as building a network of contacts with many people and participating in a variety of projects. Specifically, the quality of the solutions we propose to customers can be substantially improved by knowledge of such things as “another banker who succeeded in organizing his staff in a certain way for a specific project,” “a person or company with particular strengths in one field or another,” or “a system that might be appropriate for a purpose under consideration.” In addition to interactions among personnel at the Bank’s branch offices and headquarters, secondments to regional companies and local governments and traineeships at other companies would have a decidedly positive effect on building an internal and external network of this kind.

Nakayama: I agree. My perspective may be a little different, but I believe, first of all, that the Bank’s departments and branches should not have to suffer from the “not invented here syndrome” (self-sufficiency syndrome).

Only a few companies are equipped to solve today’s increasingly complex customer, community, and social issues by depending on their own resources. Similarly, I consider it difficult for the individual departments and branches of the Bank to find solutions on their own.

Although the roles of each department and branch may be considered necessary to conform to the Bank’s rules, I feel that breaking down barriers between organizations, thus freeing employees to ask each other for advice and listen to each other’s opinions, is among possible changes that can help to diversify executives’ and employees’ values. This will, in turn, strengthen the organization. This is why I believe the Bank’s new main building, which is currently under construction, will play a symbolic role, not only in DX and work-style reform, but also in eliminating the physical and psychological barriers separating the Bank’s internal organizations.

Ishida: We need to recognize that the way we interact with customers is changing dramatically, and to rethink the kinds of added value we provide them.

People who can think through the processes required to solve customers’ problems and conduct regional development are the ones who will shape the future of the Group. Determining optimal solutions will require every individual employee to improve their own professional skills and accumulate a diverse fund of personal experience, accompanied by cooperation and collaboration among employees throughout the organization.

As one means of cultivating these human resources, for example, we will relocate and consolidate our Headquarters Sales Department, various headquarters functions, and Group companies in the new main building to the extent possible, to create an environment that encourages free, lively discussion, thus deepening cooperation among our organizations.





Governance



Business model



Strategies and resources allocation



Outlook

Cultivating “unconventional” human resources

Yokotani: In our efforts to foster unconventional human resources, we have been working to diversify our employment rolls by expanding our career recruitment program and introducing a side job system as well as offering such employee growth opportunities as secondment to outside companies and dispatch of trainees.

We also believe that proper management leadership will be essential to creating unconventional human resources naturally.

I am convinced that particular attention should be given to engaging the young employees who will be responsible for the future of the Group. Communication from management will naturally be important here, but it is these young people's direct supervisors who will exert the greatest influence on their motivation. The degree to which supervisors can engage their subordinates will make all the difference.

Aoki: It is management's responsibility to nurture unconventional human resources. Personnel gain character when they are given the challenge of exciting work. To clarify, this means providing jobs that enable employees to respond accurately to customers' emerging needs by mobilizing all their strengths and knowledge, which leads in turn to gratifying experiences. I believe that the number of unconventional human resources will increase if management and workplace supervisors create more engaging jobs and make it easier for employees to obtain suitable assignments through the Bank's hiring, transfer, and performance evaluation practices.

Nakayama: Looking back on my own life, I believe that I became the person I am today because someone always forgave me when I went astray. I believe it is important for management to encourage relationships of trust between supervisors and subordinates in which the objectives are stated but the process is determined by the subordinates. This will promote dialogue between supervisors and subordinates and facilitate a sharing of diverse ideas and values transcending age, experience, and gender.

Matsuzaka: I think the solution is simple: Executives and employees should approach each project with the attitude that “this initiative will produce this benefit when viewed from the perspective of the Bank as a whole.” In other words, simply changing the beneficiary of the action from an organization or department to Nanto Bank can alter employees' awareness. I should also note that not every staff member needs to possess fully balanced capabilities. It is important for supervisors to identify each individual employee's particular strengths. No one needs to be capable of handling everything, as long as we can solve customers' issues with the combined efforts of all our staff members.

As we continue to foster unconventional human resources, it is essential for every manager and employee to pay greater attention to their surroundings, and for superiors and subordinates to continuously discuss such questions as these: “What is going on in this organization?” “What is the structure of this business?” “Why is this customer telling us these things?” and “What is the situation behind this news?”

Ishida: As I listened to everyone's opinions, I realized once again that cultivation of unconventional human resources begins with allowing others to think differently from us.

When explaining the objectives of a project, moreover, it is advisable to give personnel free rein to consider the optimal approach and then discuss it with them. I believe that repeating these procedures will provide the key to inspiring innovation. Human resources are our Group's most valuable management capital. With everything you have said today in mind, I want to ensure that the Group remains an organization in which every employee can find fulfillment in their work. Thank you all for sharing your time with us today.



Realizing Sustainable Growth of Our Regional Economy

Enhancement of Customers' Corporate Value

Basic Policy

Nanto Bank's customers face a variety of challenges today, including a shrinking working-age population and a need to deal with the pandemic's aftermath and high resources prices. We uncover the real, underlying problems confronting our customers and commit ourselves to resolving them.



Fiscal 2023 Action Plan



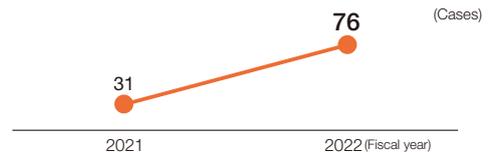
Cash management support in the wake of the coronavirus pandemic

We are further enhancing the quality of our consulting functions to revitalize businesses in the post-pandemic era by proposing ambitious management strategies designed by a cross-organizational project team that brings together our branch offices, headquarters, and Group companies. We continue to accumulate a record of successes in handling these issues.

Cross-organizational project team



Cases handled (cumulative total)



VOICE

Strong Group-wide support for customers' renewed growth

We provide strong support for businesses that are struggling to achieve profitability in the wake of the coronavirus pandemic, which caused a reduction in their scale of business, an increase in borrowings, and soaring prices, among other factors. To achieve our objective, we launched a cross-organizational project team in July 2021 that brought together personnel with specialized knowledge in various fields to discuss a grand design for the renewed growth of our business partners. We are now engaging in strategy discussions with our customers' management to encourage them to adopt this grand design to build a larger and stronger earnings base than they enjoyed before the pandemic.

To support customers' efforts to improve their management further, meanwhile, we have established the Nanto Business Planning Support subsidy that provides up to 500,000 yen per customer to encourage the growth of our business partners.



Managing Executive Officer Manager, Examination Department
Koushi Okamoto



Support for sustainable growth of customers' core businesses

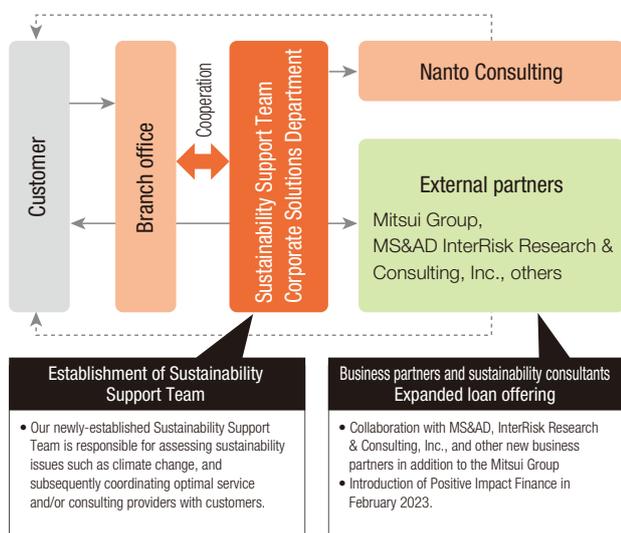
As part of efforts to support the growth of our customers' core businesses, we established a specialized IT introduction and sustainability support team in April 2023 to address their needs for the introduction of IT to their productivity and for sustainable management to respond to the SDGs and related issues.

We also promote customers' efforts toward sustainable growth by providing comprehensive support tailored to issues such as HR sourcing, business succession, and M&A as well as to the need to hedge against risks such as exchange rate fluctuations.

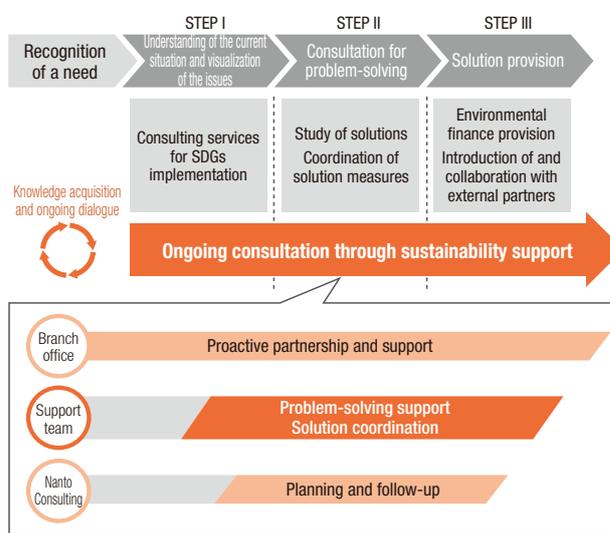
Support for customers' IT introduction and efforts toward sustainability

We support customers' sustainable growth by providing in-depth consulting services to help them introduce IT and attain sustainable management.

Sustainability support system



Sustainability support process



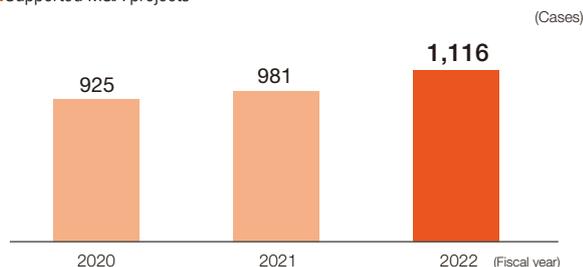
Business succession and M&A

Business succession and M&A services for maintaining and expanding local businesses and employment.

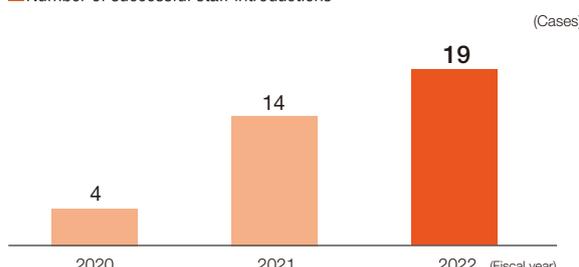
Human resources services [See page 28 for details. >>>](#)

The Group is prepared to introduce optimal management personnel, highly qualified experts, and skilled foreign personnel with the necessary knowledge and knowhow to solve the issues confronting our regional corporate customers. We provide our consulting customers with follow-up services for a certain time after a new employee has joined their company to ensure that the new employee is contributing successfully to the company's growth and improvement of its business structure.

Supported M&A projects

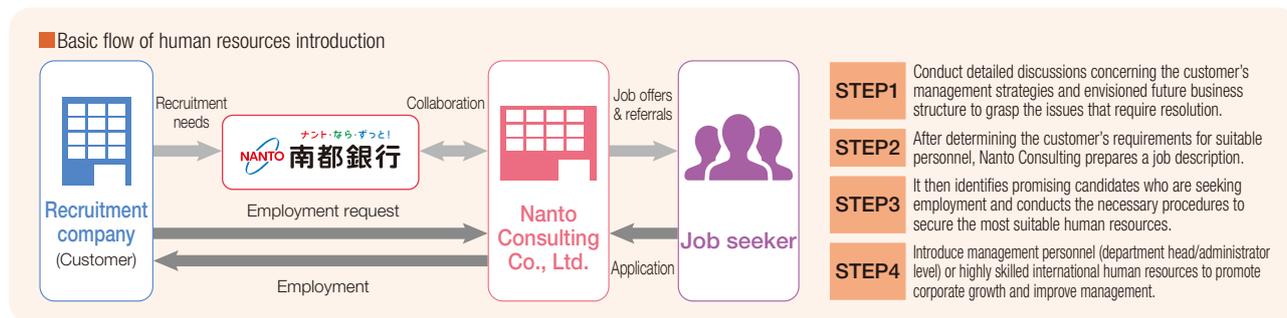


Number of successful staff introductions



Stakeholder Voice ①

Enhancement of Customers' Corporate Value



Recruitment service initiatives

Example 1

Client company profile

Established in 1963, Ohura Precious Metal Industry initiated sales as well as refining and processing of precious metal bullion. Today, it trades in precious metal ingots such as gold, silver, and platinum, refines precious metals, and manufactures and markets chemicals made from precious metals. It provides products for use as components in many precision devices requiring advanced technologies, including smartphones and other communication devices, various electronic equipment, and automobiles.

Ohura Precious Metal Industry Co., Ltd.
 President and Representative Director **Yoshiyuki Ohura** (right)
 Managing Director **Soichiro Ohura** (left)



Recruitment is of particular significance among the services provided by regional banks.

Q. Why did you decide to employ a recruitment service?

President: I had thought for some time that our company needed someone with strong management skills to serve as the right hand of my son, our Executive Director, in the future. Since our hiring process was not progressing as successfully as I had hoped, it crossed my mind that someone from Nanto Bank, which had been our main bank for years, might be interested in coming to work for us.

Managing Director: Since the time I joined the company, my work has focused on HR and labor-related matters, including development of our hiring and personnel evaluation systems. We had long recognized improvement of our personnel and labor management as pressing needs for corporate growth, but that was just one of a wide variety of tasks awaiting our attention. We found the solution by approaching Nanto Consulting through its parent Nanto Bank, and asking them to introduce a prospective employee with management skills and expertise in labor management, especially in establishing HR evaluation systems.

Q. What specific issues have you solved with Nanto Consulting's cooperation?

Managing Director: We have succeeded in building a solid personnel system with the help of their referrals. In our hiring of new graduates, their support extends to conducting regular post-employment interviews. These efforts have enabled us to retain the human resources we need, while also supporting our active efforts to encourage male employees to take the paternity leave we make available, which has been an issue for management in recent years. In April of this year, this led to our receipt of "Kurumin Certification," which is recognized by the Ministry of Health, Labor and Welfare, as a company that provides particularly strong support for child-rearing.

In another example of our successful collaboration, we manufacture and sell a variety of industrial products besides precious metals, primarily precious metal chemical products that require strict quality control. This work has long presented us with challenges. If a foreign material is mixed in, we need to investigate the cause and report the results in order to implement countermeasures. Since our in-house knowledge was insufficient, we felt a need to acquire expertise in new areas from outside the company so that we could serve customers with a more advanced management system. Nanto Consulting introduced several new personnel who have strengthened our Quality Assurance Department.

Q. Evolution of Nanto Bank

President: Nanto Bank's core business is the deposit-and-loan business, which I believe they should continue to prioritize. I have become aware, however, that they are also equipped to provide exceptional consulting on various matters besides finance.

We have had a long relationship with the Bank, and I am satisfied that their sales staff has a detailed understanding of our business. This connection clearly distinguishes Nanto Consulting from other recruitment agencies. We can consult with them without any concern because of the relationship of trust we have built with their parent organization over the years. We are currently also working with Nanto Consulting to optimize our business succession.

I consider recruiting to be an important service that can contribute to regional banks' ability to grow together with companies in their local region. I hope Nanto Bank will continue to value efforts of this kind in the future.



Business model



Strategies and resources allocation

Example 2



Client company profile

Founded in 1948, Ogawa Iriki has engaged in the import, manufacture, and sales of nursing and medical facility equipment for over 70 years. Since every medical facility has different requirements, our role is to provide customized products for individual customers, and to improve the hospitality of the medical environment through nursing and medical equipment supply. We also publish *Nest*, a medical information journal.

Ogawa Iriki Co., Ltd.
President and Representative Director **Yuki Ogawa**

We need a bank that offers excellent in-person communication skills to clarify customers' management issues successfully.

Q. Why did you decide to employ a recruitment service?

A staff member of Nanto Bank assigned to our business visited us frequently and listened attentively to other issues facing us besides our financing needs.

Since our business involves equipment for nursing, medical, and institutional use, we have to train technicians to provide equipment maintenance inspection and services, particularly in the wholesale business of equipment cleaning. We had a pressing need for highly skilled people to handle these functions, most notably a manager to organize our technical team.

When I mentioned in the course of conversation that our most urgent challenge at the time was in the area of human resources, especially engineers, we were informed of available recruiting services offered by the Nanto Bank Group. After I expressed interest in trying them, a member of the Nanto Consulting staff visited our office repeatedly to discuss our human resources needs.

Q. What specific issues have you solved as a result?

Thanks to the efforts of the consultant responsible for our project, we began marketing maintenance services in April of this year. We have succeeded in expanding our business, which was formerly limited to wholesale operations, by adding a proposal business with maintenance services to our mainstay equipment supply operations, and, as a result, we have successfully established a new business scheme that obtains profits from technology sales.

Q. What results have you observed?

Since the beginning of our relationship, Nanto Consulting has introduced human resources across a wide range of fields. Among these, a new foreign engineer has joined our company. Being an assertive, highly energetic person, he has learned Japanese quickly since joining us. This is the first time we have hired a foreigner, and doing so now has motivated our staff to take up new challenges more decisively. One of my primary goals was to add diversity and vitality to the company, and we have been extremely successful in doing that. Today, we have employees from diverse backgrounds, including staff from Hokkaido to Kagoshima and female employees with young children who are making full use of our shorter working hour system to continue working. My hope is that these efforts will eventually lead to a working environment that encourages employees to stay with us for a long time.

With the introduction of people who can manage manufacturing and sales positively for the purpose of strengthening our sales department, we have achieved the kind of leadership we need in technology and sales, and our maintenance proposal business is growing steadily as well. The ability to sell technologies has solved a major challenge faced by the company, which is now transformed to a business that can profit from technology sales. No such success would have been achievable without all the efforts made by the Nanto Consulting staff assigned to our account.

Frankly speaking, we sometimes feel reluctant to openly discuss some matters concerning recruitment. In this case, however, Nanto Consulting was willing to speak with us face-to-face many times in order to "visualize" our concerns. This inspired our confidence in their ability to solve our recruiting needs. I am convinced that this kind of dialogue provides the best basis for banks' sales representatives to visualize their client companies' various issues clearly.

VOICE

We work cooperatively with customers to identify and solve their challenges at the source.

In our "know your customer" efforts, we make it a point to approach each step in the process with blank minds.

We draw on our knowledge and experience to engage in dialogue with companies in a variety of industries. Even presidents and companies in the same industry prioritize different policies and corporate identities, and we believe that learning and sharing their individual approaches will equip us to provide solutions no one else can offer.

Our placement services have enabled us to acquire deeper knowledge than ever about the strengths, challenges, and future visions of our corporate clients. We will continue to work with customers to solve their various issues with the aim of becoming a bank that grows together with its community.

Ujiookubo Branch
Keisuke Ohnishi
(Sales representative responsible
for the Bank's business with Ogawa Iriki Co., Ltd.)



VOICE

We fully examine our customers' management issues from their perspective and introduce highly qualified personnel with the knowhow and skills best suited to solving them.

Our mission is to "support the growth of local companies and contribute to revitalization of the regional economy." Based on our understanding that an ability to secure high-quality human resources is always a matter of great importance for regional companies, we work closely with the Bank to introduce promising candidates, with a primary focus on managerial staff and highly qualified foreign students studying in Japan. We look for and introduce candidates based on in-depth discussions with management concerning their company's issues, business environment, future vision, and personnel needs.

We seek to provide services that satisfy both our customers and job seekers by covering various types of needs for new employees.

Nanto Consulting Co., Ltd.
Managing Director **Tomoyuki Kawanishi**





Realizing Sustainable Growth of Our Regional Economy

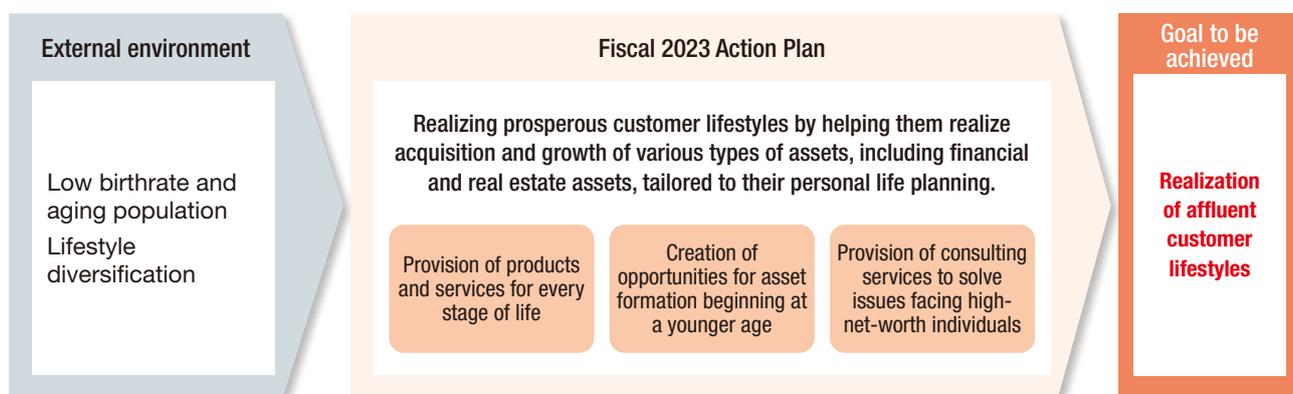
Support for Customers' Asset Formation

Basic Policy

Nanto Bank is firmly committed to helping individual customers conduct successful asset formation efforts as part of their life planning to assure their future prosperity, which is becoming increasingly important in this "era of 100-year lifetimes."

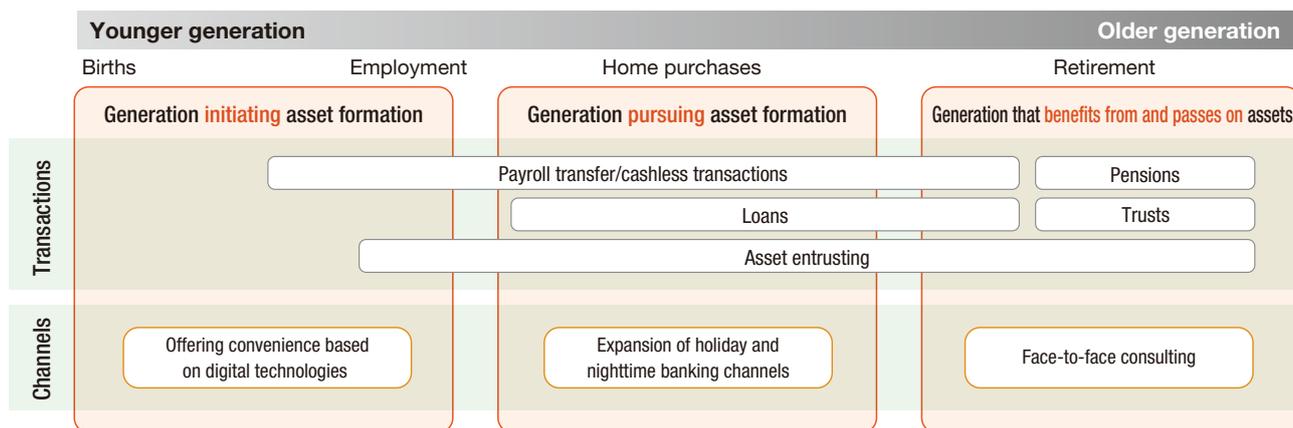


Fiscal 2023 Action Plan



Provision of products and services for every stage of life

We help customers realize affluent lifestyles while expanding our customer base by formulating asset-formation plans for every stage of life: the generation that initiates asset formation, the generation that conducts asset growth, and the generation that benefits from and passes on assets.



VOICE

Optimizing clients' profitability through repeated dialogue

To ensure that clients fully understand the proposals we present for diversified medium- to long-term investments, we explain each investment in easily understandable detail.

Customers who are new to investment management, in particular, may experience considerable anxiety, even though they are attracted to the idea of investment. Dialogue with customers is indispensable to dispelling this anxiety. I consider it to be the first step toward acquiring an accurate grasp of customers' needs and working with them toward the most appropriate solutions.

I have many opportunities to interact with customers in various stages of life, through which I often find that I have much to learn from them. I want to polish my customer dialogue capabilities in order to accumulate knowledge and experience a step at a time for use in constructing optimal proposals tailored to their individual life plans.



Kouriyama Branch
Ayako Katou



Creation of opportunities for asset formation beginning at a younger age Establishing connections with tomorrow's customer base

We are feeling increasingly anxious that our younger customers' connection with the Group may be diminishing due to the spread of online and cashless banking.

Transactions with younger people are crucial for sustainable growth of the Group, and we recognize the necessity of constructing a solid customer base with an eye to the future.

NISA and iDeCo programs

NISA and iDeCo create asset-building opportunities for young people.

Ideal systems for investment novices!

Benefits of installment NISA

- Steady monthly asset accumulation
- Customers can save as much as ¥400,000 per year for up to 20 years!
- Customers keep all the profits!

Click for details! >>>

Support for asset building toward retirement!

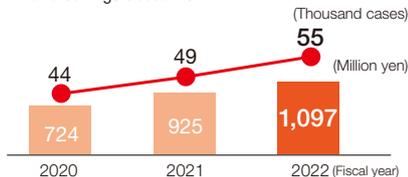
iDeCo (Individual defined contribution pension plan)

Three tax benefits

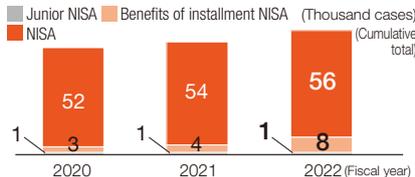
- All premiums are tax-deductible!
- Gains on investment are tax-free!
- Tax benefits are also available when the customer accesses benefits!

Click for details! >>>

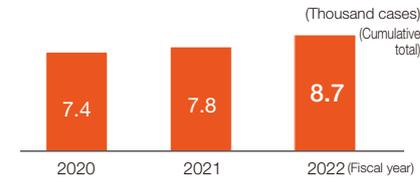
Monthly amount and number of transfers to mutual fund savings accounts



Number of applications for NISA, etc.



Number of applications for iDeCo



Apply with your smartphone! Mutual fund and NISA account-opening services

Account opening is completed as soon as the next business day following the date of application!

Apply by smartphone anytime, anywhere!
24 hours a day, 365 days a year
Make a speedy application without coming to the Bank!

Quick and easy!
3 application steps
Your investment trust account is opened as soon as the next business day after application!

Enroll in NISA and installment NISA at the same time!
If you already have a mutual fund account, you can also open a NISA or installment NISA* account and apply for a Nanto investment trust online!

*NISA and installment NISA cannot be used in combination (selection on an annual basis)

Customers who are eligible for these services Individual customers between the ages of 18 and 70 who have a Nanto Bank savings account (includes ordinary savings accounts)
* Business accounts (accounts under trade names or organization names, etc.) not accepted.
* We reserve the right to refuse to open an account due to our own considerations.

Easy application from your smart phone! >>>



Provision of consulting services to solve issues facing high-net-worth individuals Support for issues such as asset inheritance by the next generation

We also provide consulting services aimed at solving issues faced by high-net-worth individuals.

The Group members work as a team to resolve issues related to inheritance and succession. We are pursuing efforts to solve issues facing a wide range of customers, from the young to the elderly, and are currently expanding available services in this area to include services that help customers prepare for risks posed by factors relating to longer lifetimes, such as dementia or nursing care.

Available services

- Testamentary trusts (preparation, custody, and execution of wills)
- Testamentary trusts in lieu of wills
- Trusts allowing on-behalf withdrawals
- Calendar-year-gift trusts
- Insurance products, etc.
- Estate liquidation

Number of inheritances and trusts



VOICE

We seek to cultivate more human resources who are equipped to resolve customers' concerns and issues.

As part of our "know your customer" efforts, we hold meetings to train employees in visualizing the transaction status of individual customers and of customer information gathered through past transactions. Personnel of different ages and varied experience, including branch managers, share opinions from various perspectives and formulate hypotheses based on an image of the customer generated with the aim of proposing an optimal investment plan reflecting the customer's personal life planning and concerns. These activities also help inexperienced staff members improve their consulting and other skills as part of ongoing efforts to cultivate staff who can earn customers' trust.

Going forward, we will continue to support asset building by regional customers as a reliable bank to which they can entrust their valuable assets.

Asset Consulting Department
Vice Manager **Etsuko Yamaguchi**



Realizing Sustainable Growth of Our Regional Economy

Regional Business Creation

Basic Policy

At the Nanto Bank Group, we are convinced that the best way for us to contribute to sustainable growth of the regional economy is not only by generating regional earning power, but also by promoting Nara prefecture's revitalization through communication of its immense appeal to attract more visitors to the region.

Besides supporting customers and the regional community, the Group, which is itself a business entity, promises to work proactively to resolve local issues and contribute to regional development.

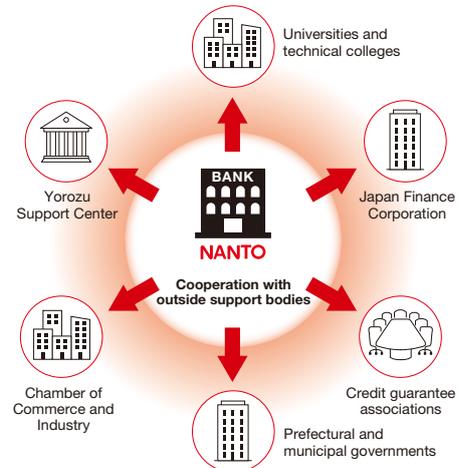


Fiscal 2023 Action Plan



Initiatives for startups and new businesses

- **Support for entrepreneurs and business developers**
The Nanto Bank Group members will work in unison to facilitate commercialization of our customers' businesses and expand their customer bases.
- **Stronger collaboration with the industrial, governmental, and academic sectors**
We are restructuring our support systems for start-ups to strengthen cooperation with external support organizations and extend support to larger numbers of start-ups.
- **Providing more effective support for business incubation**
We will consider operating business incubation facilities designed to foster a climate that makes it easier for entrepreneurs to start businesses in Nara prefecture.

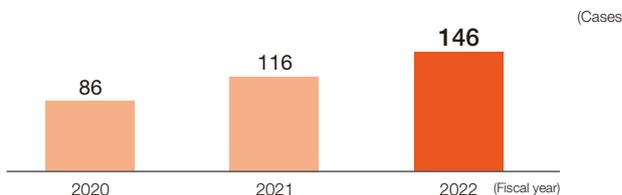


Nanto Success Road Awards

The Group has organized a total of nine "Nanto Success Road" Encouragement Awards for business plans formulated by individuals and companies seeking to develop or launch new businesses that are likely to contribute to the regional economy and society.

In addition to monetary awards, winners receive regular personal visits from representatives of Nanto Bank, which provides full support for early realization of their business plan, with its various types of available support often provided in collaboration with external institutions.

■ Total number of award-winning plans to date (cumulative)

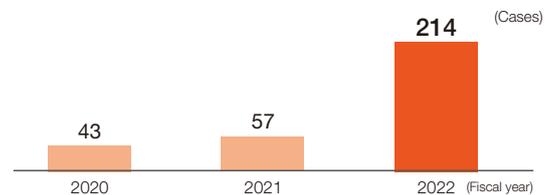


Startup support package

We offer startup support packages designed either for businesses or for individual business operators planning to build (or operating for a period of less than three years) a new business enterprise.

These packages are all tailored to the needs of entrepreneurs, and all offer six types of supporting services, including consultation on financing. The packages provide one-stop support for the period from pre- to post-startup.

■ Number of applicants (cumulative)





Initiatives for sustainable agriculture

- Our goal is to establish profitable and sustainable agriculture, reduce the amount of abandoned farmland, and increase the number of newcomers to the industry.

Initiatives for smart farming and sixth-sector industrialization

The Bank has been providing support to maximize the value of agricultural products by introducing organic farming techniques and so-called “sixth-sector industrialization” and to implement smart farming, which makes the process of agriculture more efficient while reducing production costs by utilizing robotics and ICT.



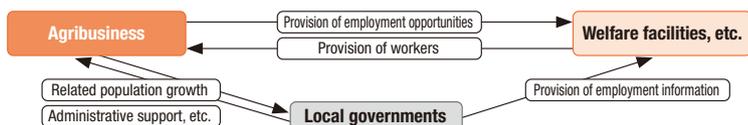
“Aigamorobo” automatic weed inhibitor robot
Inhibits weed germination in rice paddies



Cultivation of Yamato vegetables
Yamato Sanjaku cucumbers are cultivated for use in making Nara pickles

Securing new workers by combining agriculture and welfare

Besides providing opportunities for people with disabilities to work energetically, we find new work for them in the agricultural sector, where the working population is aging and declining.



Initiatives for tourism and regional growth

- We are pursuing Nara prefecture’s transformation from a “daytrip” tourist destination to a longer-stay destination, with the aim of increasing the prefecture’s GDP by raising spending on tourism.

Transformation to a longer-stay tourism destination

We are developing tourism hubs that provide lodgings throughout Nara prefecture to make it easier for travelers to stay longer and tour the prefecture from north to south.

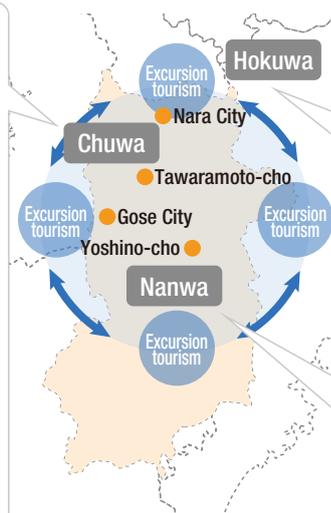
Nipponia Tawaramoto Maruto Soy Sauce

The town of Tawaramoto-cho in Isogi-gun, Nara prefecture, retains the original rural landscape of ancient Japan. Established here 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. Almost 70 years later in 2020, the brewery was renovated and reopened as an old private residence hotel, Nipponia Tawaramoto 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 have revived an abandoned public bathhouse in the town of Gose-machi as a bathhouse and renovated a nearby traditional private house into a facility that can be used for lodging, working vacations and dining.



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. We are planning to transform this library into a tourist accommodation facility over the next few years to create a regional tourism hub.



Efforts toward tourism DX

We are digitalizing information on tourist attractions to improve convenience for travelers and to promote excursion tours by providing timely recommendations and eliminating visitors’ dissatisfaction caused by a shortage of available information. We are introducing this initiative first in Nara City, which already attracts large numbers of tourists, with the intention of extending it throughout the prefecture after verifying its effectiveness.

VOICE

I am working to achieve sustainable agriculture by applying the knowledge and knowhow I acquired at the Bank.

My family are small-scale rice farmers, and I have helped them with their work since I was a student. I often wondered about the profit and expense balance of this business, and felt doubts about the prospects for my carrying on their work. My participation in local festivals made me aware that revitalization of agriculture and training of successors would be essential for maintaining our community and the original landscape of the region. This experience made me want to work full-time to improve small farmers’ profitability and train a new generation of farmers.

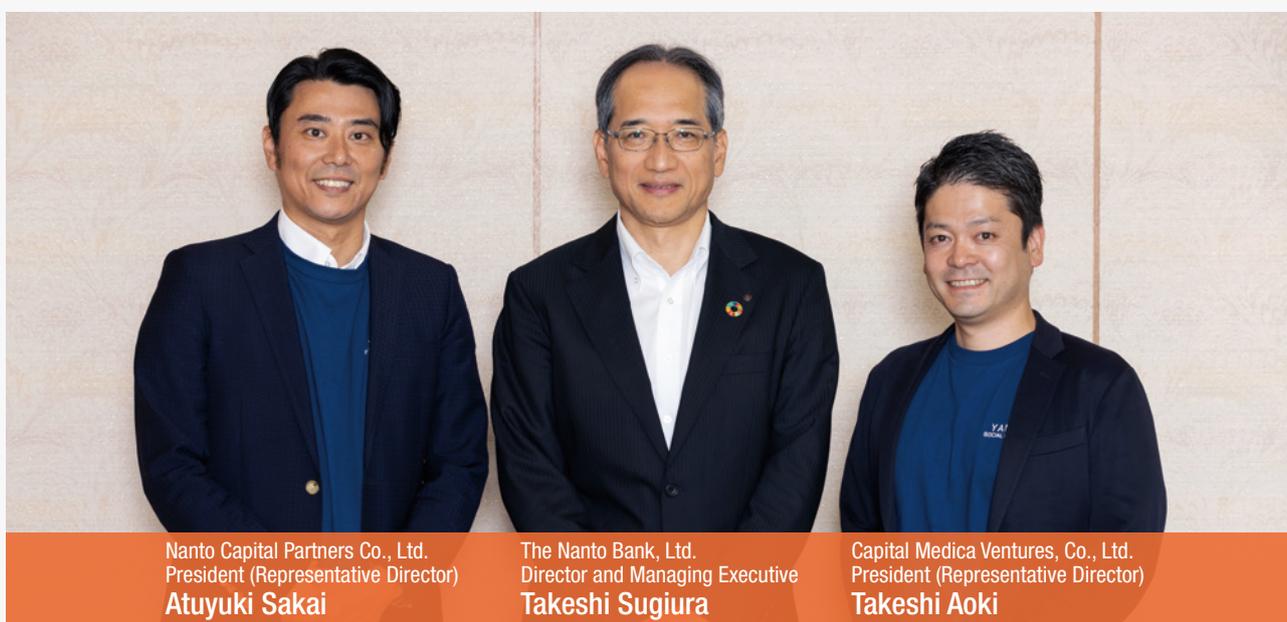
I have put the communication and problem analysis skills I developed at the Bank to good use in building relationships, not only with local farmers, but also with local governments, agricultural equipment manufacturers, and research institutes.

I hope to continue trying new techniques, free from the restrictions of conventional practices, for the purpose of establishing a model case that allows newcomers to enter the farming industry without worries. My goal is to make agriculture an attractive industry and contribute to regional revitalization.

Nara Mirai Design Co., Ltd.
Department Chief **Hiroshi Yoshimura**

Nanto Bank Group's strategy of creating social value through the "Yamato Social Impact Fund"

In October 2022, the Group established the "Yamato Social Impact Fund" to address social issues in Nara Prefecture and the surrounding region. The following three top executives of the Bank and related companies met recently to discuss their reasons for establishing the Fund, the first by a regional bank, and the effects it has had on efforts to solve issues facing the Yamato region: President Takeshi Aoki of Capital Medica Ventures, Co., Ltd., an investor in the Fund; Nanto Bank Director and Managing Executive Officer Takeshi Sugiura; and President Atuyuki Sakai of Nanto Capital Partners Co., Ltd.



Group's commitment to regional business creation

Sugiura: We introduced our Management Plan in 2020 and set goals for contributing to regional development in accordance with the Nanto Mission by increasing Nara Prefecture's GDP by 10% by 2030. We established Nanto Capital Partners in 2020 and began working to accelerate realization of the Nanto Mission from an investment perspective in accordance with our commitment to developing the region through investment. Furthermore, in recent years, as impact investing aimed at addressing social challenges has garnered significant attention, we established the "Yamato Social Impact Fund" in October 2022 with support from Capital Medica Ventures, which has extensive expertise in impact investment, to pursue further development of the region through investment financing.

Sakai: The Fund invests in companies that can help solve social issues in the Yamato region, the Group's main area of business. This approach is often referred to as "impact investment." Our aim is not only to pursue financial returns, but also to support entrepreneurs who are seeking to solve regional issues, and to make the members of the Fund team, who are expected to work closely with such entrepreneurs, feel more directly engaged in the process of solving the targeted regional issue.

Our mission at Nanto Capital Partners is to "add new value to Nara through investment." An enterprise that applies an investment strategy to realization of the Nanto Mission, we act as a hub connecting our portfolio companies with



Business model



Strategies and resources allocation

various local businesses. To go one step further from investment to working with entrepreneurs to promote commercialization, moreover, we have decided to work with Mr. Aoki to solve local issues. The Fund has been selected for the Regional Impact Fund Establishment and Operation Support Program designated by the Foundation for Social Change, which is an asset-distribution institution organized under the “Law for Utilization of Dormant Deposits, Etc.,” and which is certified as the first fund in Japan to put dormant deposits to use.

Aoki: Impact investment involves investing in potentially profit-making companies that engage in business contributing to society. We focus on the following three steps when making an investment: First, we set a goal to be achieved after clarifying the issues to be solved, an approach referred to as the Theory of Change (ToC). Second, we construct a logic model to organize a logical roadmap (hypothesis) for realization of the ideal results and establish KPIs by setting small successes (outcomes) to be achieved during the course of ToC as milestones. We then annually review the target issues and the logic model along with the achieved KPIs to clarify the created social impact. Third, we announce the status of achievement publicly through an impact report. The Group's fund management team follows these key steps as elements of the management system central to promotion of each project.



What effect will it have on the community and what difference will it make?

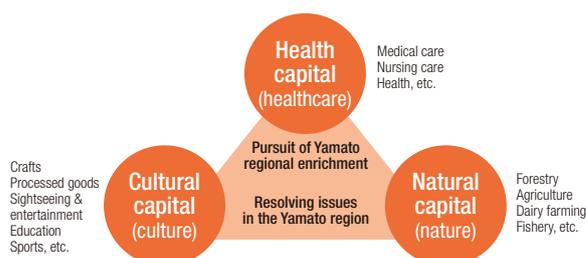
Sakai: The Fund's target areas for investment are specified as health capital, cultural capital, and natural capital. As concerns health capital, with the birthrate declining and the population aging, the field of nursing and medical care has become an important growth industry for Nara prefecture. At the same time, we recognize the need for these services as the most important issue for local residents to solve.

Overview of the Fund

Name	Yamato Social Impact Investment Limited Partnership
Unlimited liability partner	Nanto Capital Partners Co., Ltd.; Capital Medica Ventures Co., Ltd.
Limited liability partners	Nanto Bank, Ltd.
Investment commitment	500 million yen or above
Investment target	Startup companies that can contribute to solving issues facing the Yamato region
Investment period	10 years (possible investment period 5 years)

Investment targets

The targets of the Fund are startup companies that can solve issues facing the Yamato region. Specifically, the project focuses on the following three areas with the aim of enriching the Yamato region: (1) “health capital (healthcare)” in the area of health care; (2) “natural capital (nature),” including agriculture, forestry, and fishing; and (3) “cultural capital (culture),” including education, crafts, cultural assets, tourism, and sports.



Profile of the Fund administrators

Company name	Nanto Capital Partners Co., Ltd.
Establishment	October 2020
Location	16 Hashimoto-cho, Nara City, Nara Prefecture
Capital	100 million yen (wholly owned subsidiary of Nanto Bank)
President (Representative Director)	Atsuyuki Sakai
Field of business	Investment business
Company name	Capital Medica Ventures, Co., Ltd.
Establishment	November 2016
Location	3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo Kasumigaseki Building, 19th Fl.
Capital	100 million yen
President (Representative Director)	Takeshi Aoki
Field of business	Startup investment and development business, study sessions, seminar administration, etc.

Stakeholder Voice ②

When it comes to natural capital, forests cover some 77% of the prefecture's total land area, and we believe that issues related to forests, agriculture, and undeveloped woodlands near populated areas demand steady resolution. As for cultural capital, meanwhile, sightseers who come to Nara are primarily interested in visiting Buddhist temples and Shinto shrines, which is perfectly appropriate to Nara, by the way. If these resources were lost, Nara's regional value would be significantly diminished.

In this region, we want to employ the Impact Fund to identify where the issues lie and where to begin our response, and to use our findings to create concrete initiatives.

Aoki: I find the phrase “business is people” to be deeply meaningful. When planning this project, we first considered the concept that would best suit it. The concept we chose overlaps with the Bank's Management Strategy of “fostering unconventional human resources,” and we have incorporated this concept into the Fund to increase the number of qualified staff with problem-solving capabilities.



We need to develop human resources who fill the gap between employees who think of actions and those who actually put such actions into practice. It is certainly vital that we nurture “unconventional human resources.” Members of the Fund and Nanto Bank employees accompany and support those who are seeking solutions to issues, which contributes further to finding practical solutions. We are fully aware of the need to increase the number of qualified staff who can tackle the issues the customers we invest in are struggling with and help them determine the direction they want to take with a sense of ownership. That is how our value-creation process works.

Fund scheme



Profile of SIIF

Organization name	Japan Social Innovation and Investment Foundation (SIIF)
Established	September 2018
Location	6F, 1-11-28 Akasaka, Minato-ku, Tokyo
Chairman of the Board of Directors	Shuichi Ohno
Business content	Projects that contribute to realization of major changes in society (social innovation) by building a social and economic resources circulation system to solve social issues

The Yamato Social Impact Fund has been selected by SIIF to conduct a project supporting establishment and operation of a regional impact fund focusing on “social impact evaluation and management” to visualize changes and effects on society and the environment. It has been allocated a subsidy based on the Dormant Deposits Utilization Act.

SIIF comments

The Yamato Social Impact Fund is Japan's first funding project to utilize “dormant deposits.” It is a rare initiative in which local financial institutions are collaborating for the first time in this form of investment. We hope that the pioneering Yamato Social Impact Fund project will solve issues in Nara and the surrounding region, and that it will provide a model for regional impact funds nationwide in the future.



Business model



Strategies and resources allocation

Sugiura: Although deposits and loans remain the primary focus of the Bank's business, we feel we can contribute increasingly to local community development by placing new importance on creating social value through investment and taking risks proactively outside the traditional framework of the banking business. I also believe that the awareness of our Group employees will be elevated to new heights by experiencing the process of investment as a financing method, and that this will make them better equipped to take personal responsibility for addressing regional issues.

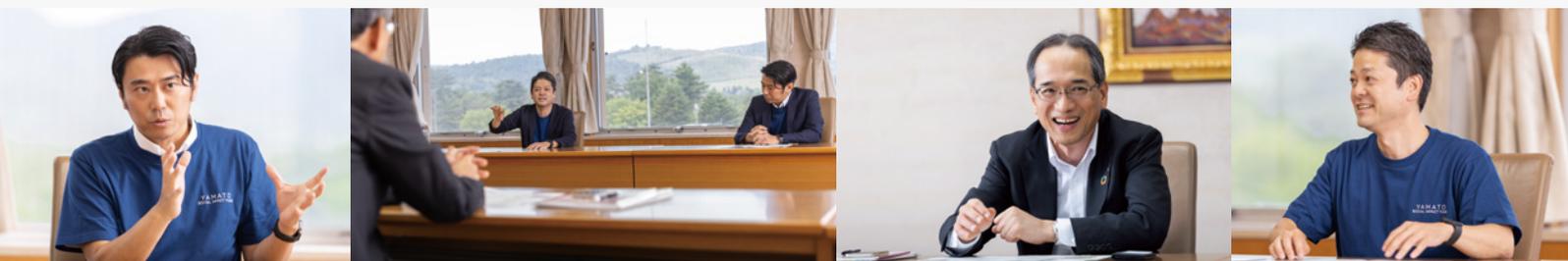


Objectives of the Nanto Bank Group and the Fund

Sakai: This Regional Impact Fund is a model initiative for solving regional issues. We are conducting crowdfunding for shrines and temples in the region in cooperation with our investment partner READYFOR Corporation, for example, and we implemented a particularly successful project with Horyuji Temple in June 2022, which attracted nationwide attention and raised funds far exceeding the target amount. At Nanto Capital Partners, we have connected various startups to other local businesses, deepening interest and leading to formation of the Impact Fund. We consider it our ultimate goal not only to solve problems, but also to create various businesses in the region. I believe that using the networks we have cultivated to date to collaborate with many people is vital for the sustainable growth of Nanto Bank. It is through such efforts that we hope to establish a framework or scheme to create more business projects in the community.

Aoki: As a matter of fact, I am from Ikaruga Town in Nara Prefecture, and the Horyuji Temple project renewed my pride in my hometown, which drew support from so many people throughout Japan. The mission of the Yamato Social Impact Fund is not only to nurture qualified staff but also to generate solid returns. We would be more than happy if we could contribute to increasing Nara's affluence by pursuing this mission and helping to resolve issues in the Yamato region, even to only a limited degree. I might add that it is the regional banks with the deepest knowledge of the region that will be responsible for revitalizing it through impact investment, and the region would never be revitalized without them playing an active role. If Nanto Bank can take the lead in expanding this model horizontally in the future, I am convinced that the results will be excellent.

Sugiura: We intend to continue providing optimal financial services and solutions to realize sustainable management in cooperation with our local communities. With the entry of other industries into the banking business, however, and the emergence of new payment services, we need to take a hard look at the ways in which we demonstrate our value as a Group. I consider the Yamato Social Impact Fund to be one of the unique strengths we retain as a regional financial institution. I also believe that our Group employees will realize solutions to various issues through deployment of the Fund and engender a new *raison d'être* and new value for the Bank as a regional financial institution, a process that will ultimately lead to human resources development. I feel certain that the Fund will contribute to sustainable growth of the Nanto Bank Group by winning acceptance among customers and the community and by supporting the growth of the regional economy.



Ensuring Greater Convenience



Director in charge, Digital Innovation Office, IT Strategy Department
Director and Managing Executive Officer **Kouji Honda**

IT and other digital technologies have become indispensable for the sustainable growth of the Group as our role has changed dramatically from “supporting business” to “transforming companies and the way they do business.”

To ensure an accurate grasp of customers' increasingly diverse and sophisticated needs, the Group organizes and deploys a broad range of information obtained through “Know Your Customer” activities conducted under a robust security and information management system with the aim of improving the customer experience (CX), enhancing our own operating efficiency, and increasing the sophistication of our sales activities.

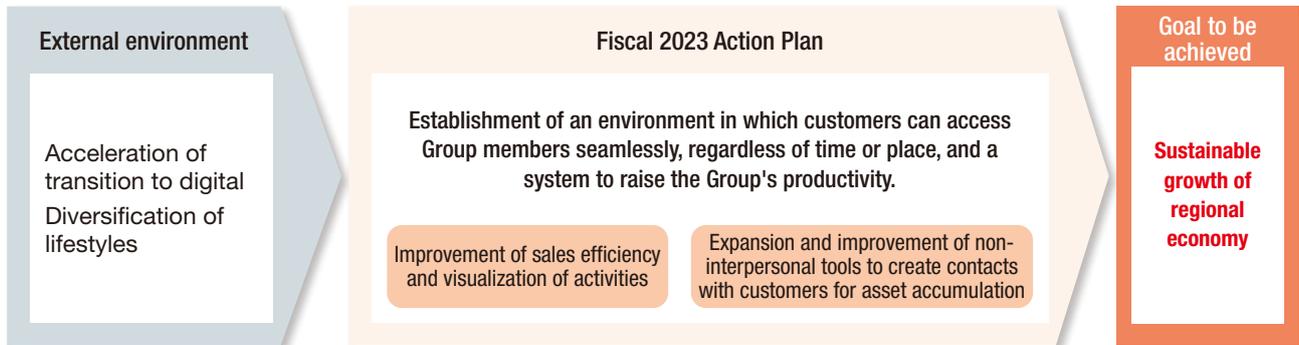
We are currently developing a new banking application that enables customers to conduct banking transactions “as if over the counter anytime, anywhere.” In the future, we will enhance our offering of non-financial functions to add convenience to various aspects of customers' daily lives.

We will continue to make both “offensive” and “defensive” efforts to enhance our banking services to give customers new experiences in a reliable, secure environment.

Basic Policy

With our customer interface undergoing dramatic change, as seen in the spread of digital technology and decline in the number of customers visiting our branches, we are creating an environment that allows customers to access our Group companies seamlessly regardless of time or location.

Fiscal 2023 Action Plan



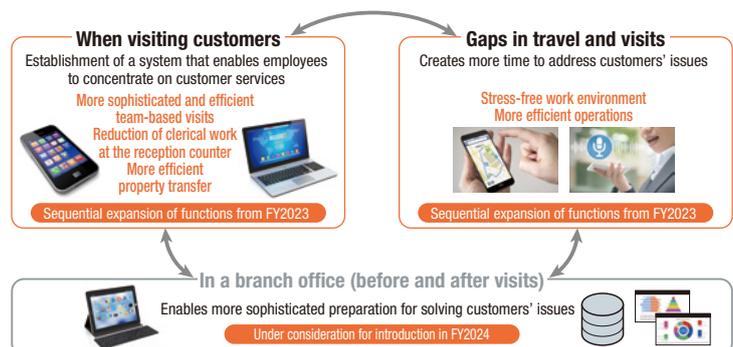
Improvement of sales efficiency and visualization of activities

Improving Group productivity through the use of IT

We are creating an environment that facilitates efficient business operation by deploying business applications and seamless system integration, not only at branches or during customer visits, but also away from the office, such as when confirming plans for customer visits and routes and conducting voice input of daily activity logs on a smartphone.

We will also make use of digital technologies to promote the efficiency of such traditionally paper-based procedures as property transfers to/from customers and property management in our branch offices, with the use of smartphones as a starting point, and concentrate our resources on solving customer issues.

Improving productivity through the use of IT in marketing activities (Image of the envisioned future)





Expansion and improvement of non-interpersonal tools that enable interaction with asset-forming customers

Banking application development

In order to provide customers with a new experience in a secure environment, we are developing an application that enables them to conduct banking transactions “as if over the counter anytime, anywhere” in pursuit of maximum convenience.

Phase I Introduction planned during FY2023

Provides applications with both a superior CX and high security



Key functions

<p>Deposits and foreign exchange</p> <ul style="list-style-type: none"> Account opening (eKYC) Switch to ledger-free accounts Kotora remittance <p>Etc.</p>	<p>Various notifications</p> <ul style="list-style-type: none"> Suspension/resumption of cash card use Change in cash card limit <p>Etc.</p>
<p>Various loans</p> <ul style="list-style-type: none"> Loan balance inquiries Card loan borrowing/repayment <p>Etc.</p>	<p>Smartphone ATM</p> <ul style="list-style-type: none"> Cash card-free ATM deposits/withdrawals
<p>Assets under custody</p> <ul style="list-style-type: none"> Investment trust, NISA account opening iDeCo <p>Etc.</p>	<p>Security</p> <ul style="list-style-type: none"> Advanced authentication for strict ID/password-free identity verification

Phase II Under consideration for introduction after 2024

Expansion of non-financial functions... Reinforcement of customer contact points by implementing functions closely connected with customers' daily lives and communities, and provision of services that are more in tune with today's needs and lifestyles

VOICE

Creating banking apps more customers would love to use

We are developing banking applications based on the concept of “providing superior CX” by offering frictionless transactions that resemble over-the-counter transactions, irrespective of the time or place.

We are designing applications to provide “simple, easy operability,” allowing convenient use by a wide range of customers and offering “high security for safety and peace of mind” to protect their valuable assets.

We plan to start with the launch of applications permitting banking transactions only and then gradually expand their functionality to include non-financial services that are closely related to customers' future lives.

We will continue to draw on our ingenuity to develop new banking applications designed to revolutionize the way our customers interact with the Bank that will eventually become the “face” of the Bank and a familiar communication channel customers will love.



Digital Innovation Office, IT Strategy Department
Section Chief **Akihiro Okuda**

Expanded Mortgage Loan Web Service functions

In December 2022, we introduced a new “Mortgage Loan Web Service” employing digital technology to satisfy diversifying customer needs by enabling customers to complete the entire mortgage loan process, from application to screening, online. Customers use it to apply for mortgage loans online from their smartphone or PC anytime they want.

By seamlessly linking the Bank's host system with IT4 Corporation's front-end system and IBM Japan's digital service platform, the Bank has achieved a paperless application process that reduces the time required for processing by approximately 70%, including application acceptance, screening, and execution. This has significantly shortened the time it takes for customers to complete the necessary procedures.

<p>Mortgage Loan Web Service</p> <p>Major functions (already made available)</p>	<p>Web-based reception desk</p> <p>Application from anywhere, 24 hours a day, by smartphone or PC</p>	<p>Contractor portal</p> <p>A dedicated portal site to support the business efficiency of homebuilders</p>	
<p>Electronic contracting process</p> <p>No need to fill out a contract form, affix a personal seal or purchase revenue stamps</p>	<p>AI-OCR</p> <p>A highly accurate scanning system that enables swifter processing of paper-based applications</p>	<p>Automatic execution</p> <p>Achieves reduced customer waiting time through smooth, operation-free execution</p>	

Functions to be added in FY2023

System linkage to the Web for paper applications

- Further labor-saving and improved convenience of paperwork and execution

Linkage with banking applications

- Improved convenience of application processes, loan payments, account opening, balance inquiries, etc.

Responses to the Effects of Accelerating Climate Change

Initiatives Addressing Climate Change Issues

Basic Policy

Efforts to achieve carbon neutrality are accelerating worldwide today, as natural disasters become increasingly frequent and more severe against the background of global warming, and the impact of climate change on society as a whole intensifies by the day.

Seeking to realize “sustainable management supporting growth together with its local communities,” the Group is committed to decarbonizing its operations while contributing to realization of sustainable regional growth by supporting customers’ efforts to decarbonize their operations and respond to the SDGs.



Fiscal 2023 Action Plan

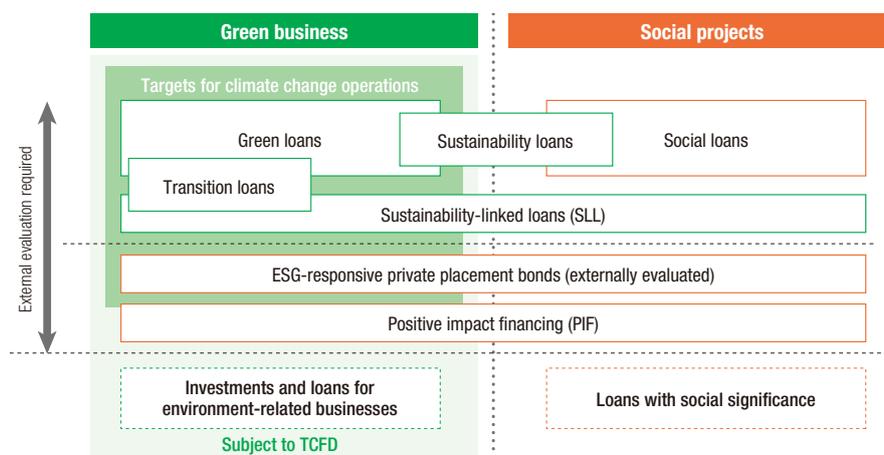


Support for customers’ efforts to pursue decarbonization and the SDGs

We support our customers’ efforts to decarbonize their business operations and to pursue the SDGs by acting proactively to develop environment-related loans and solution products as well as by working with local customers to solve their business challenges.

Strengthening sustainable finance initiatives

We are actively making use of financing instruments, including “positive impact finance,” to provide financial support for customers’ sustainability initiatives.



- In February 2023, Nanto Bank formulated the “Positive Impact Finance Framework,” which enables it to engage proactively in “positive impact finance.”
- Positive impact finance is a financing instrument that involves assessing the positive environmental, social, and economic impacts of a project and supports customers’ from a financial perspective with such sustainability initiatives as our “Green Loan” and “Sustainability-linked Loan.”

Sustainable finance disbursement targets

We have set the the following targets as the amounts of sustainable finance the Bank should provide to support activities aimed at resolving the sustainability challenges faced by our customers and communities.

Target amount	1 trillion yen (cumulative total investments and loans executed)
Period	8 years (FY2023-FY2030)
Scope	Financing that contributes to solving issues in the environmental and social fields • Environmental: Renewable energy, energy conservation, ZEB, ZEV, etc. • Social: Regional revitalization, local development, startups, business succession, BCP measures, etc. Financing to support and promote customers’ SDG initiatives



Business model



Risks and opportunities



Strategies and resources allocation



Performance



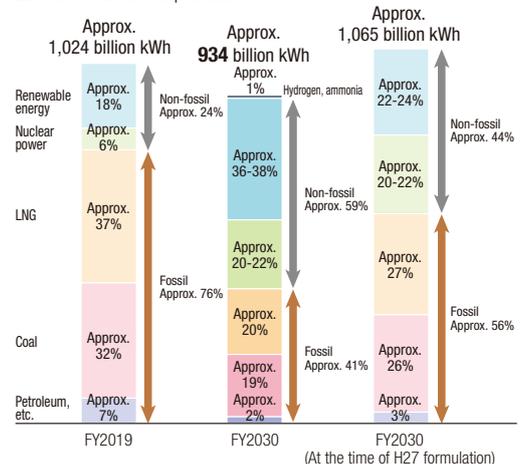
Outlook

Structured finance reinforcement initiatives

We will strengthen our efforts in the area of structured finance for renewable energy-related projects, etc., which are expected to proliferate significantly in the future.

- Although the market for solar and biomass power generation is contracting, onshore and offshore wind power and other renewable energy-related projects continue to be structured in response to the government's Basic Energy Plan and today's growing momentum toward carbon neutrality initiatives.
- In June 2022, we arranged a syndicated loan for a new biomass power plant to be built by a local company, which was a first for the Bank.
- In response to the TCFD recommendations, all banks are strengthening their environmental financing initiatives. We will continue to work with our specialized teams to acquire new projects in this area.

Power source composition



Source: "Cabinet Decision on the Sixth Strategic Energy Plan," Agency for Natural Resources and Energy

VOICE

Resolution of environmental and social issues through financing

The Group's outward-bound efforts to address climate change issues consist of two main categories:

First, we support the introduction of sustainable management that contributes to enhancing corporate value for local customers and provide sustainable finance as a means of achieving it. In the past, the Group has focused on solution of issues confronting companies and "managers/owners" of corporate clients. In recent years, however, the importance of sustainable management that takes into consideration various other stakeholders as well, including employees, local communities, and supply chains, has attracted increased attention, including among SMEs. Starting in FY2023, therefore, we have been striving to enhance the sophistication of our consulting sales activities by offering "IT-enabled sustainable support" to help customers improve their productivity, decarbonize their businesses, and expand their benefit packages.

The essence of our sustainability support for customers is involvement in the upstream of decision-making and "collaborative thinking about the kind of management we aim for" from the perspective of the SDGs. Our engagement in these activities stems from a recognition that the process itself is important to the fostering of "unconventional" human resources while also providing customers with added value through resolution of management issues.

Second, we provide structured financing for renewable energy and other projects throughout Japan, with the aim of fulfilling the Group's social mission by addressing climate change issues and generating income. The majority of our participation in solar, wind, and other renewable energy projects is outside the region, but we continue to contribute to sustainable regional power source development in both our own and other regions through provision of structured finance, including arrangement of Green Loans for new biomass power plants. We will continue to contribute actively to sustainable local community development inside and outside the region through provision of structured finance.



Corporate Solutions Department
Manager **Yutaka Sasai**

Group initiatives for decarbonization

Besides promoting reduction of Group-wide CO₂ emissions, we participate in efforts to reduce paper resources consumption and other environmental activities.

Promoting use of LED lighting in stores and other venues

Another way we seek to reduce CO₂ emissions is by promoting the replacement of fluorescent lighting with LED lighting in our branch offices and other facilities. In FY2022, we replaced lighting equipment in nine of our branch offices with LED lighting (with a resulting 455,000 kWh reduction in electricity consumption), and in FY2023, we plan to do the same in 24 more branches, at which point the lighting in approximately 70% of our branches will have been converted. (Planned electricity reduction in FY2023: 609,000 kWh).

Paper resources reduction (elimination of cash envelopes)

We are participating in efforts to conserve forest resources and reduce waste by such means as discontinuing the installation of cash envelopes at ATM corners (inside and outside the branches) as of May 31, 2023.

Responses to the Effects of Accelerating Climate Change



* 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.

Initiatives Addressing Climate Change Issues

■ Enhancement of information disclosure in accordance with the TCFD recommendations

Governance

The Group has formulated a "Basic Sustainability Policy" as a foundation for addressing sustainability issues, and the Board of Directors is discussing matters to be prioritized contained in the Policy. The Board has identified "addressing the escalating problem of climate change" as one of the Group's top materialities (priority issues).

The Board of Directors examines the conclusions reached at the semi-annual meetings of the Executive Committee to determine their appropriateness in light of the Group's Management Strategy.

Strategy

The Group is committed to acting in unison to address climate change issues as a means of providing value to our stakeholders through fulfillment of the three objectives defining our Mission: "pursuit of regional development," "fostering of vitality-creating human resources," and "enhancing profitability." As a member of the community, we will actively support both the Bank's decarbonization efforts and those of our customers. In our own efforts to this end, we have set targets for reducing CO₂ emissions and begun promoting such initiatives as upgrading our air-conditioning systems, switching to LED lighting, and introducing eco-cars.

In our efforts to help regional customers pursue decarbonization and the SDGs, meanwhile, we actively propose environment-related loans and solution-related products and work with them to solve their business challenges.

Risks and opportunities

We assessed the risks and opportunities associated with climate change based on several public scenarios,* including the 1.5°C and 4°C scenarios. The timeline is analyzed for the short term (5 years), medium term (10 years), and long term (30 years).

		Contents	Temporal perspective
Risk	Transition risk	Increase in credit costs (credit risk) resulting from negative 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.	Short- to long-term
		Increase in credit costs (credit risk) due to the impact of technological innovations and market changes focusing on decarbonization on customers' business and financial conditions	Short- to long-term
		Decrease in the Bank's corporate value due to insufficient responses to climate change (operational risk related to damaging rumors)	Short- to long-term
Risk	Physical risk	Increase in credit costs (credit risk) due to damage to real estate collateral resulting from large-scale windstorms, floods, or other natural disasters, as well as suspension of business and/or adverse effects on business stemming from damage to customers' operating bases, etc.	Medium- to long-term
		Increase in restoration costs (operational risk related to tangible assets) stemming from damage to the Bank's bases by large-scale windstorms, flood disasters, or other natural disasters.	Medium- to long-term
Opportunity		Increase in customer demand for capital investment in decarbonization projects	Short- to long-term
		Increase in demand for funds for infrastructure investment in disaster-prevention measures	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	Short- to long-term
		Increase in business opportunities for services such as solution provision to support customers' decarbonization efforts	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

Scenario analysis

A scenario analysis was conducted for the risks and opportunities shown below.

Our assessment of the analysis results suggested that there was only a limited financial impact of transition risk and physical risk. Since the analysis is based on certain assumptions, however, we will continue to upgrade our analysis methods and expand the scope of coverage.

	Transition risk	Physical risk
Risks to be analyzed	Increase in credit costs due to impacts on customers' business and financial conditions of tightened regulations, changes in taxation systems, and other such factors.	Damage to real estate collateral due to flooding, and increased credit costs due to suspension or stagnation of business operations resulting from damage to customers' sales offices
Scenarios	IEA*1 / NZE (1.5°C scenario), SDS (2°C scenario)	IPCC*2 / RCP8.5 (4°C scenario), RCP2.6 (2°C scenario)
Portfolio to be analyzed	Electricity and gas sectors	Business loans in the Bank's operating region
Analysis methodology	Projected future financial impacts and estimated additional credit costs based on transition scenarios	Additional credit costs due to damage to collateral and reduced sales, estimated by determining inundation risk based on collateral property and customer location
Analysis results	Increased credit costs to 2050, cumulative total up to approx. 2.1 billion yen	Increased credit costs to 2050, cumulative total up to approx. 6 billion yen

*1 IEA (International Energy Agency) *2 IPCC (Intergovernmental Panel on Climate Change)



Carbon emissions-related assets

The electricity and energy sector (excluding renewable energy power generation projects) accounts for approximately 2.1% of the Bank's loans. The percentage of carbon emissions-related assets* based on the 2021 TCFD Revised Supplement is approximately 24.4%. (As of March 31, 2023)

* Carbon emissions-related assets were redefined as the "Energy," "Transportation," "Materials and Building Products," and "Agriculture, Food and Forest Products" sectors in the October 2021 Revised TCFD Proposals. The Bank's calculations are based on the Bank of Japan's industry classifications.

Risk Management

The Group recognizes that addressing climate change is a central issue for sustainable regional development. The Bank's climate change risk is classified into two categories, credit risk and operational risk, each of which is incorporated into the items for monitoring by the ALM Committee and Operational Risk Management Committee, respectively, to enhance appropriate risk management.

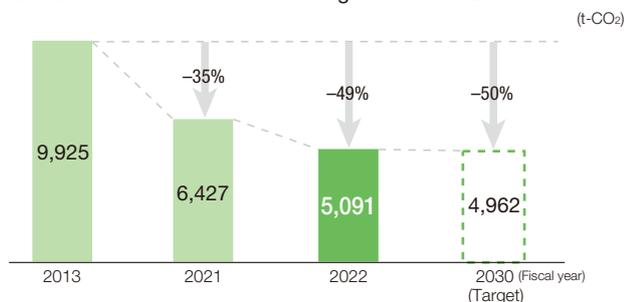
Furthermore, in October 2020, the Group established a financing policy which clearly states that it will not, in principle, engage in financing for the construction of new coal-fired power plants. It also states that it will provide financing for projects involving deforestation only after carefully considering whether or not its engagement is proper based on the intended project's lawfulness and its potential environmental impacts.

Indicators and Targets

Group's CO₂ emissions (Scopes 1 and 2) and reduction targets

The Group is striving to reduce CO₂ emissions, aiming to achieve a reduction target set for FY2030 of at least 50% below the FY2013 level. CO₂ emissions in FY2022 were 5,091t-CO₂, a reduction of 49% from FY2013.

CO₂ emissions and reduction targets for fiscal 2030



Item	Contents	FY2013	FY2021	FY2022
Scope 1 Direct emissions	City gas, LP gas, gasoline, heavy oil	1,584	1,509	1,517
Scope 2 Indirect emissions	Electricity	8,341	4,918	3,574
Total		9,925	6,427	5,091

Group's CO₂ emissions (Scope 3)

The Group began calculating Scope 3 emissions in FY2022. We plan to consider calculation methods for extending the scope of calculation to more categories in the future.

Scope 3

	FY2022
Category 6: Business travel	90
Category 7: Commuting	2,222
Total	2,311

(Reference) FY2022 Capital investment in renewable energy- and energy conservation-related facilities and number of solution product-related contracts

Capital investment in renewable energy and energy conservation*1	Solution-related products for SDGs and decarbonization
Total loans executed: 8.4 billion yen	Consulting services for <Nanto> SDG introduction Declaration recipients 355 e-dash*2 Number of contracts 3

*1 Capital investment related to energy conservation: Limited to projects conducted under the interest subsidy program

*2 e-dash: CO₂ emissions visualization and reduction service



Reinforcing Risk Management

Basic Policy

In the areas of “strengthening credit risk management” and “market risk control,” we seek to enhance our risk/return management and to assure appropriate returns commensurate with risk.

In the area of “anti-money laundering and anti-terrorist financing,” we have reinforced our efforts to protect against risk by establishing a “Countermeasures Policy” to prevent serious violations that could occur in the absence of effective internal control systems, thus avoiding potential loss of public confidence and significant damage to our corporate value.



Fiscal 2023 Action Plan



Measures to combat money laundering and terrorist 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 have appointed the officer in charge of the department responsible for overseeing measures to prevent money laundering as the AML General Bank Manager. We also aim to improve the effectiveness and sophistication of our money laundering prevention by, for example, establishing the “Policy Against Money Laundering and Terrorist Financing” as a fundamental Group policy.

In response to the emerging financial crimes that are becoming more complex and sneakier, meanwhile, we are also striving to maintain safe, highly convenient financial services by enhancing our preventive measures to prevent our customers from accidentally becoming involved in any financial crimes.

Policy Against Money Laundering and Terrorist Financing

1. Organizational structure

- (1) The Bank shall position money laundering prevention as one of its most important issues for management and shall endeavor to implement all possible anti-money laundering measures.
- (2) The Bank shall establish a centralized management system by designating a person responsible and a supervisory department for money laundering prevention and shall respond to the relevant issues in a cross-organizational manner through coordinated efforts of the departments involved.

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 measures 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 in an adequate manner, 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.

Strengthening credit risk management

Credit risk is the risk of incurring losses due to a decrease or loss of the value of assets stemming from deterioration of the financial condition of the creditor. We contribute to our customers’ development through solutions based on our “know your customer” efforts, offering thorough financial and/or core business support to improve the quality of the Group’s assets at the same time.



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."

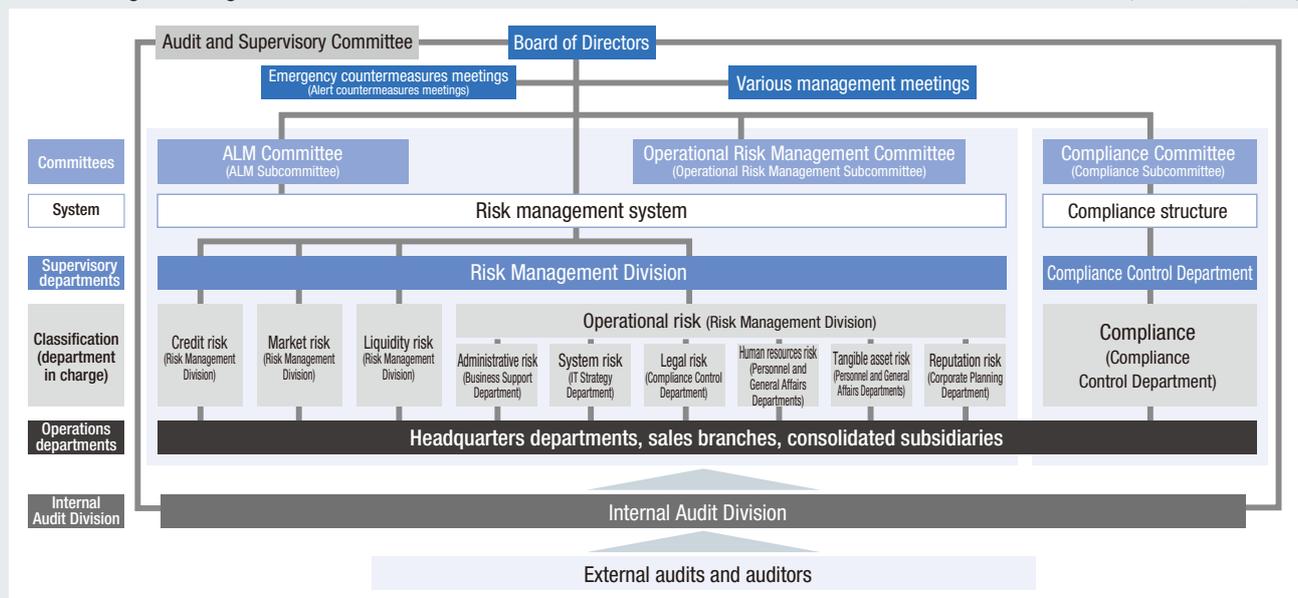
To realize integrated risk management in which risks are quantified on a unified scale and the amount of each is controlled to an appropriate level in relation to equity capital in consideration of management strength, we determine the risk capital allotment (capital allocation amount) for each type 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.



- **Administrative risk management**
(Thorough, accurate office work)
- **System risk management**
(Response to system failures/prevention of unauthorized use)
- **Legal risk management**
(Monitoring of legal compliance)
- **Human risk management**
(Response to personnel and labor problems)
- **Tangible asset risk management**
(Response to impairment of tangible assets)
- **Rumor risk management**
(Response to false assertions circulating in the market and among customers)

Risk management organization

(As of June 30, 2023)



Internal auditing system

Enhancing and reinforcing our risk management 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 its 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, which is accompanied by a response manual for each type of crisis compiled to facilitate appropriate responses to crises that may impact our business, including natural disasters such as large-scale earthquakes, system failures, and epidemics of infectious diseases. 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 one of the service providers playing an essential role in maintaining social functions. 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.

Preparing for Increasingly Varied and Complex Risks

■ Commitment to strict compliance

Compliance systems reinforcement

Compliance must always be ensured in observance of not only 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 our full compliance with any and all applicable rules:

- Being fully aware of our 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, we have formulated “Basic Guidelines” and a “Code of Conduct” as corporate policies, with which all the Bank’s officers and employees must 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, we have formulated a set of “Regulations for Dealing with Antisocial Forces, Etc.” to establish and maintain a system that eliminates any relationships with antisocial forces.

■ Cyber security initiatives

The Bank has compiled a policy on cyber security initiatives to reinforce its protection against cyber-attacks and other such threats.

Action Initiatives

With cyber-attacks threatening to become increasingly serious in the future, we recognize optimizing our cyber security to ensure the safety of our customers and assets as an important issue for management. Nanto Bank’s CSIRT* plays a central role in ongoing Bank-wide efforts to implement effective cyber security related to the mid-term “road map” as well as to enhance our readiness to respond promptly to cyber-attacks.

*CSIRT: A security organization designed to respond to incidents related to computer security

Management involvement

Our Information Asset Management Regulations stipulate that the executive in charge of the IT Strategy Department shall be the general manager of CSIRT. We have been prioritizing development of a cyber security framework under the leadership of the Bank’s management in a proactive manner. Participants in the Bank’s CSIRT meetings discuss our progress in realizing our mid-term roadmap and annual plan for cyber security, as well as conditions in the surrounding environment and other issues. Among other precautions, the number of confirmed cyber-attacks and content of all internal and external trends are reported to the CSIRT General Manager and the Operational Risk Management Committee.

Outsourcing management

We use cloud services or external information systems that meet our information system security standards only after examining the security measures they employ. In addition, we routinely review such introduced services as a follow-up regimen.

Audit structure

The Audit Department and a major consulting firm conduct joint cyber security audits to facilitate advanced audits meeting recent trends in possible threats to financial institutions. Issues identified in such auditing processes will then be constantly dealt with in accordance with the Nanto Bank CSIRT’s annual schedule, and the Audit Department monitors the status of efforts to strengthen cyber security management systems throughout the Bank’s organizations.



Furthering Sophisticated Market Management

The market has remained extremely unstable due to the sharp rise in interest rates, mainly in Europe and the U.S., in response to the progression of global inflation, the resulting depreciation of the yen, and the increase in geopolitical risks. In response to these conditions, we sold all foreign currency-denominated bonds that were in reversal at the end of the previous fiscal year, and also disposed of investment trusts whose book value is expected to take time to recover.

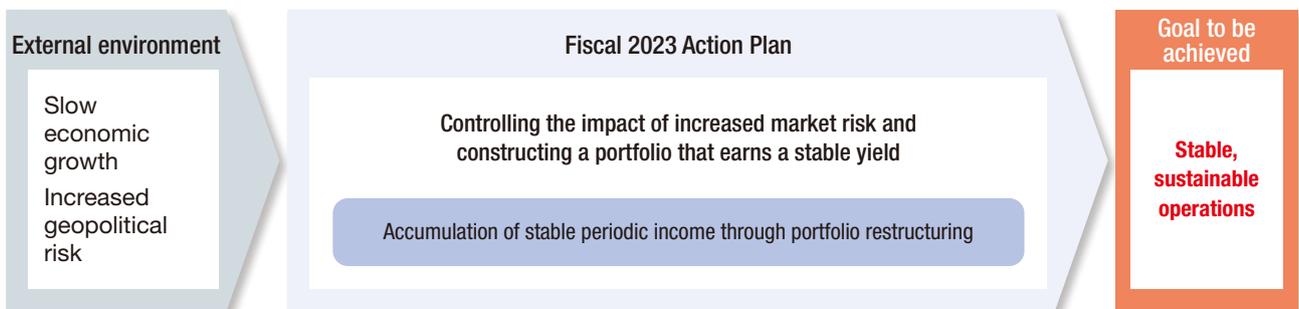
In FY2023, European and U.S. markets continue to be unstable due to the risk of rising interest rates and concerns of falling stock prices accompanying economic recession, while changes in monetary policy are also being discussed in Japan. Under the uncertain market environment both in Japan and overseas, the Bank will work to restructure its portfolio to minimize the risk of incurring losses when prices of bonds and stocks fall, while at the same time enjoying stable fund profits when domestic long-term interest rates rise.

One notable feature of the Bank's market management is the outsourcing of investment management to leading external asset management firms. This arrangement offers two major advantages: First, it facilitates improvement of the Market Operations Department's skills by ascertaining these firms' operations knowhow; and, second, it gives us the ability to gather real-time information concerning indicators of changes in global markets. We seek to employ these advantages to improve our risk management techniques and the returns from our own investment management operations as we strive to enhance the overall sophistication of the Bank's Market Operations Department.



Executive in Charge of Market Operations Department
Director, Managing Executive Officer **Ryuichiro Funaki**

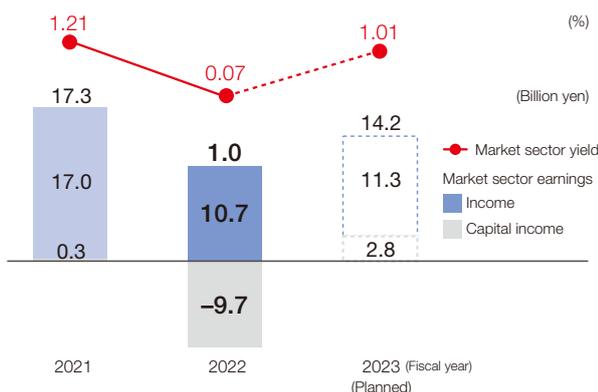
Fiscal 2023 Action Plan



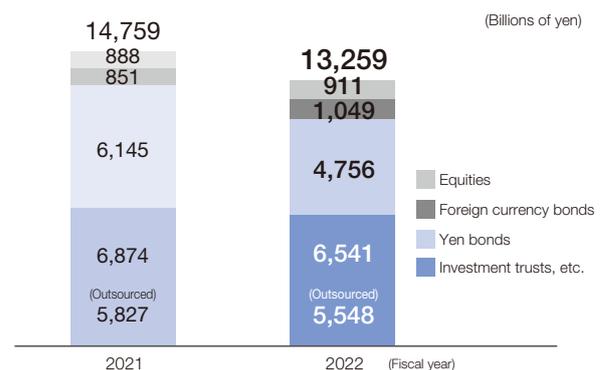
Accumulation of stable periodic income through portfolio restructuring

- Securing stable income
- Accumulating capital gains through flexible trading
- Employing hedging techniques to minimize the risk of rising interest rates and falling stock prices

Market sector earnings



Investment balance (unpaid balance basis)





Corporate Governance

Corporate Governance

We believe that the basis for governance is a constant pursuit of the best possible way to maximize the value we offer all our stakeholders in order to achieve the Nanto Mission’s goals and to play an indispensable role in regional development.

■ Corporate Governance Structure

The Bank’s Board of Directors comprises 12 members, seven corporate directors (of which, one Audit and Supervisory Board member) who are familiar with the Group’s operations and five outside directors (of which, two Audit and Supervisory Board members) who have extensive experience and knowledge outside the Bank. This structure was adopted to separate supervision from execution and to ensure that the Board comprises members with diverse knowledge, experience, and capabilities.

In addition, the supervisory function of the Board of Directors has been strengthened by establishing the Nomination and Compensation Advisory Committee. The Committee comprising the President, Vice President and five outside directors is chaired by an outside director, and includes knowledgeable outside experts as observers to enhance the independence, objectivity, and transparency of its decision-making.

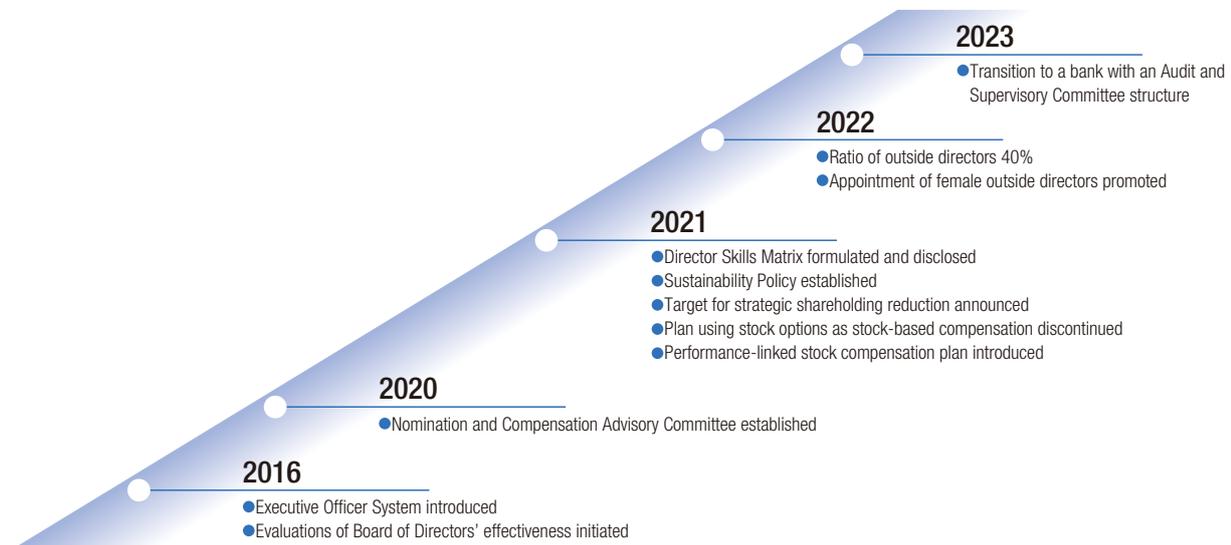
Transition to a bank with an Audit and Supervisory Committee

By transitioning to a bank with an Audit and Supervisory Committee, we have strengthened our auditing and supervisory functions and accelerated our decision-making, while seeking to achieve sustainable growth and enhance our corporate value over the medium to long term.

■ Structure



■ History of Corporate Governance





Governance



Performance

Director Skills Matrix

[Full-time directors]

Name	Current position in the Bank	Management strategy	Risk management	Finance & accounting	Examination	IT & digital	Market operations	Sales planning	Sales promotion	Human resources planning	Human resources development	Experience in other industries
Takashi Hashimoto	President (Representative Director)	●	●	●	●	●		●	●	●	●	
Satoshi Ishida	Vice President (Representative Director)	●	●	●		●				●	●	●
Kazuya Yokotani	Director and Senior Managing Executive Officer	●	●	●			●			●	●	
Takeshi Sugiura	Director and Managing Executive Officer, General Manager, Sales Promotion Headquarters		●		●		●	●	●		●	
Ryuichiro Funaki	Director and Managing Executive Officer	●			●		●	●	●	●	●	●
Kouji Honda	Director and Managing Executive Officer				●			●	●		●	
Takao Handa	Director and Audit and Supervisory Board Member		●	●						●	●	

[Outside directors]

Name	Current position in the Bank	Regional economy	Economic and financial environment	Organization & governance	Finance & Accounting
Hidetaka Matsuzaka	Outside Director	●		●	
Kozue Nakayama	Outside Director	●		●	
Takashi Nishimura	Outside Director	●		●	
Shuhei Aoki	Outside Director Audit and Supervisory Committee Member		●		●
Yoshihiko Kasuya	Outside Director Audit and Supervisory Committee Member		●	●	●

Selection of outside directors

	Reasons for appointment and expected contributions
Outside Director Hidetaka Matsuzaka	Mr. Matsuzaka was appointed to the position of outside director because of his extensive experience and broad knowledge of corporate management and organizational operations as well as for his large fund of knowledge that enables him to supervise management accurately and fairly, and to express his opinions on management from a broad perspective. We expect him to draw on his diverse management experience in corporate operations to supervise the Bank's management from an independent perspective, free from the conventional boundaries of a financial institution.
Outside Director Kozue Nakayama	In addition to her extensive experience as a corporate executive, Ms. Nakayama currently serves as outside director and outside corporate auditor for three listed companies. She was appointed to the position of independent outside director owing to 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.
Outside Director Takashi Nishimura	Mr. Nishimura was appointed to the position of outside director based on his extensive corporate management experience in the railroad, real estate, and hotel industries, as well as on his broad knowledge and profound insight into the issues of corporate organizational management and governance. The Bank expects him to utilize his extensive management experience in and expansive knowledge of non-financial business entities to provide advice that contributes to regional development and to supervise the Bank's management from an independent, objective standpoint.
Outside Director Audit and Supervisory Board Member Shuhei Aoki	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. We expect him to fulfill his duties as an 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 Audit and Supervisory Board Member Yoshihiko Kasuya	Mr. Kasuya's appointment to the positions of outside director and Audit and Supervisory Board member was made due to the wide-ranging knowledge and superior insight he has acquired through his experience in both financial institutions and non-financial business enterprises. He is expected to use his diverse experience and knowledge to supervise the Bank's management from an independent, objective standpoint as a member of the Audit and Supervisory Board.

Corporate Governance

Corporate Governance

Operational status of the Board of Directors

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

In addition, the Board of Directors holds opinion exchange meetings 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 (April 2022 - March 2023)

Board of Directors Meeting	Chairman	President	Times convened	13
Main items for deliberation				
<ul style="list-style-type: none"> Transition to a bank with an Audit and Supervisory Committee Action plan for the current fiscal year based on the Management Plan and monitoring of progress Initiatives to address sustainability issues (e.g., addressing climate change) Review of strategic shareholdings Progress in construction of the new main building Other matters required by laws and regulations (closing of accounts, convening of the Ordinary General Meeting of Shareholders, selection of representative directors and directors with special titles) 				
Opinion-exchange session	Chairman	President	Times convened	5
Main issues discussed				
<ul style="list-style-type: none"> Action Plan for FY2023 Initiatives to revitalize local industry in Nara Prefecture Bank's issues from the perspective of industry trends and its policies with respect to the future 				

Number of Nomination and Compensation Advisory Committee meetings and main advisory matters (April 2022 - March 2023)

Nomination and Compensation Committee	Times convened	7
Main consultation contents		
<ul style="list-style-type: none"> Consideration of the Bank's governance structure Placing selection of candidates for the Board of Directors on the agenda Consideration of the qualities and capabilities required of directors and updating of the skills matrix table Setting of targets for executive compensation and performance-linked stock compensation for the current fiscal year 		

Outside directors' support system

- We provide outside directors with various types of information they need to perform their duties and contribute to discussions at Board meetings. The Bank also arranges timely training and seminars to share relevant knowledge.
- The full-time Audit and Supervisory Board members provide the outside Audit and Supervisory Board members with information concerning the status of the Bank, including reports from the Internal Audit Department and Risk Management Department, to facilitate communication and cooperation with members of the Audit and Supervisory Board.

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 (excluding directors who are members of the Audit and Supervisory Board. Same hereafter) 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 specifically 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.

Policy on determination of individual monthly remuneration (monetary)

- The monthly remuneration for the Bank's directors shall be a fixed monthly amount, which shall be determined comprehensively in accordance with the "Remuneration Regulations for Directors and Corporate Auditors," taking into consideration their position, the level of other companies' compensation, the Bank's performance, and the level of employees' salaries.
- The total remuneration shall be no more than 400 million yen per year (including the amount of not more than 80 million yen for outside directors), subject to approval by the General Meeting of Shareholders.



Governance



Performance

- Compensation for directors who are also Audit and Supervisory Board members shall be “monthly compensation” paid as fixed remuneration according to their duties from the perspectives of increasing their independence and further strengthening corporate governance. The monthly remuneration shall be determined through discussions by the Audit and Supervisory Committee in accordance with the “Remuneration Regulations for Directors.” The total amount shall be no more than 100 million yen per year, subject to approval by the General Meeting of Shareholders.

Policy on determination of the details and methods of calculating the amount and number of performance-linked stock compensation (non-monetary compensation)

- The purpose of performance-linked, stock-based compensation is to clarify the linkage between directors' compensation and the Bank's business performance and stock value, and to increase the directors' awareness of the need to contribute to improving the Bank's business performance and increasing its corporate value over the medium to long term.
- The Bank will adopt a structure known as a “Board Incentive Plan (BIP) Trust” (“BIP Trust” hereinafter) as performance-linked, stock-based compensation for the three terms from the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2024.
- The BIP Trust is an incentive plan for directors under which shares of the Bank and an amount equivalent to the cash proceeds from the conversion of the Bank's shares are delivered or paid to directors in accordance with their position and the degree to which indicators such as performance targets have been achieved.
- In accordance with the “Officer Compensation Regulations” and the “Share Delivery Regulations Concerning the Officer Compensation BIP Trust” established by the Board of Directors, “fixed points” corresponding to the directors' positions and “performance-linked points” ranging from 0% to 200%, depending on the achievement of the Bank's performance targets for each fiscal year, are assigned at a set time each year.
- Points are accumulated annually, and one point is allocated as one share of the Bank's stock in proportion to the accumulated points at the time of retirement (including cases in which a director who is not a member of the Audit and Supervisory Board retires and is later appointed as a director who is a member of the Audit and Supervisory Board).
- “Performance-linked points” for each fiscal year are based on a target value for profit from customer services (consolidated basis) for the year in question as a means of motivating the recipients to achieve the Bank's goals of “securing stable, positive profit from customer services” and “maximizing the Group's earnings” as stipulated in the Management Plan.
- The maximum amount contributed by the Bank is a total of 100 million yen (the total number of the Bank's shares issued is 84,000 shares) for three fiscal years.

< Formula for calculation of allotted points >

Fixed points = Base amount of stock-based compensation by position (*1) × 2/3 ÷ Assumed stock price (*2)

Performance-linked points = Base amount of stock-based compensation by position × 1/3 ÷ Assumed stock price × Performance-linked coefficient

*1 Total amount of compensation for each position to be paid under the scheme when the performance achievement rate is 100%.

*2 Average acquisition unit price of the Bank's shares initially acquired by the BIP Trust (rounded down to the nearest whole number)

Standard amount of stock compensation by rank

(Unit: thousand yen)

Position (*3)	Standard amount of stock-based compensation by position (*1)	Breakdown	
		Fixed portion	Performance-linked portion
President (Representative Director)	6,156	4,104	2,052
Vice President (Representative Director)	5,472	3,648	1,824
Director and Senior Executive Officer	4,275	2,850	1,425
Director and Managing Executive Officer	3,762	2,508	1,254

*3 The position at the beginning of the period subject to payment (from the day following the Annual General Meeting of Shareholders of the previous year to the date of the Annual General Meeting of Shareholders of the current year) is applied.

Target value

Profit from customer transactions (consolidated): 5.6 billion yen

Performance-linked coefficient

(Unit: thousand yen)

Deviation from target	Performance-linked coefficient	Deviation from target	Performance-linked coefficient	Deviation from target	Performance-linked coefficient
+1 billion yen	200%	+0.4 billion yen to +0.5 billion yen	140%	-0.2 billion yen to -0.1 billion yen	80%
+0.9 billion yen to +1 billion yen	190%	+0.3 billion yen to +0.4 billion yen	130%	-0.3 billion yen to -0.2 billion yen	70%
+0.8 billion yen to +0.9 billion yen	180%	+0.2 billion yen to +0.3 billion yen	120%	-0.4 billion yen to -0.3 billion yen	60%
+0.7 billion yen to +0.8 billion yen	170%	+0.1 billion yen to +0.2 billion yen	110%	-0.5 billion yen to -0.4 billion yen	50%
+0.6 billion yen to +0.7 billion yen	160%	0.0 billion yen to +0.1 billion yen	100%	0.5 billion yen or less	0%
+0.5 billion yen to +0.6 billion yen	150%	-0.1 billion yen to -0.0 billion yen	90%		

Corporate Governance

Policy on monthly remuneration and performance-linked stock compensation as a percentage of remuneration, etc., for individual directors

- The Bank shall determine the ratio of remuneration according to each individual director's classification to ensure that the level of remuneration encourages directors to conduct management from a medium- to long-term perspective and with heightened awareness of the need to contribute to improving the Bank's performance and to increasing its corporate value for the foreseeable future.
- Specifically, monthly remuneration shall be fixed remuneration, and the ratio of performance-linked stock compensation shall be 10% to 20% of the annual total monthly remuneration, depending on the degree to which target values are achieved.

Matters concerning determination of individual directors' remuneration, etc.

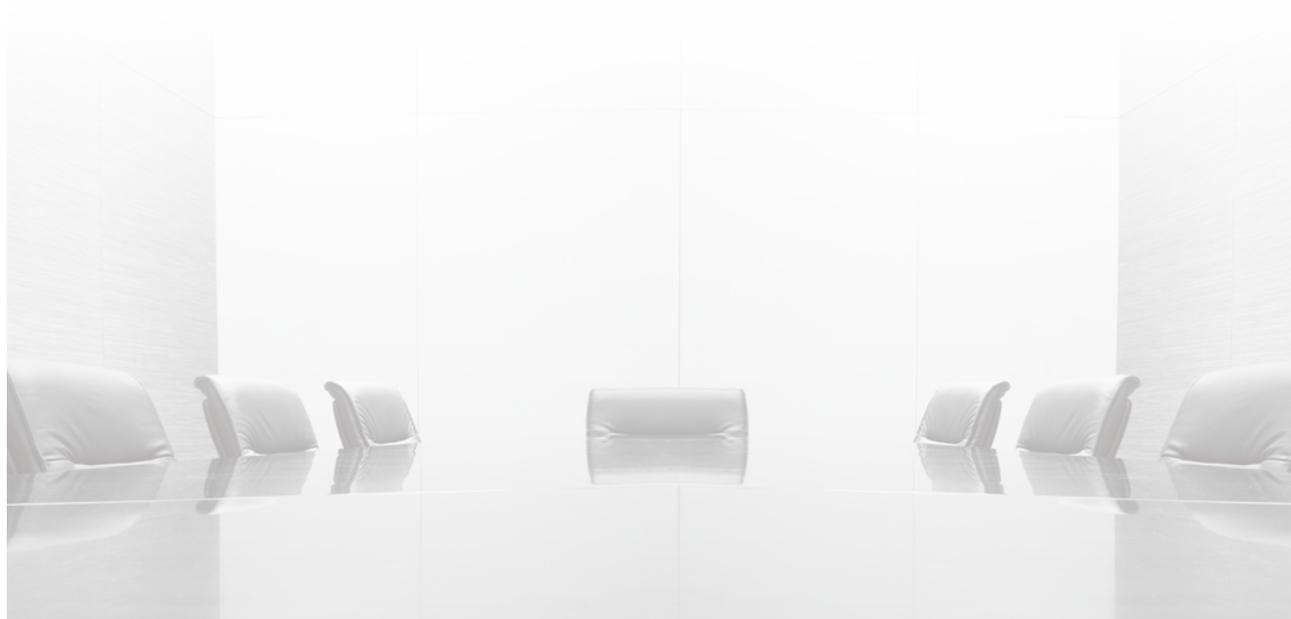
- In its efforts to ensure objectivity and transparency in the procedures employed to determine remuneration and enhance corporate value, the Bank has established the Nomination and Remuneration Advisory Committee, of which the Chair and a majority of the members are outside directors.
- Individual directors' compensation is determined by the Board of Directors in accordance with the "Regulations on Directors' Compensation," based on deliberations and reports of the Nomination and Compensation Advisory Committee.

■ Total compensation by executive officer category, total compensation by type of compensation, and number of executive officers eligible for compensation, etc.

Current fiscal year (April 1, 2022 to March 31, 2023)

Executive officer classifications	Number of executive officers	Total remuneration, etc. (million yen)	Fixed remuneration	Performance-linked compensation (non-monetary compensation)
Directors (excluding outside directors)	6	216	181	35
Corporate auditors (excluding outside corporate auditors)	2	38	38	—
Outside directors and outside auditors	6	39	39	—

- (Notes) 1. The Bank has introduced performance-linked stock compensation for directors. Performance-linked remuneration in this table is the amount recorded as expenses for the fiscal year under review.
2. The Bank's consolidated business profit from customer transactions, which is the basis for calculating performance-linked remuneration, was 5.89 billion yen (an increase of 3.19 billion yen compared to the target) for the fiscal year under review, compared to the target of 2.7 billion yen.
3. No employee salaries were paid to directors who also serve as employees.
4. There is no director whose total amount of remuneration, etc., on a consolidated basis is 100 million yen or more.
5. The above compensation is for the fiscal year under review, and the Bank has transitioned to a bank with an Audit and Supervisory Committee system following the resolution to amend the Bank's Articles of Incorporation at the Annual General Meeting of Shareholders held on June 29, 2023.





Governance

Performance

■ Evaluation of the Board of Directors' effectiveness

Since fiscal 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 2022.

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

- (1) Deeper 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 executives' views, which provide the basis for discussion at Board of Directors meetings, and also the reasons for their proposals.
- (3) Enhancement of executives' training to revitalize the Board of Directors
⇒ In accordance with the Annual Plan, theme-based study sessions such as "Diversity and Promotion of Women's Activities" and "Trends in Cyber Security" were extended to the general manager level.

Evaluation method

In fiscal 2022, 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 2023, a questionnaire was sent to all the directors (10) and all the corporate auditors (4) regarding the composition, operation, and deliberations of the Board of Directors ("FY2022 Questionnaire").
- (2) At a Board of Directors Meeting on May 12, 2023, the results of the questionnaire and the external consultant's analysis were reported.
- (3) At a Board of Directors meeting on June 17, 2023, the Bank finalized its evaluation of the effectiveness of the Board of Directors for fiscal 2022 upon discussion of the Bank's issues and further initiatives.

The main items included in the FY2022 Questionnaire 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 (5 questions)	IV. Dialogue with shareholders (4 questions)
II. Management and sales strategies (10 questions)	V. Nomination and compensation of management (3 questions)
III. Corporate ethics and risk management (3 questions)	VI. Improvement of previous year's issues (1 question)

Summary of FY2022 Questionnaire analysis and evaluation results

The Board of Directors shared and discussed the results of the external consultant's analysis of the FY2022 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>

- Formulation and monitoring of management strategies
- Promotion of DX and the SDGs
- Investment in human capital and development and execution of human resources strategies based on the Management Plan
- Atmosphere of Board meetings and multifaceted discussions
- Director training

Future Initiatives

As a result of discussions held by the Board of Directors concerning issues identified from the results of the FY2022 Questionnaire, the following initiatives will be implemented in fiscal 2023 to enhance the effectiveness of the Board of Directors further.

<Initiatives for fiscal 2023>

- Discussion at Board of Directors' meetings about strategies and other matters supporting sustainable management
- Further improvement of Board of Directors' operations to deepen discussions
- Enhanced training for Board members to revitalize the Board of Directors

Message from the Audit and Supervisory Committee Chairman

With the transition to a bank with an Audit and Supervisory Committee, I will have voting rights at Board of Directors meetings as an Audit and Supervisory Board Member as well as the right to comment on the appropriateness of management in the area of auditing. This structure will strengthen the Bank's supervisory functions and enhance its corporate governance while also contributing to further soundness of its management and corporate value.

Since audits by the Audit and Supervisory Committee are conducted systematically based on an internal control system, the Audit and Supervisory Committee will actively support the Audit Department to enhance its sophistication, and the Audit and Supervisory Committee will review and discuss from various angles the issues that have emerged across the Bank and other issues identified through various monitoring activities. The Audit and Supervisory Committee also recognizes that it is responsible for contributing to the operation of the Board of Directors by examining and discussing issues from various perspectives and making recommendations to the Board of Directors to encourage discussion of the conclusions reached.

Considering today's trend toward "aggressive" governance, we intend to pay particular attention to the progress of the Action Plan in realizing the Management Plan. With regard to investment in human capital, which is a key factor in sustainable growth, we are deepening our discussions of human resources strategies, including the creation of "unconventional" human resources. We will examine the manner in which this human resources strategy fits in and functions with the Bank's overall corporate strategy, including its Management Strategy, as well as the implementation status of various measures in the field required by the human resources strategy and the appropriateness of monitoring the results. We will then make suitable recommendations concerning these measures. We will do our utmost to ensure that our recommendations contribute to the steady progress of human resources development with respect to all the Bank's executives and employees, while producing unconventional human resources.



Director and Audit and Supervisory Board Member

Takao Handa

Executive Officers

Directors



President (Representative Director)

Takashi Hashimoto

Apr. 1977 Joined Nanto Bank
 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, Secretary's Office, Corporate Planning Division, Responsibility for special DX / SDG strategies

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) Management Division, Risk Management Division, Compliance Control Division

Apr. 1985 Joined Nanto Bank
 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, General Manager, Sales Promotion Headquarters

Takeshi Sugiura

(Departments) Sales Support Department, Corporate Solutions Department, Asset Consulting Department

Apr. 1986 Joined Nanto Bank
 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
 July 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)



Director and Managing Executive Officer

Kouji Honda

(Departments) IT Strategy Department, Business Support Division, Examination Department

Apr. 1987 Joined Nanto Bank
 Apr. 2018 Executive Officer and General Manager, Osaka Chuo Sales Department
 Apr. 2019 Executive Officer and General Manager, Osaka Block Headquarters
 Apr. 2021 Executive Officer and General Manager, Nara-Kitawa Block Headquarters
 Apr. 2022 Executive Officer and Deputy General Manager, Sales Promotion Division, General Manager, Nara-Kitawa Block Headquarters and General Manager, Kyoto Block Headquarters
 Apr. 2023 Managing Executive Officer, Nanto Bank
 June 2023 Director and Managing Executive Officer, Nanto Bank (current position)

Directors and Audit and Supervisory Board Members



Director (full-time) and Audit and Supervisory Board Member

Takao Handa

Apr. 1981 Joined Nanto Bank
 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)
 June 2023 Outside Director, Audit and Supervisory Board Member, Nanto Bank (current position)

Outside Director
Audit and Supervisory Board Member**Shuheji 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)
 June 2023 Outside Director, Audit and Supervisory Board Member, 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
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)



Outside Director
Takashi Nishimura

(Main concurrent positions)
President and Representative Director, Kintetsu Miyako Hotels International, Inc.
Group Executive Officer, Kintetsu Group Holdings Co., Ltd.

Apr. 1979 Joined Kinki Nippon Railway Co., Ltd. (current Kintetsu Group Holdings Co., Ltd.)
Sep. 1979 Seconded to Kintetsu Real Estate Co., Ltd.
Nov. 2000 General Manager, General Planning Office, Kintetsu Real Estate Co., Ltd.
Dec. 2002 Director, Kintetsu Real Estate Co., Ltd.
June 2010 Executive Officer in Charge, General Planning Department, Kintetsu Railway Co., Ltd.
June 2011 Executive Officer, Deputy General Manager, Real Estate Business Division, Kintetsu Railway Co., Ltd.
June 2012 Executive Officer, General Manager, Distribution Business Management Department, Lifestyle Business Division, Kintetsu Railway Co., Ltd.
June 2013 Director and Managing Executive Officer, General Manager, Distribution Business Management Department, Lifestyle Business Division
Apr. 2015 Senior Managing Director, Kintetsu Real Estate Co., Ltd.
June 2019 Executive Vice President, Kintetsu Real Estate Co., Ltd.
June 2020 Director, Kintetsu Group Holdings, Inc.
June 2020 President and Representative Director, Kintetsu Miyako Hotels International, Inc. (current position)
June 2021 Group Executive Officer, Kintetsu Group Holdings, Inc. (current position)
June 2023 Outside Director, Nanto Bank (current position)

(Note) Directors Hidetaka Matsuzaka, Kozue Nakayama, Takashi Nishimura, Shuhei Aoki, and Yoshihiko Kasuya are outside directors as defined in Article 2, Item 15 of the Companies Act.

All the outside directors satisfy the "Criteria for Independence" specified by the Bank, and all have been reported to the Tokyo Stock Exchange, Inc., as independent directors.



Outside Director
Audit and Supervisory Board Member
Yoshihiko Kasuya

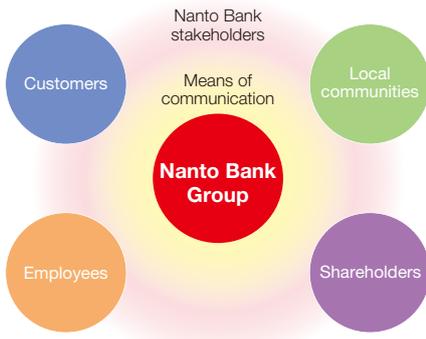
(Main concurrent positions)
Outside Corporate Auditor, Chino Corporation

Apr. 1979 Joined The Mitsubishi Bank, Ltd. (current The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
May 1994 Deputy General Manager, Bangkok Branch, MUFG
Mar. 1997 Deputy General Manager, Sales Department 3, Sales Division 1, MUFG
Oct. 2000 Deputy General Manager, General Affairs Office, MUFG
May 2003 General Manager, International Operations Department, MUFG
May 2006 General Manager, Kyoto Branch, MUFG
June 2006 Executive Officer and General Manager, Kyoto Branch, MUFG
June 2008 President and Director, Chitose Kosan Co., Ltd. (current Chitose Corporation)
June 2010 Director and Managing Executive Officer, Prince Hotel Co., Ltd.
Apr. 2015 Vice President and Executive Director, Seibu Construction Co., Ltd.
June 2023 Outside Corporate Auditor, Chino Corporation (current position)
June 2023 Outside Director and Audit and Supervisory Board Member, Nanto Bank (current position)

Initiatives toward enhanced engagement with stakeholders

Basic thinking

The Nanto Bank Group places particular importance on its engagement with stakeholders, listening sincerely to the ideas and opinions of everyone, including our customers, local community residents, employees, and shareholders, and responding to their requests. We are steadily implementing our Action Plan while engaging in continuous dialogue and creating new value in cooperation with our stakeholders as an avenue toward realizing sustainable management that grows with the community.



Stakeholders	Main issues and needs	Primary means of communication
Customers	Diversification and growing complexity of customer needs	<ul style="list-style-type: none"> Dialogue using customer feedback cards, etc.
Local communities	Sustainable local communities Developing human resources for the next generation within the community	<ul style="list-style-type: none"> Crowdfunding Donations through trusts Financial and economic education Volunteer river cleanup activities Nanto Scholarship Society Cherry Blossom Preservation Society "Magokoro no Issatsu" ("sincere book") campaign Donations to the Nanto Manyo Charity Walk Nanto Bank Hockey Club
Employees	Ensuring a comfortable workplace environment Initiatives to reform work styles	<ul style="list-style-type: none"> Increases in basic and starting salaries Childcare support program
Shareholders	Timely and appropriate information disclosure Appropriate returns to shareholders Enhancement of corporate value	<ul style="list-style-type: none"> IR meetings Publication of a management information magazine General Meeting of Shareholders Dialogue with institutional investors and analysts

Engagement with customers

The Nanto Bank Group strives to build relationships of trust with its customers by responding to their various opinions and requests.

Customer-oriented business operations

In its commitment to conducting business in the best interests of customers, the Nanto Bank Group* has established an Action Plan for realizing its "Policy Initiative 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 KPIs: The Nanto Bank, Ltd. and Nanto Mahoroba Securities Co., Ltd.

Please refer to our website for details of our "customer-oriented business management."



Customer feedback cards

We are directing efforts to raising awareness of CS activities and establishing a CS mindset by asking customers to evaluate our daily sales activities online using our customer feedback cards (questionnaires) on the LINE app. Seeking to enhance customer trust, we gather information about customers' potential complaints and needs and respond promptly to improve our products, services, and customer services.



How to complete friend registration on the LINE app:

(1) Using "Friend Search"

Search for "Nanto Bank" and register as a friend.

(2) Using "Add Friend"

Search for "@nantobank" in the ID search and register.

(3) Using the QR code

Register via the QR code using a QR code reader.



* The LINE smartphone communication application is provided by LINE, Inc. We ask customers to consider their own preferences when deciding whether to download the LINE app.



Community engagement

The Nanto Bank Group is committed to sustainable management developed together with its local communities. We participate actively in community activities and events.

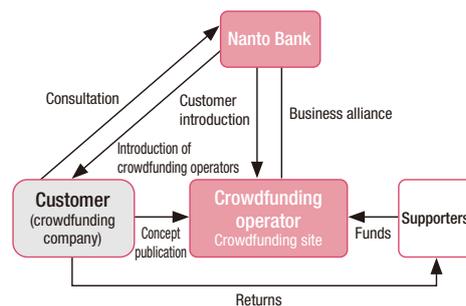
Crowdfunding

We interconnect the diverse future aspirations of individuals, organizations, and communities by deploying crowdfunding to meet customers' financing needs.

To date, 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	Crowdfunders	Target amount (thousand yen)	Amount of support (thousand yen)	Achievement rate (%)	Number of supporters
2022	Yamato Koriyama City Watamachi Nicoichi Row House Project	1,800	2,460	136	161
	Religious Corporation Horyuji Temple	20,000	157,000	785	7,456
	Saidaiji Temple	5,000	12,150	243	546
	Religious Corporation Ryubutsuji Temple (Okadera Temple)	2,500	4,176	167	278
	Religious Corporation Possessor of the Way Emperor Shrine	10,000	6,230	62	270
	Religious Corporation Daian-ji Temple	10,000	13,225	132	352



Donations through trusts

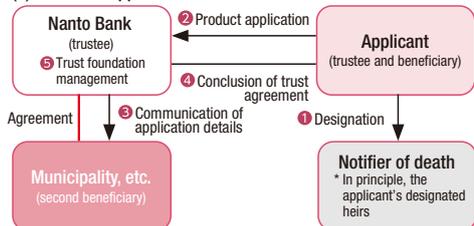
To offer more accessible way to donate inherited property to local governments or other entities, we have entered into an agreement entitled the "Agreement on Donations Through Trusts Instead of Wills" with 37 municipalities and educational institutions and 11 other organizations. The Nanto Anshin Todokeru Trust for Family Happiness (donation course) makes it possible for signed-up municipalities, educational institutions, and other entities to receive assets in donations that would otherwise be inherited, even when no will is left.

Agreement signatories (as of March 31, 2023)

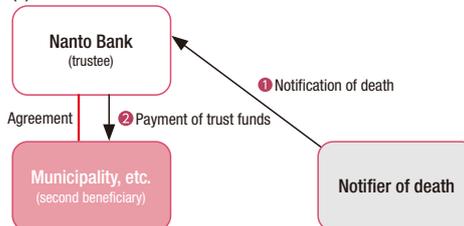
Municipalities	Nara Prefecture					
	Asuka Village	Ando Town	Ikaruga Town	Ikoma City	Uda City	Oji Town
Oyodo Town	Kashiba City	Kashihara City	Katsuragi City	Kawai Town	Kawakami Village	
Kawanishi Town	Kanmaki Town	Koryo Town	Gojo City	Gose City	Sakurai City	
Sango Town	Shimoichi Town	Shimokitayama Village	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.		Kansai Guide Dogs for the Blind Foundation, National University Corporation Kyoto University, Religious Corporation Kimpusenji Temple, Saidaiji Religious Corporation, Daianji Religious Corporation, Doshisha Educational Corporation, Social Welfare Corporation Nara Prefectural Council of Social Welfare, Public University Corporation Nara Medical University, National University Corporation Nara Institute of Science and Technology, Independent Administrative Institution National Research Institute for Cultural Properties, Nara, Religious Corporation Horyuji Temple				

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

(1) At time of application



(2) In the event of inheritance



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

[About the Bequest Donation Program]

We have expanded our services related to inheritance issues by entering into agreements with 18 municipalities and 17 educational institutions to enhance our bequest donation program.

When a municipality, educational institution, or other organization that has signed up with the Bank is offered a donation by means of a bequest, our specialized staff provides support for preparation of a will and/or other documents in connection with the bequest and/or inheritance to fulfill the donor's last wishes.

Agreement signatories (as of March 31, 2023)

Municipalities	Educational institutions, etc.
<p><Nara prefecture> Ikoma City, Kashiba City, Kashihara City, Kawai Town, Kawakami Village, Kawanishi Town, Kammaki Town, Koryo Town, Sango Town, Tawaramoto Town, Tenri City, Nara City, Yamazoe Village, Yamatokoriyama City, Yamatotakada City</p> <p><Kyoto prefecture> Ide Town, Kizugawa City, Seika Town</p>	<p>Kansai Guide Dogs for the Blind Foundation, National University Corporation Kyoto University, Public Interest Incorporated Foundation Kyoto University IPS Cell Research Foundation, Religious Corporation Kimpusenji Temple, Saidaiji Religious Corporation, Daianji Religious Corporation, 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</p>

Stakeholder Engagement

Strengthening relationships with the community through social contributions

Promotion of financial and economic education

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



Volunteer river cleanup activities

We participate in the "Kizu River Basin Cleanup Project," a large-scale project carefully organized by the Kizu River Basin Cleanup Executive Committee, and the "Yamato River Simultaneous Cleanup Project" organized by Nara Prefecture. The Nanto Bank Group aims to achieve sustainable regional growth and development by providing leadership in efforts to achieve the SDGs.



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 is 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

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

This activity has been carried on since 1987 as part of our Magokoro no Issatsu Campaign for the purpose of contributing to the emotional education of juveniles.

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

Donations to the Nanto Manyo Charity Walk

We make annual donations to the Nanto Manyo Charity Walk to improve the welfare of residents of our regional community. Our 2022 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.

Nanto Bank Field Hockey Club

In 1982, the Bank established a women's field hockey club, which has been contributing ever since to promoting sports in Nara Prefecture as the "Nanto Bank SHOOTING STARS." The club participates in Nara City sports events, visits schools, and holds field hockey training sessions for local elementary school students. The players are dedicated to contributing to and interacting with the local community through field hockey games.

Engagement with employees

The Nanto Bank Group seeks to be an organization in which every employee without exception feels a sense of fulfillment and continues to grow day by day. We are taking various steps to create an environment and develop initiatives to foster a corporate culture of this kind.

Increases in basic and starting salaries

We raised basic salaries for our employees and hourly wages for senior staff and part-time workers for the first time in 28 years in response to recent price hikes and also to make employees feel more motivated to deal with community and customer issues and contribute to regional development. The starting salary increases were also designed to secure more talented, diverse human resources for the next generation.

Childcare support systems

The Nanto Bank Group has established various childcare support systems as part of efforts to create a comfortable workplace for every employee who seeks to balance work and childcare.

Name	System overview
Paternity leave	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 fertility treatment are eligible for up to 12 days of paid leave per year.
Extension of the period during which employees can benefit from the existing systems designed to support childcare, including shorter working hours	Employees raising children up to junior high school age will be eligible for shorter working hours.
Expansion of the Family Support Leave System	Employees can now take five days of paid leave before and after the birth of a child (or a grandchild).
Expansion of the Child Nursing Care Leave System	Employees caring for a child up to junior high school age can take five days of paid leave to care for a sick child.



Business model

Performance

Engagement with shareholders

The Nanto Bank Group strives to disclose information to shareholders in an appropriate and timely manner. We also engage in constructive dialogue with our shareholders in order to achieve sustainable growth and to enhance our corporate value over the medium to long term.

Investor relations (IR) activities

The purpose of the Bank's IR activities is to provide our valued shareholders and investors with the information they need to make investment decisions in a timely, continuous, and impartial 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 stakeholders.

In fiscal 2022, the following initiatives were implemented through Web conferencing and teleconferencing.

[IR Calendar]

July 2022	Integrated report issued.
July	Publication of disclosure leaflet (reference materials)
October	Annual report (English) published.
December	Fiscal 2022 interim results briefing (large-scale in-person meeting) streamed live.

May 2023	Fiscal 2022 full-year results briefing (large-scale meeting) with both in-person and online attendees.
June	135th 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 one-on-one and other meetings as required.



Publication of management information

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



General Meeting of Shareholders

Main questions raised at the 135th Ordinary General Meeting of Shareholders

- The Bank's efforts to improve its P/B ratio as requested by the Tokyo Stock Exchange
- Impact of the declining birthrate and aging population on the Bank's performance
- Changes in the Board of Directors and impact of participation by female directors
- Strategies for overseas operations
- Shareholder benefit programs
- Improvement of shareholder returns
- Investment with an awareness of the cost of capital
- Future outlook for Nanto Mahoroba Securities

Dialogue with institutional investors and analysts

Items for discussion in interviews in FY2022

Principal themes and concerns

- Future policies for increasing income from services
- Approach to unrealized losses on securities
- Policies on future returns to shareholders and capital
- Status of efforts to improve employee engagement

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 proper information to shareholders.

3. Means of dialogue other than individual meetings

IR activities are conducted as required to provide shareholders with explanations. We will also continue to enhance our disclo-

sure 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.

Overview of the Nanto Bank Group

(As of March 31, 2023)

Company profile

Name:	The Nanto Bank, Ltd.
Founded:	June 1, 1934
Head Office:	16, Hashimoto-cho, Nara City, Nara, Japan
Capital:	37,924.15 million yen
Total assets:	6,521.4 billion yen
Deposit balance:	5,727.6 billion yen
Loan balance:	3,966.6 billion yen
Loans to small and medium-sized enterprises:	1,473.8 billion yen
Domestic offices:	103 (64 in Nara Prefecture, including Internet branches, and 39 in other locations)
Employees:	2,275
Capital adequacy ratio:	9.25% (consolidated); 8.95% (non-consolidated)
URL:	https://www.nantobank.co.jp

Overview of Nanto Bank's consolidated subsidiary operations

Company name	Location	Principal business	Capital (million 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 (million yen)	Percentage of subsidiaries' voting rights held by the Bank (%)
Nara Mirai Design Co., Ltd.	Nara City, Nara Prefecture	Regional revitalization business	80	— (39.9)
Nara Kominka Machizukuri Partners Co., Ltd.	Nara City, Nara Prefecture	Investment business	3	— (—)
Frontier Nanto Investment LLC	Nara City, Nara Prefecture	Investment business	5	— (50.0)

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 Kominka Machizukuri Partners Co., Ltd. ("NKMP") is owned by Nara Mirai Design Co., Ltd., an equity-method affiliate of Nanto Bank. Although the Bank holds less than 20% of NKMP's voting rights, the Bank has substantial influence over NKMP's operations and therefore includes 23.9% of NKMP's net income/loss in its consolidated financial statements.

3. Frontier Nanto Investment LLC was newly established on May 16, 2022 as an equity method affiliate of the Bank.

4. In addition to the above, the Group includes four investment partnerships that are non-consolidated subsidiaries and five investment partnerships that are affiliates not accounted for by the equity method.

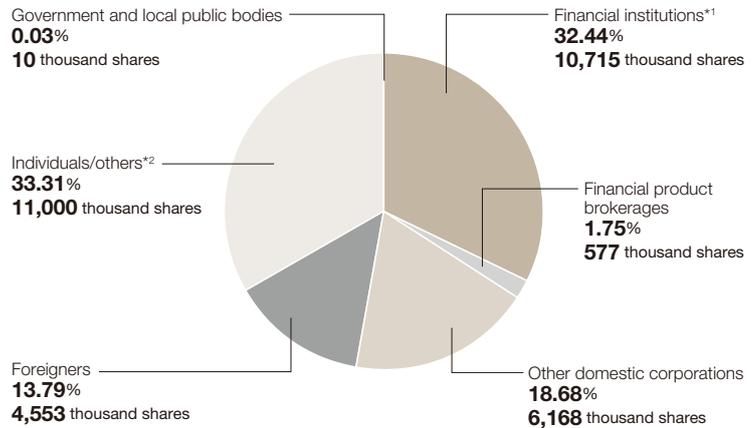


Current status of stock issuance

Total shares issued: 33,025 thousand

Number of shareholders: 16,888

Stock distribution by owner category



*1 Total of banks, trust banks, life insurance companies, non-life insurance companies, etc.

*2 Includes 1,200 thousand treasury shares

*3 The number of shares owned is rounded down to the nearest thousand.

Major shareholders (top 10)

Name	Number of shares held (unit: 1,000)* ⁴	Ratio of number of shares owned to total number of shares issued (%) ⁵
The Master Trust Bank of Japan, Ltd. (trust account)	3,716	11.67
Custody Bank of Japan, Ltd. (trust account)	1,477	4.64
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,053	3.30
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	1,043	3.27
Nanto Bank Employee Stock Ownership Association	959	3.01
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	662	2.08
DMG Mori Seiki Co., Ltd.	476	1.49
Kyoto Chuo Shinkin Bank	466	1.46
Daiwa Gas Co., Ltd.	462	1.45
DFA INTL SMALL CAP VALUE PORTFOLIO	459	1.44

(Note) *4 The number of shares owned is rounded down to the nearest thousand.

*5 The percentage of shares held is calculated excluding treasury stock (1,200 thousand shares) and rounded down to the third decimal place. Treasury stock does not include the Bank's stocks held by the BIP Trust for directors' remuneration (73 thousand shares).

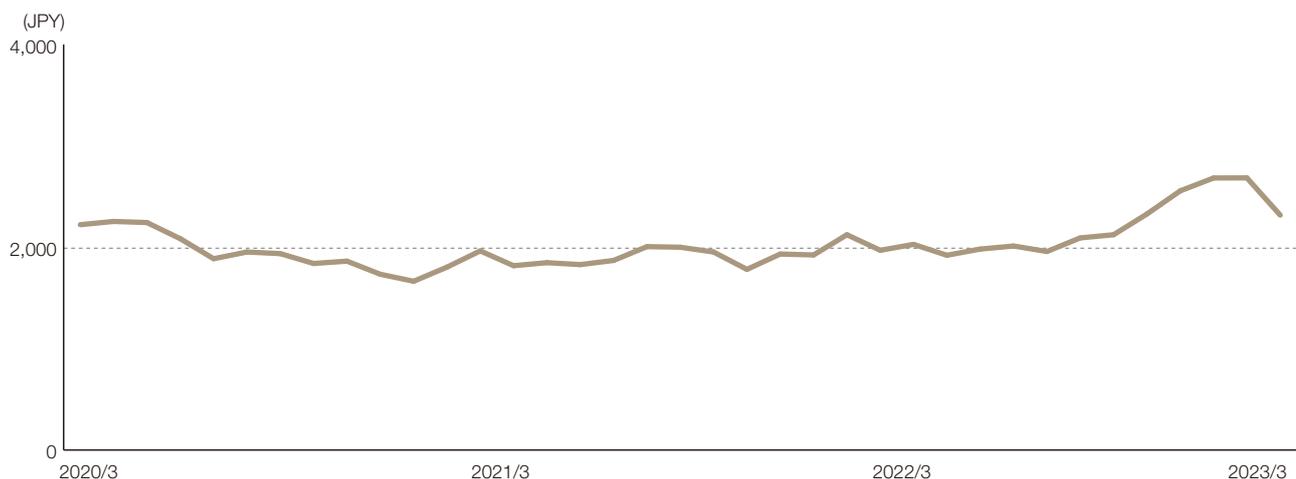
Total shareholder returns (TSR)

	Mar. 2021	Mar. 2022	Mar. 2023
Nanto Bank (%)	77.1	81.1	97.1
TOPIX (including dividend) (%)	122.1	124.5	131.8

Dividends per share / Dividend payout ratio

	Mar. 2021	Mar. 2022	Mar. 2023
Dividends per share (yen)	80.00	110.00	113.00
Consolidated dividend payout ratio (%)	24.0	30.1	76.4

Stock price trends



Financial Data

Consolidated Financial Statements

• Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets:			
Cash and due from banks (Notes 23 and 25).....	¥ 1,085,005	¥ 1,495,598	\$ 8,125,552
Debt purchased (Notes 25 and 26)	1,503	1,466	11,255
Money held in trust (Notes 25 and 26).....	43,579	44,017	326,361
Securities (Notes 9, 10, 11, 14, 25 and 26)	1,320,545	1,470,517	9,889,500
Loans and bills discounted (Notes 10, 11, 12 and 25).....	3,944,387	3,870,774	29,539,331
Foreign exchanges (Note 10)	1,354	2,488	10,140
Lease receivables and lease investment assets (Note 11).....	26,221	24,990	196,367
Other assets (Notes 10, 11 and 15)	72,006	55,922	539,249
Tangible fixed assets (Note 13).....	40,493	37,782	303,250
Buildings	10,567	10,708	79,135
Land	23,647	23,915	177,091
Construction in progress	3,529	313	26,428
Other tangible fixed assets	2,749	2,845	20,587
Intangible fixed assets	4,674	4,858	35,003
Software	4,228	4,411	31,663
Other intangible fixed assets (Note 11)	446	447	3,340
Deferred tax assets (Note 30).....	17,046	7,247	127,656
Customers' liabilities for acceptances and guarantees (Note 10)	8,759	8,261	65,595
Reserve for possible loan losses (Notes 3 and 25).....	(23,461)	(22,485)	(175,698)
Total assets	¥ 6,542,117	¥ 7,001,441	\$ 48,993,611
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 11 and 25).....	¥ 5,715,665	¥ 5,647,407	\$ 42,804,351
Negotiable certificates of deposit (Note 25)	8,140	7,540	60,960
Call money and bills sold (Note 25)	—	176,835	—
Payables under repurchase agreements (Notes 11 and 25).....	—	12,742	—
Payables under securities lending transactions (Notes 11 and 25).....	139,161	102,432	1,042,170
Borrowed money (Notes 11, 25 and 35)	356,490	709,227	2,669,737
Foreign exchanges.....	806	473	6,036
Borrowed money from trust account.....	4,659	5,467	34,891
Other liabilities (Note 35)	32,699	31,586	244,881
Liability for retirement benefits (Note 28).....	11,916	11,976	89,238
Reserve for reimbursement of deposits.....	76	104	569
Reserve for contingent losses	831	834	6,223
Reserve for share-based payment	96	61	718
Reserve under special laws.....	3	3	22
Deferred tax liabilities (Note 30)	11	12	82
Acceptances and guarantees.....	8,759	8,261	65,595
Total liabilities	¥ 6,279,318	¥ 6,714,967	\$ 47,025,522
Net assets (Note 7):			
Common stock: Authorized 64,000 thousand shares in 2023 and 2022			
Issued 33,025 thousand shares in 2023 and 2022	¥ 37,924	¥ 37,924	\$ 284,011
Capital surplus	34,749	34,749	260,233
Retained earnings	200,383	199,208	1,500,659
Less treasury stock: Issued 1,273 thousand shares in 2023			
and 472 thousand shares in 2022	(3,418)	(1,799)	(25,597)
Total stockholders' equity	269,639	270,083	2,019,314
Valuation difference on available-for-sale securities (Note 26)	(6,537)	15,121	(48,955)
Deferred gains or losses on hedges (Note 27)	95	1,814	711
Accumulated adjustments for retirement benefits (Note 28).....	(398)	(546)	(2,980)
Total accumulated other comprehensive income	(6,840)	16,390	(51,224)
Total net assets	262,798	286,473	1,968,082
Total liabilities and net assets.....	¥ 6,542,117	¥ 7,001,441	\$ 48,993,611

See Notes to Consolidated Financial Statements.

Financial Data

Consolidated Financial Statements

• Consolidated Statements of Changes in Net Assets

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2023 and 2022

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
Balance at April 1, 2021	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)
Balance at April 1, 2022	33,025	¥ 37,924	¥ 34,749	¥ 199,208	¥ (1,799)	¥ 15,121	¥ 1,814	¥ (546)	¥ —	¥ 286,473
Cash dividends				(3,556)						(3,556)
Net income attributable to owners of parent				4,731						4,731
Purchase of treasury stock					(1,618)					(1,618)
Disposition of treasury stock			(0)		0					0
Transfer from retained earnings to capital surplus			0	(0)						—
Net changes in items other than stockholders' equity						(21,659)	(1,719)	147	—	(23,231)
Balance at March 31, 2023 (Note 7)	33,025	¥ 37,924	¥ 34,749	¥ 200,383	¥ (3,418)	¥ (6,537)	¥ 95	¥ (398)	¥ —	¥ 262,798

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	
Balance at April 1, 2022	\$ 284,011	\$ 260,233	\$ 1,491,859	\$ (13,472)	\$ 113,240	\$ 13,584	\$ (4,088)	\$ —	\$ 2,145,383	
Cash dividends			(26,630)						(26,630)	
Net income attributable to owners of parent			35,430						35,430	
Purchase of treasury stock				(12,117)					(12,117)	
Disposition of treasury stock		(0)		0					0	
Transfer from retained earnings to capital surplus		0	(0)						—	
Net changes in items other than stockholders' equity					(162,203)	(12,873)	1,100	—	(173,975)	
Balance at March 31, 2023 (Note 7)	\$ 284,011	\$ 260,233	\$ 1,500,659	\$ (25,597)	\$ (48,955)	\$ 711	\$ (2,980)	\$ —	\$ 1,968,082	

See Notes to Consolidated Financial Statements.

• Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities			
Income before income taxes	¥ 6,316	¥ 17,910	\$ 47,300
Depreciation.....	3,412	3,296	25,552
Impairment loss.....	43	62	322
Share of loss (profit) of entities accounted for using equity method.....	14	9	104
Increase (decrease) in reserve for possible loan losses	976	716	7,309
Increase (decrease) in liability for retirement benefits	151	419	1,130
Increase (decrease) in reserve for reimbursement of deposits	(28)	(53)	(209)
Increase (decrease) in reserve for contingent losses	(2)	(300)	(14)
Increase (decrease) in reserve for share-based payment	35	61	262
Interest income	(46,862)	(48,185)	(350,947)
Interest expense.....	3,741	902	28,016
Loss (gain) on securities	7,820	(1,260)	58,563
Loss (gain) on money held in trust	152	167	1,138
Foreign exchange losses (gains).....	(7,736)	(8,530)	(57,934)
Losses (gains) on sales of fixed assets	(37)	17	(277)
Net decrease (increase) in loans and bills discounted	(73,613)	(83,896)	(551,284)
Net increase (decrease) in deposits	68,258	207,439	511,181
Net increase (decrease) in negotiable certificates of deposit	600	3,500	4,493
Net increase (decrease) in borrowed money	(352,737)	82,526	(2,641,631)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)...	(83)	1,077	(621)
Net decrease (increase) in call loans and bills bought	(36)	361	(269)
Net increase (decrease) in call money.....	(189,578)	152,500	(1,419,740)
Net increase (decrease) in payables under securities lending transactions ...	36,729	(4,032)	275,061
Net decrease (increase) in foreign exchange assets.....	1,134	(1,250)	8,492
Net increase (decrease) in foreign exchange liabilities	332	(104)	2,486
Net decrease (increase) in lease receivables and lease investment assets....	(1,364)	135	(10,214)
Net increase (decrease) in borrowed money from trust account	(808)	(797)	(6,051)
Interest received.....	47,352	48,537	354,616
Interest paid.....	(2,645)	(972)	(19,808)
Other	(8,973)	1,094	(67,198)
Subtotal	(507,436)	371,351	(3,800,164)
Income taxes paid.....	(6,428)	(3,769)	(48,138)
Net cash provided by (used in) operating activities.....	(513,864)	367,581	(3,848,303)
Cash flows from investing activities			
Purchase of securities	(374,000)	(362,645)	(2,800,868)
Proceeds from sales of securities	397,341	229,244	2,975,668
Proceeds from maturities of securities	91,188	80,753	682,902
Increase in money held in trust	(321)	(19,719)	(2,403)
Decrease in money held in trust	48	15,578	359
Purchase of tangible fixed assets	(4,829)	(1,753)	(36,164)
Proceeds from sales of tangible fixed assets	539	426	4,036
Purchase of intangible fixed assets.....	(1,461)	(1,209)	(10,941)
Payments for asset retirement obligations	(48)	(26)	(359)
Other	(101)	(13)	(756)
Net cash provided by (used in) investing activities	108,355	(59,366)	811,465
Cash flows from financing activities			
Dividends paid	(3,553)	(2,609)	(26,608)
Purchase of treasury stock.....	(1,618)	(147)	(12,117)
Other	0	0	0
Net cash used in financing activities	(5,171)	(2,756)	(38,725)
Effect of exchange rate changes on cash and cash equivalents.....	5	9	37
Net increase (decrease) in cash and cash equivalents.....	(410,675)	305,468	(3,075,526)
Cash and cash equivalents at beginning of year	1,493,835	1,188,367	11,187,261
Cash and cash equivalents at end of year (Note 23)	¥ 1,083,159	¥ 1,493,835	\$ 8,111,727

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, 2023 and 2022

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, 2023, which was ¥133.53 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 (eleven in 2022) subsidiaries at March 31, 2023. (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.

The Bank had four (three in 2022) unconsolidated subsidiaries in the fiscal year ended March 31, 2023, Nanto Sixth Industry Support Investment Limited Partnership, Nanto Regional Vitality Creation Support Investment Limited Partnership, Nanto CVC No. 3 Akebono Investment Limited Partnership and Nanto TSUNAGU Fund 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, 2023, Nanto TSUNAGU Fund Investment Limited Partnership became an unconsolidated subsidiary due to its new establishment.

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 three (two in 2022) affiliates over which it had the ability to exercise significant influence over operating and financial policies, Nara Mirai Design Co., Ltd., Nara Kominka Machizukuri Partners Co., Ltd. and Frontier Nanto Investment LLC, and these affiliates were accounted for by the equity method.

(Changes in scope of the equity method)

In the fiscal year ended March 31, 2023, Frontier Nanto Investment LLC was included in the scope of the equity method due to its new establishment.

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, and 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 four (three in 2022) unconsolidated subsidiaries not accounted for by the equity method in the fiscal year ended March 31, 2023, Nanto Sixth Industry Support Investment Limited Partnership, Nanto Regional Vitality Creation Support Investment Limited Partnership, Nanto CVC No. 3 Akebono Investment Limited Partnership and Nanto TSUNAGU Fund Investment Limited Partnership. The Bank also had five (three in 2022) 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, Frontier Nanto Investment Limited Partnership and Yamato Social Impact 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 unconsolidated subsidiaries not accounted for by the equity method)

In the fiscal year ended March 31, 2023, Nanto TSUNAGU Fund Investment Limited Partnership became an unconsolidated subsidiary not accounted for by the equity method due to its new establishment.

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.

(Establishment of affiliates not accounted for by the equity method)

In the fiscal year ended March 31, 2023, Frontier Nanto Investment Limited Partnership and Yamato Social Impact Investment Limited Partnership became affiliates not accounted for by the equity method due to their new establishment.

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, was an unlimited liability partner.

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, 2023 and 2022 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, 2023 and 2022, 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. Equity securities, etc., with no market price included in available-for-sale securities are 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" (Japanese Institute of Certified Public Accountants ("JICPA") Industry 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.

Consolidated Financial Statements

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 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, 2023 and 2022, the deducted amounts were ¥5,367 million (\$40,193 thousand) and ¥6,233 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

The Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "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.

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, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Reserve for possible loan losses	¥ 23,461	¥ 22,485	\$ 175,698

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

The Bank assumes 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 business 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 business improvement plan and a reasonable and highly feasible business 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 years ended March 31, 2023 and 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.

(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, the impact of the new coronavirus and inflation, 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 impact of the new coronavirus and inflation is 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.

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4. CHANGES IN ACCOUNTING POLICIES

Fiscal year ended March 31, 2023

Application of implementation guidance on accounting standard for fair value measurement

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ended March 31, 2023 and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment prescribed in Paragraph 27-2 of the guidance. There was no effect on the consolidated financial statements due to this application.

As for notes of investment trusts in financial instruments categorized by fair value hierarchy in Note 25, "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES," the comparative information for the fiscal year ended March 31, 2022 is not included in the said Note in accordance with Paragraph 27-3 of the guidance.

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.

(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 25, "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(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.

5. STANDARDS AND GUIDANCE NOT YET ADOPTED

The following standards and guidance were issued but not yet adopted.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These standards and guidance set forth the accounting classification of current income taxes in the case where other comprehensive income is taxable, as well as the treatment of tax effect accounting on sale of shares of subsidiaries, etc. under the group taxation regime.

(2) Effective date

The Group is scheduled to apply the standards and guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of the application of the standards and guidance

The Group is currently evaluating the effects of the application of these standards and guidance.

6. ADDITIONAL INFORMATION

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").

(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

(a) The book value of the Bank's shares held by the Trust as of March 31, 2023 and 2022 was ¥143 million (\$1,070 thousand) and ¥143 million, respectively.

(b) The Bank's shares held by the Trust are recorded as treasury stock under stockholders' equity.

(c) The numbers of shares as of March 31, 2023 and 2022 were 73 thousand and 73 thousand, respectively, and the average numbers of shares during the fiscal years ended March 31, 2023 and 2022 were 73 thousand and 47 thousand, respectively.

(d) The numbers of shares at the end of the fiscal years ended March 31, 2023 and 2022 and the average numbers of shares during the respective fiscal years are included in treasury stock to be deducted for computing per share information.

7. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2023 and 2022

	(Thousands of shares)				Remarks
	2023				
	April 1, 2022	Increase	Decrease	March 31, 2023	
Shares issued					
Common stock.....	33,025	—	—	33,025	
Total.....	33,025	—	—	33,025	
Treasury stock					
Common stock.....	472	801	0	1,273	Notes 1, 2 & 3
Total.....	472	801	0	1,273	

Notes: 1. The number of shares of treasury stock as of March 31, 2023 includes 73 thousand shares of the Bank's stock held by the Director Remuneration BIP Trust.
2. The increase of 801 thousand shares in common stock of treasury stock is attributable to an increase of 800 thousand shares due to the acquisition of treasury stock, which was resolved by the Board of Directors, and an increase of 1 thousand shares due to the purchase of shares of less than one unit.
3. The decrease of 0 thousand shares in common stock of treasury stock is due to the sale of shares less than one unit.

	(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.

(2) Stock acquisition rights

Fiscal years ended March 31, 2023 and 2022

Not applicable.

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended 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	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 29, 2022	Common stock	¥2,283 (\$ 17,097)	¥70.00 (\$ 0.52)	March 31, 2022	June 30, 2022
Board of Directors' meeting held on November 11, 2022	Common stock	¥1,273 (\$ 9,533)	¥40.00 (\$ 0.29)	September 30, 2022	December 5, 2022

Notes: 1. Aggregate amount of dividends resolved by the Annual stockholders' meeting on June 29, 2022 includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥5 million (\$37 thousand).
2. Aggregate amount of dividends resolved by the Board of Directors on November 11, 2022 includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥2 million (\$14 thousand).

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

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 29, 2021	Common stock	¥1,304	¥40.00	March 31, 2021	June 30, 2021
Board of Directors' meeting held on November 12, 2021	Common stock	¥1,305	¥40.00	September 30, 2021	December 6, 2021

(c) Dividends to be paid in the fiscal year ending March 31, 2024

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, 2023	Common stock	¥2,323 (\$17,396)	Retained earnings	¥73.00 (\$0.54)	March 31, 2023	June 30, 2023

Note: Aggregate amount of dividends includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥5 million (\$37 thousand).

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8. 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.

9. SHARES OR INVESTMENTS IN CAPITAL OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Shares or investments in capital of unconsolidated subsidiaries and affiliates at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Shares or investments in capital.....	¥ 4,032	¥ 2,979	\$ 30,195

10. 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, 2023 and 2022. 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
	2023	2022	2022
Bankrupt or quasi-bankrupt claims	¥ 3,665	¥ 3,592	\$ 27,447
Doubtful claims.....	46,239	42,510	346,281
Claims past due for three months or more	131	161	981
Restructured claims.....	8,997	7,226	67,378
Total.....	¥ 59,034	¥ 53,491	\$ 442,102

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 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 ¥13,371 million (\$100,134 thousand) and ¥14,169 million at March 31, 2023 and 2022, 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 ¥3,601 million (\$26,967 thousand) and ¥3,602 million at March 31, 2023 and 2022, respectively.

11. PLEDGED ASSETS

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets pledged as collateral:			
Securities	¥ 440,547	¥ 555,826	\$ 3,299,236
Loans and bills discounted	141,347	387,045	1,058,541
Other assets	178	178	1,333
Liabilities corresponding to assets pledged as collateral:			
Deposits	79,537	107,874	595,648
Payables under repurchase agreements	—	12,742	—
Payables under securities lending transactions	139,161	102,432	1,042,170
Borrowed money	346,534	700,899	2,595,177

In addition to the above, the following were pledged as collateral for transaction guarantees or as a substitute for margin money for forward transactions.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other assets	¥ 26,219	¥ 21,514	\$ 196,352

The following was pledged as collateral for borrowed money of ¥2,109 million (\$15,794 thousand) and ¥2,173 million at March 31, 2023 and 2022, respectively.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unexpired lease contract claims	¥ 2,978	¥ 3,085	\$ 22,302

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
	2023	2022	2023
Initial margins of future markets	¥ 892	¥ 762	\$ 6,680
Security deposits	960	977	7,189
Key money	446	447	3,340

12. 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, 2023 and 2022 were ¥1,006,735 million (\$7,539,391 thousand) and ¥1,027,166 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, 2023 and 2022 were ¥938,055 million (\$7,025,050 thousand) and ¥951,310 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.

13. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥43,802 million (\$328,031 thousand) and ¥44,248 million at March 31, 2023 and 2022, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥805 million (\$6,028 thousand) and ¥806 million at March 31, 2023 and 2022, respectively. For the fiscal years ended March 31, 2023 and 2022, the capital gain offset from acquisition costs was nil.

14. 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 ¥42,633 million (\$319,276 thousand) and ¥43,674 million at March 31, 2023 and 2022, respectively.

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15. 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 years ended March 31, 2023 and 2022 was as follows:

	Millions of yen				
	2023				
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions.....	¥ 8,912	¥ —	¥ 1,996	¥ 10,908	
Deposit and loan services.....	1,887	—	—	1,887	
Exchange services.....	2,170	—	—	2,170	
Trust related services.....	134	—	—	134	
Securities related services.....	—	—	280	280	
Agency services.....	2,943	—	—	2,943	
Custody and safe deposit box services.....	226	—	—	226	
Guarantee services.....	—	—	—	—	
Other.....	1,549	—	1,715	3,265	
Ordinary income from contracts with customers.....	¥ 8,912	¥ —	¥ 1,996	¥ 10,908	
Ordinary income other than the above.....	56,097	9,308	1,434	66,839	
Ordinary income from outside customers.....	¥ 65,009	¥ 9,308	¥ 3,430	¥ 77,748	

	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				
	2023				
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions.....	\$ 66,741	\$ —	\$ 14,947	\$ 81,689	
Deposit and loan services.....	14,131	—	—	14,131	
Exchange services.....	16,251	—	—	16,251	
Trust related services.....	1,003	—	—	1,003	
Securities related services.....	—	—	2,096	2,096	
Agency services.....	22,039	—	—	22,039	
Custody and safe deposit box services.....	1,692	—	—	1,692	
Guarantee services.....	—	—	—	—	
Other.....	11,600	—	12,843	24,451	
Ordinary income from contracts with customers.....	\$ 66,741	\$ —	\$ 14,947	\$ 81,689	
Ordinary income other than the above.....	420,107	69,707	10,739	500,554	
Ordinary income from outside customers.....	\$ 486,849	\$ 69,707	\$ 25,687	\$ 582,251	

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 ¥492 million (\$3,684 thousand) and ¥476 million as of March 31, 2023 and 2022, respectively, was included in other assets.

16. OTHER OPERATING INCOME

For the fiscal years ended March 31, 2023 and 2022, other operating income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on sales of bonds	¥ 1,989	¥ 1,928	\$ 14,895
Gain on foreign exchange transactions	1,936	1,037	14,498
Other	342	459	2,561
Total	¥ 4,268	¥ 3,425	\$ 31,962

17. OTHER INCOME

For the fiscal years ended March 31, 2023 and 2022, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on sales of stocks and other securities.....	¥ 1,129	¥ 2,578	\$ 8,455
Recovery of written-off claims	405	319	3,033
Other	1,508	852	11,293
Total	¥ 3,043	¥ 3,750	\$ 22,788

18. OTHER OPERATING EXPENSES

For the fiscal years ended March 31, 2023 and 2022, other operating expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Losses on sales of bonds	¥ 10,873	¥ 2,415	\$ 81,427
Other	2,041	2	15,284
Total	¥ 12,914	¥ 2,418	\$ 96,712

19. GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal years ended March 31, 2023 and 2022, general and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries and allowances.....	¥ 18,947	¥ 19,076	\$ 141,893
Retirement benefit costs	1,523	1,563	11,405
Other	19,010	19,594	142,365
Total	¥ 39,481	¥ 40,234	\$ 295,671

20. OTHER EXPENSES

For the fiscal years ended March 31, 2023 and 2022, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Write-offs of loans.....	¥ 718	¥ 1,194	\$ 5,377
Provision for possible loan losses.....	1,117	1,157	8,365
Losses on sales of stocks and other securities	65	687	486
Other	581	802	4,351
Total	¥ 2,483	¥ 3,840	\$ 18,595

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21. IMPAIRMENT LOSS

The Group reports impairment loss for the following asset groups.
Fiscal year ended March 31, 2023

Region	Principle use	Type	Millions of yen		Thousands of U.S. dollars	
			Impairment loss			
Nara Prefecture - outside	1 business store, etc.	Buildings, etc.	¥	7	\$	52
Nara Prefecture - inside	1 idle asset	Buildings, etc.		26		194
Nara Prefecture - outside	1 idle asset	Buildings, etc.		6		44
Nara Prefecture - inside	1 business store, etc.	Software		2		14
Total			¥	43	\$	322

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 ¥43 million (\$322 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 0.7% to 1.4%.
Fiscal year ended March 31, 2022

Region	Principle use	Type	Millions of yen	
			Impairment loss	
Nara Prefecture - inside	3 business stores, etc.	Buildings, etc.	¥	34
Nara Prefecture - inside	1 idle asset	Land		11
Nara Prefecture - outside	1 business store, etc.	Buildings, etc.		16
Total			¥	62

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 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%.

22. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	¥ (40,703)	¥ (22,457)	\$ (304,822)
Reclassification adjustments to net income	9,727	(411)	72,845
Amount before tax effect	(30,976)	(22,868)	(231,977)
Tax effect	9,316	6,769	69,767
Valuation difference on available-for-sale securities	(21,659)	(16,099)	(162,203)
Deferred gains (losses) on hedges			
Gains (losses) incurred during the year	(2,379)	(448)	(17,816)
Reclassification adjustments to net income	(90)	169	(674)
Amount before tax effect	(2,470)	(278)	(18,497)
Tax effect	751	84	5,624
Deferred gains (losses) on hedges	(1,719)	(193)	(12,873)
Adjustments for retirement benefits:			
Gains (losses) incurred during the year	1	(14)	7
Reclassification adjustments to net income	211	218	1,580
Amount before tax effect	212	204	1,587
Tax effect	(64)	(62)	(479)
Adjustments for retirement benefits	147	142	1,100
Total other comprehensive income (loss)	¥ (23,231)	¥ (16,151)	\$ (173,975)

23. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2023 and 2022 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
	2023	2022	2023
Cash and due from banks on the consolidated balance sheets.....	¥ 1,085,005	¥ 1,495,598	\$ 8,125,552
Current deposits due from banks.....	(41)	(80)	(307)
Time deposits due from banks.....	(600)	(600)	(4,493)
Other due from banks.....	(1,204)	(1,081)	(9,016)
Cash and cash equivalents on the consolidated statements of cash flows.....	¥ 1,083,159	¥ 1,493,835	\$ 8,111,727

24. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥ 197	¥ 211	\$ 1,475
Due after one year	489	793	3,662
Total.....	¥ 686	¥ 1,004	\$ 5,137

As lessor:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥ 7	¥ —	\$ 52
Due after one year	24	—	179
Total.....	¥ 31	¥ —	\$ 232

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Status of financial instruments

(1) Policy on financial instruments

The Group is composed of the Bank, its eleven (eleven in 2022) consolidated subsidiaries and its three (two in 2022) 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 borrowed money 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. 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.

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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 interest rate components of 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 Examination Department. The Audit Department, which is independent from the said branches and 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 Meeting and the Board of Directors.

Credit risks associated with the issuers of securities are managed by the Market Operations Department 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 ΔEVE (the decrease in economic value with respect to an interest rate shock), etc., to identify and analyze risk from a broader point of view.

(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 Market Operations Department plays a part in investments for investment purposes, and the Corporate Solutions Department 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 Market Operations Department, 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, 2023, the Group's total market risk (decrease in estimated economic value) was ¥45,514 million (\$340,852 thousand) (¥56,464 million in 2022). 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 Market Operations Department 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, 2023 and 2022. 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. In addition, immaterial financial instruments are omitted.

	Millions of yen		
	2023		
	Carrying amount	Fair value	Difference
Money held in trust (*1)	¥ 43,579	¥ 43,579	¥ —
Securities (*1)			
Held-to-maturity debt securities	42,633	42,471	(162)
Available-for-sale securities	1,256,882	1,256,882	—
Loans and bills discounted	3,944,387		
Reserve for possible loan losses (*2)	(23,043)		
	3,921,344	3,909,715	(11,628)
Total assets	¥ 5,264,439	¥ 5,252,648	¥ (11,791)
Deposits	¥ 5,715,665	¥ 5,715,670	¥ 4
Borrowed money	356,490	356,458	(32)
Total liabilities	¥ 6,072,156	¥ 6,072,128	¥ (27)
Derivative transactions (*3)			
Hedge accounting not applied	¥ 3,285	¥ 3,285	¥ —
Hedge accounting applied (*4)	204	204	—
Total derivative transactions	¥ 3,490	¥ 3,490	¥ —

	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 (*2)	(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 (*3)			
Hedge accounting not applied	¥ (4,297)	¥ (4,297)	¥ —
Hedge accounting applied (*4)	2,625	2,625	—
Total derivative transactions	¥ (1,671)	¥ (1,671)	¥ —

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	Thousands of U.S. dollars		
	2023		
	Carrying amount	Fair value	Difference
Money held in trust (*1)	\$ 326,361	\$ 326,361	\$ —
Securities (*1)			
Held-to-maturity debt securities	319,276	318,063	(1,213)
Available-for-sale securities	9,412,731	9,412,731	—
Loans and bills discounted	29,539,331		
Reserve for possible loan losses (*2)	(172,567)		
	29,366,764	29,279,674	(87,081)
Total assets	\$ 39,425,140	\$ 39,336,838	\$ (88,302)
Deposits	\$ 42,804,351	\$ 42,804,388	\$ 29
Borrowed money	2,669,737	2,669,497	(239)
Total liabilities	\$ 45,474,095	\$ 45,473,886	\$ (202)
Derivative transactions (*3)			
Hedge accounting not applied	\$ 24,601	\$ 24,601	\$ —
Hedge accounting applied (*4)	1,527	1,527	—
Total derivative transactions	\$ 26,136	\$ 26,136	\$ —

(*1) These include investment trusts whose standard quotation is deemed as fair value by applying the treatment prescribed in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(*2) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.

(*3) Assets and liabilities arising from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(*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" (Practical Issues Task Force (PITF) No. 40, March 17, 2022) 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, 2023 and 2022 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		
	2023	2022	
Unlisted equity securities (*1) (*2)	¥ 1,659	¥ 1,605	\$ 12,424
Investments in partnerships (*3)	19,369	13,889	145,053

(*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) No impairment loss was recognized for the fiscal year ended March 31, 2023, while the Group recognized impairment loss on unlisted equity securities of ¥108 million for the fiscal year ended March 31, 2022.

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

(Note 2) Redemption schedule of monetary claims and securities with maturities

	Millions of yen					
	2023					
	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	¥ 1,028,426	¥ —	¥ —	¥ —	¥ —	¥ —
Debt purchased	1,503	—	—	—	—	—
Securities	53,149	28,854	28,980	58,955	106,019	315,046
Held-to-maturity debt securities	14,089	18,975	8,335	1,233	—	—
Bonds	14,089	18,975	8,335	1,233	—	—
Available-for-sale securities with contractual maturities	39,060	9,878	20,644	57,722	106,019	315,046
Japanese government bonds	—	—	—	—	10,000	74,000
Japanese local government bonds	21,477	3,552	1,422	54,622	91,613	1,764
Corporate bonds	8,903	6,326	5,869	2,700	400	148,493
Other	8,679	—	13,353	400	4,005	90,788
Loans and bills discounted (*)	473,350	799,217	591,805	371,197	398,510	928,985
Total	¥ 1,556,429	¥ 828,071	¥ 620,785	¥ 430,153	¥ 504,529	¥ 1,244,031

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

Thousands of U.S. dollars

2023

	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	\$ 7,701,834	\$ —	\$ —	\$ —	\$ —	\$ —
Debt purchased	11,255	—	—	—	—	—
Securities	398,030	216,086	217,029	441,511	793,971	2,359,364
Held-to-maturity debt securities	105,511	142,102	62,420	9,233	—	—
Bonds	105,511	142,102	62,420	9,233	—	—
Available-for-sale securities with contractual maturities	292,518	73,975	154,601	432,277	793,971	2,359,364
Japanese government bonds	—	—	—	—	74,889	554,182
Japanese local government bonds	160,840	26,600	10,649	409,061	686,085	13,210
Corporate bonds	66,674	47,375	43,952	20,220	2,995	1,112,057
Other	64,996	—	100,000	2,995	29,993	679,907
Loans and bills discounted (*)	3,544,896	5,985,299	4,432,000	2,779,877	2,984,422	6,957,125
Total	\$ 11,656,024	\$ 6,201,385	\$ 4,649,030	\$ 3,221,395	\$ 3,778,394	\$ 9,316,490

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid, amounting to ¥45,069 million (\$337,519 thousand) and ¥40,871 million at March 31, 2023 and 2022, respectively, are not included.

Loans whose payment terms were not determined amounting to ¥336,252 million (\$2,518,175 thousand) and ¥320,997 million at March 31, 2023 and 2022, respectively, are not included.

(Note 3) Redemption schedule of borrowed money and interest bearing liabilities

Millions of yen

2023

	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 (*)	¥ 5,299,164	¥ 377,645	¥ 38,856	¥ —	¥ —	¥ —
Negotiable certificates of deposit	8,140	—	—	—	—	—
Call money and bills sold	—	—	—	—	—	—
Payables under repurchase agreements	—	—	—	—	—	—
Payables under securities lending transactions	139,161	—	—	—	—	—
Borrowed money	53,944	148,395	151,480	—	2,670	—
Total	¥ 5,500,409	¥ 526,040	¥ 190,336	¥ —	¥ 2,670	¥ —

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	¥ —

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Thousands of U.S. dollars

	2023					
	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 (*)	\$ 39,685,194	\$ 2,828,165	\$ 290,990	\$ —	\$ —	\$ —
Negotiable certificates of deposit	60,960	—	—	—	—	—
Call money and bills sold	—	—	—	—	—	—
Payables under repurchase agreements	—	—	—	—	—	—
Payables under securities lending transactions	1,042,170	—	—	—	—	—
Borrowed money	403,984	1,111,323	1,134,426	—	19,995	—
Total	\$ 41,192,308	\$ 3,939,489	\$ 1,425,417	\$ —	\$ 19,995	\$ —

(*) 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				
	2023				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money held in trust (trading purposes and other) (*)	¥ 7,543	¥ 31,990	¥ —	¥ —	¥ 39,533
Securities					
Available-for-sale securities (*1)					
Japanese government bonds and Japanese local government bonds, etc.	81,591	171,301	—	—	252,892
Corporate bonds	—	172,223	—	—	172,223
Stocks	73,789	50	—	—	73,839
Other	101,015	656,190	—	—	757,205
Derivative transactions (*3)					
Interest rate related	—	3,511	—	—	3,511
Currency related	—	5,171	—	—	5,171
Total assets	¥ 263,939	¥ 1,040,438	¥ —	¥ —	¥ 1,304,377
Derivative transactions (*3)					
Interest rate related	¥ —	¥ 3,018	¥ —	¥ —	¥ 3,018
Currency related	—	2,174	—	—	2,174
Total liabilities	¥ —	¥ 5,193	¥ —	¥ —	¥ 5,193

	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 (*2)					
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 (*3)					
Interest rate related	¥ —	¥ 267	¥ —	¥ —	¥ 267
Currency related	—	6,373	—	—	6,373
Total liabilities	¥ —	¥ 6,640	¥ —	¥ —	¥ 6,640

Thousands of U.S. dollars

	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust (trading purposes and other) (*1)	\$ 56,489	\$ 239,571	\$ —	\$ 296,060
Securities				
Available-for-sale securities (*1)				
Japanese government bonds and Japanese local government bonds, etc.	611,031	1,282,865	—	1,893,896
Corporate bonds	—	1,289,770	—	1,289,770
Stocks	552,602	374	—	552,976
Other	756,496	4,914,176	—	5,670,673
Derivative transactions (*3)				
Interest rate related	—	26,293	—	26,293
Currency related	—	38,725	—	38,725
Total assets	\$ 1,976,626	\$ 7,791,792	\$ —	\$ 9,768,419
Derivative transactions (*3)				
Interest rate related	\$ —	\$ 22,601	\$ —	\$ 22,601
Currency related	—	16,280	—	16,280
Total liabilities	\$ —	\$ 38,890	\$ —	\$ 38,890

(*1) Investment trusts whose standard quotation is deemed as fair value by applying the treatment prescribed in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are not included in the above tables. The amount of investment trusts in the consolidated balance sheet at March 31, 2023 to which the treatment of Paragraphs 24-3 and 24-9 is applied was ¥4,045 million (\$30,292 thousand) and ¥721 million (\$5,399 thousand), respectively.

(*2) 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.

(*3) The amount of derivative transactions to which hedge accounting is applied in the consolidated balance sheet at March 31, 2023 and 2022 was ¥204 million (\$1,527 thousand) and ¥2,625 million, respectively.

(a) Reconciliation from the beginning balance to the ending balance of investment trusts to which the treatment of Paragraphs 24-3 and 24-9 is applied

Millions of yen

2023							
Beginning balance	Income (loss) or other comprehensive income for the current fiscal year		Net amount of purchase, sale and redemption	Amount of investment trusts whose standard quotation is deemed as fair value	Amount of investment trusts whose standard quotation is not deemed as fair value	Ending balance	Valuation gains (losses) on investment trusts held at year-end recorded in income (loss) for the current fiscal year (*1)
	Recorded in income (loss) (*1)	Recorded in other comprehensive income (*2)					
¥ 4,756	¥ 37	¥ 10	¥ (37)	¥ —	¥ —	¥ 4,767	¥ 37

Thousands of U.S. dollars

2023							
Beginning balance	Income (loss) or other comprehensive income for the current fiscal year		Net amount of purchase, sale and redemption	Amount of investment trusts whose standard quotation is deemed as fair value	Amount of investment trusts whose standard quotation is not deemed as fair value	Ending balance	Valuation gains (losses) on investment trusts held at year-end recorded in income (loss) for the current fiscal year (*1)
	Recorded in income (loss) (*1)	Recorded in other comprehensive income (*2)					
\$ 35,617	\$ 277	\$ 74	\$ (277)	\$ —	\$ —	\$ 35,699	\$ 277

(*1) Included in "Other operating income" in the consolidated statements of income.

(*2) Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

(b) Breakdown of restrictions on cancellation or claims for repurchase at year-end

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Main restrictions on cancellation or claims for repurchase		
Halted acceptance of cancellation due to being in the process of liquidation of funds	¥ 1,345	\$ 10,072
Lock-up period: One year after purchase		
Acceptance of cancellation: At the end of every quarter with 90 days' advance notice required		
Upper limit per cancellation: 25% of each investor's initial investment value	1,393	10,432
Refund: Retain 5% of cancellation refund in funds and pay back after settlement of funds		
Acceptance of cancellation: At the end of every month with 4 months' advance notice required		
Upper limit per cancellation: 10% of the entire fund	1,306	9,780
Refund: Pay back after 2 months from the cancellation date		

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(2) Financial instruments not carried at fair value in the consolidated balance sheet

	Millions of yen					
	2023					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity debt securities						
Corporate bonds	¥	—	¥	—	¥ 42,471	¥ 42,471
Loans and bills discounted		—	50,619	3,859,096		3,909,715
Total assets	¥	—	¥ 50,619	¥ 3,901,567	¥	¥ 3,952,186
Deposits	¥	—	¥ 5,715,670	¥ —	¥	¥ 5,715,670
Borrowed money		—	349,275	7,182		356,458
Total liabilities	¥	—	¥ 6,064,946	¥ 7,182	¥	¥ 6,072,128

	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					
	2023					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Securities						
Held-to-maturity debt securities						
Corporate bonds	\$	—	\$	—	\$ 318,063	\$ 318,063
Loans and bills discounted		—	379,083	28,900,591		29,279,674
Total assets	\$	—	\$ 379,083	\$ 29,218,654	\$	\$ 29,597,738
Deposits	\$	—	\$ 42,804,388	\$ —	\$	\$ 42,804,388
Borrowed money		—	2,615,704	53,785		2,669,497
Total liabilities	\$	—	\$ 45,420,100	\$ 53,785	\$	\$ 45,473,886

(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 26, "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 with no transaction price in markets is determined using a standard quotation if there are no material restrictions causing market participants to demand compensation for risk of cancellation or claims for repurchase, and is classified as Level 2.

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 26, "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.

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.

26. 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, 2023 and 2022

(a) Trading securities

Not applicable for the fiscal years ended March 31, 2023 and 2022.

(b) Held-to-maturity debt securities

	Millions of yen		
	2023		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥ 9,703	¥ 9,708	¥ 5
Subtotal	¥ 9,703	¥ 9,708	¥ 5
Fair value not exceeding carrying amount:			
Corporate bonds	¥ 32,930	¥ 32,762	¥ (168)
Subtotal	¥ 32,930	¥ 32,762	¥ (168)
Total	¥ 42,633	¥ 42,471	¥ (162)

	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

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Thousands of U.S. dollars

	2023		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	\$ 72,665	\$ 72,702	\$ 37
Subtotal	\$ 72,665	\$ 72,702	\$ 37
Fair value not exceeding carrying amount:			
Corporate bonds	\$ 246,611	\$ 245,353	\$ (1,258)
Subtotal	\$ 246,611	\$ 245,353	\$ (1,258)
Total	\$ 319,276	\$ 318,063	\$ (1,213)

(c) Available-for-sale securities

	Millions of yen		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 73,034	¥ 32,474	¥ 40,560
Bonds	89,177	87,708	1,468
Japanese government bonds	39,551	38,375	1,176
Japanese local government bonds	23,358	23,253	104
Japanese corporate bonds	26,266	26,079	187
Others	56,242	55,242	999
Foreign securities included	36,390	35,760	630
Subtotal	¥ 218,454	¥ 175,425	¥ 43,028
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 805	¥ 917	¥ (112)
Bonds	335,938	345,178	(9,240)
Japanese government bonds	42,039	44,687	(2,648)
Japanese local government bonds	147,942	151,201	(3,258)
Japanese corporate bonds	145,956	149,289	(3,333)
Others	701,684	747,488	(45,804)
Foreign securities included	85,636	90,657	(5,021)
Subtotal	¥ 1,038,428	¥ 1,093,585	¥ (55,157)
Total	¥ 1,256,882	¥ 1,269,010	¥ (12,128)

	Millions of yen		
	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

Thousands of U.S. dollars

	2023		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks.....	\$ 546,948	\$ 243,196	\$ 303,751
Bonds	667,842	656,841	10,993
Japanese government bonds	296,195	287,388	8,807
Japanese local government bonds	174,926	174,140	778
Japanese corporate bonds	196,704	195,304	1,400
Others	421,193	413,704	7,481
Foreign securities included.....	272,523	267,804	4,718
Subtotal.....	\$ 1,635,991	\$ 1,313,749	\$ 322,234
Carrying amount not exceeding acquisition cost:			
Stocks.....	\$ 6,028	\$ 6,867	\$ (838)
Bonds	2,515,824	2,585,022	(69,197)
Japanese government bonds	314,828	334,658	(19,830)
Japanese local government bonds	1,107,930	1,132,337	(24,399)
Japanese corporate bonds	1,093,057	1,118,018	(24,960)
Others	5,254,879	5,597,903	(343,024)
Foreign securities included.....	641,324	678,926	(37,602)
Subtotal.....	\$ 7,776,739	\$ 8,189,807	\$ (413,068)
Total	\$ 9,412,731	\$ 9,503,557	\$ (90,826)

(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2023 and 2022

	Millions of yen		
	2023		
	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	¥ 177	¥ 177	¥ 0
Japanese corporate bonds	177	177	0
Total	¥ 177	¥ 177	¥ 0

	Millions of yen		
	2022		
	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	¥ 654	¥ 656	¥ 2
Japanese corporate bonds	654	656	2
Total	¥ 654	¥ 656	¥ 2

	Thousands of U.S. dollars		
	2023		
	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	\$ 1,325	\$ 1,325	\$ 0
Japanese corporate bonds	1,325	1,325	0
Total	\$ 1,325	\$ 1,325	\$ 0

(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, 2023 and 2022

	Millions of yen		
	2023		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 1,837	¥ 1,123	¥ —
Bonds	180,004	1,502	310
Japanese government bonds	120,866	1,357	103
Japanese local government bonds	59,137	145	206
Japanese corporate bonds	—	—	—
Others	115,100	491	10,628
Foreign securities included.....	96,366	327	9,992
Total	¥ 296,942	¥ 3,117	¥ 10,939

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	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

	Thousands of U.S. dollars		
	2023		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	\$ 13,757	\$ 8,410	\$ —
Bonds	1,348,041	11,248	2,321
Japanese government bonds	905,159	10,162	771
Japanese local government bonds	442,874	1,085	1,542
Japanese corporate bonds	—	—	—
Others	861,978	3,677	79,592
Foreign securities included.....	721,680	2,448	74,829
Total	\$ 2,223,784	\$ 23,343	\$ 81,921

(4) Money held in trust at March 31, 2023 and 2022

Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Carrying amount (fair value).....	¥ 22,000	¥ 22,000	\$ 164,756
Amount of net unrealized gains (losses) included in the consolidated statements of income	545	358	4,081

Money held in trust for purposes other than trading or held-to-maturity

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Carrying amount	¥ 21,579	¥ 22,017	\$ 161,604
Acquisition cost	21,913	22,473	164,105
Difference	(334)	(455)	(2,501)
Unrealized gain	26	—	194
Unrealized loss.....	(361)	(455)	(2,703)

The principal amount in trust with contracts to compensate losses on the principal was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Money held in trust	¥ 4,659	¥ 5,467	\$ 34,891

(5) Components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference.....	¥ (12,413)	¥ 18,562	\$ (92,960)
Deferred tax assets (liabilities)	5,875	(3,440)	43,997
Valuation difference on available-for-sale securities before adjustment for noncontrolling interests	¥ (6,537)	¥ 15,121	\$ (48,955)
Noncontrolling interests adjustment	—	—	—
Valuation difference on available-for-sale securities	¥ (6,537)	¥ 15,121	\$ (48,955)

(6) Securities reclassified for the fiscal years ended March 31, 2023 and 2022

Not applicable.

(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. No impairment loss was recognized for the fiscal year ended March 31, 2023 while the Bank recognized impairment loss on stocks of ¥143 million for the fiscal year ended March 31, 2022.

27. 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, 2023 and 2022 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			
		2023			
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	38,114	32,093	(697)	(697)
	Receive floating rate/pay fixed rate	39,363	33,342	986	986
	Receive floating rate/pay floating rate.....	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Other					
Sold.....	—	—	—	—	
Bought	—	—	—	—	
Total		¥ —	¥ —	¥ 288	¥ 288

		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

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		Thousands of U.S. dollars			
		2023			
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	285,433	240,342	(5,219)	(5,219)
	Receive floating rate/pay fixed rate	294,787	249,696	7,384	7,384
	Receive floating rate/pay floating rate.....	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
Sold.....	—	—	—	—	
Bought	—	—	—	—	
Total		\$ —	\$ —	\$ 2,156	\$ 2,156

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
	2023	2022	2023
Contract amount	¥ 1,249	¥ 1,729	\$ 9,353
Fair value	(19)	(49)	(142)
Unrealized gains (losses)	(19)	(49)	(142)

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
	2023	2022	2023
Unrealized gains (losses)	¥ (57)	¥ 81	\$ (426)

(b) Currency related transactions

		Millions of yen			
		2023			
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	1,084,269	1,002,207	2,995	2,995
	Forward foreign exchange contracts				
	Sold.....	16,077	10,164	(862)	(862)
	Bought	14,906	9,265	863	863
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
Sold.....	—	—	—	—	
Bought	—	—	—	—	
Total		¥ —	¥ —	¥ 2,996	¥ 2,996

Millions of yen

2022

Category	Transaction type	2022			
		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)	

Thousands of U.S. dollars

2023

Category	Transaction type	2023			
		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	8,120,040	7,505,481	22,429	22,429
	Forward foreign exchange contracts				
	Sold.....	120,399	76,117	(6,455)	(6,455)
	Bought	111,630	69,385	6,462	6,462
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total	\$ —	\$ —	\$ 22,436	\$ 22,436	

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.

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(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, 2023 and 2022 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		
			2023		
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		127,358	127,208	204
	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		—	¥ —	¥ —	¥ 204

			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

			Thousands of U.S. dollars		
			2023		
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		953,778	952,654	1,527
	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		—	\$ —	\$ —	\$ 1,527

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 Committee Report No. 24, March 17, 2022).

(b) Currency related transactions

None.

(c) Stock related transactions

None.

(d) Bond related transactions

None.

28. 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.

In addition, some consolidated subsidiaries 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
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 12,191	¥ 12,072	\$ 91,297
Service cost.....	607	627	4,545
Interest cost.....	80	80	599
Actuarial loss (gain)	(1)	14	(7)
Benefits paid.....	(733)	(601)	(5,489)
Prior service costs.....	—	—	—
Balance at the end of the fiscal year.....	¥ 12,145	¥ 12,191	\$ 90,953

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, 2023 and 2022.

(c) Reconciliation from projected benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded projected benefit obligations	¥ 482	¥ 448	\$ 3,609
Plan assets	—	—	—
Funded assets under the SERAMA Scheme	(229)	(215)	(1,714)
	252	232	1,887
Unfunded projected benefit obligations.....	11,663	11,743	87,343
Net liability (assets) for retirement benefits recorded on the consolidated balance sheet	¥ 11,916	¥ 11,976	\$ 89,238
Liability for retirement benefits.....	¥ 11,916	¥ 11,976	\$ 89,238
Asset for retirement benefits	—	—	—
Net liability (assets) for retirement benefits recorded on the consolidated balance sheet	¥ 11,916	¥ 11,976	\$ 89,238

Note: Plans based on the simplified method have been included in the above.

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(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost.....	¥ 607	¥ 627	\$ 4,545
Interest cost.....	80	80	599
Expected return on plan assets.....	—	—	—
Net actuarial loss amortization	211	218	1,580
Amortization of prior service costs	—	—	—
Total retirement benefit costs	¥ 899	¥ 925	\$ 6,732

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
	2023	2022	2023
Actuarial gain (loss)	¥ 212	¥ 204	\$ 1,587
Total.....	¥ 212	¥ 204	\$ 1,587

(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
	2023	2022	2023
Unrecognized actuarial gain (loss)	¥ (572)	¥ (784)	\$ (4,283)
Total.....	¥ (572)	¥ (784)	\$ (4,283)

(g) Plan assets

Not applicable for the fiscal years ended March 31, 2023 and 2022.

(h) Actuarial assumptions

The principal actuarial assumptions for the fiscal years ended March 31, 2023 and 2022 were as follows:

	2023	2022
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 was ¥626 million (\$4,688 thousand) and ¥642 million for the fiscal years ended March 31, 2023 and 2022, 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 ¥983 million (\$7,361 thousand), and the number of years remaining for contributions equivalent to the contributions that are commensurate with risks is six and a half years.

29. STOCK OPTIONS**(1) Items and amounts expensed related to stock options**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
General and administrative expenses.....	¥ —	¥ 3	\$ —

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, 2023

Not applicable.

30. 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, 2023 and 2022.

(1) Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Excess reserve for possible loan losses.....	¥ 7,535	¥ 7,442	\$ 56,429
Liability for retirement benefits.....	3,654	3,651	27,364
Depreciation.....	711	733	5,324
Write-down of land.....	872	875	6,530
Impairment loss.....	1,218	1,388	9,121
Valuation loss on securities.....	2,738	2,805	20,504
Valuation difference on available-for-sale securities.....	5,912	—	44,274
Deferred gains or losses on hedges.....	230	—	1,722
Tax loss carryforwards.....	677	559	5,070
Other.....	1,874	2,384	14,034
Subtotal deferred tax assets:	25,426	19,840	190,414
Valuation allowance pertaining to tax loss carryforwards (Note 3).....	(659)	(541)	(4,935)
Valuation allowance pertaining to total of deductible temporary differences, etc.	(7,266)	(7,686)	(54,414)
Subtotal valuation allowance.....	(7,926)	(8,228)	(59,357)
Total deferred tax assets	17,499	11,612	131,049
Deferred tax liabilities:			
Valuation difference on available-for-sale securities.....	(36)	(3,440)	(269)
Deferred gains or losses on hedges.....	(272)	(792)	(2,036)
Other.....	(156)	(143)	(1,168)
Total deferred tax liabilities	(465)	(4,377)	(3,482)
Net deferred tax assets (liabilities) (Note 1)	¥ 17,034	¥ 7,235	\$ 127,566

Notes: 1. Net deferred tax assets (liabilities) as of March 31, 2023 and 2022 are included in the following accounts in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets.....	¥ 17,046	¥ 7,247	\$ 127,656
Deferred tax liabilities.....	11	12	82

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.

3. Amount of tax loss carryforwards and their deferred tax assets by carryforwards period

	Millions of yen						
	2023						
	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 (*)...	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 677	¥ 677
Valuation allowance.....	—	—	—	—	—	(659)	(659)
Deferred tax assets.....	—	—	—	—	—	17	17

	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

	Thousands of U.S. dollars						
	2023						
	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 (*)...	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,070	\$ 5,070
Valuation allowance.....	—	—	—	—	—	(4,935)	(4,935)
Deferred tax assets.....	—	—	—	—	—	127	127

(*) The tax loss carryforwards are the amounts multiplied by the statutory tax rate.

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(2) Significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2023 and 2022

	2023	2022
Statutory tax rate	30.4%	30.4%
Valuation allowance.....	(4.7)%	3.0%
Non-deductible expenses	0.5%	0.1%
Non-taxable income.....	(2.7)%	(0.7)%
Inhabitant tax on per capita basis, etc.....	1.0%	0.4%
Other	0.5%	0.3%
Effective tax rate	25.0%	33.7%

31. 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.

(3) Reportable segment profit (loss), segment assets, segment liabilities and other material items

Segment information for the fiscal years ended March 31, 2023 and 2022 is summarized as follows:

	Millions of yen						
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	¥ 65,009	¥ 9,276	¥ 74,285	¥ 3,312	¥ 77,598	¥ 149	¥ 77,748
Intersegment income	1,411	613	2,025	2,648	4,674	(4,674)	—
Total.....	¥ 66,421	¥ 9,890	¥ 76,311	¥ 5,961	¥ 82,273	¥ (4,524)	¥ 77,748
Segment profit.....	¥ 5,768	¥ 316	¥ 6,084	¥ 1,522	¥ 7,607	¥ (1,285)	¥ 6,322
Segment assets.....	6,521,463	40,773	6,562,237	31,413	6,593,651	(51,534)	6,542,117
Segment liabilities	6,270,024	35,793	6,305,818	13,319	6,319,138	(39,819)	6,279,318
Others:							
Depreciation	3,181	93	3,275	109	3,385	27	3,412
Interest income	47,599	6	47,605	654	48,259	(1,396)	46,862
Interest expense	3,739	85	3,824	7	3,832	(90)	3,741
Extraordinary gain.....	105	—	105	—	105	—	105
Extraordinary loss	105	0	105	6	111	—	111
Tax expense	1,028	99	1,127	434	1,562	22	1,584
Increase in tangible and intangible fixed assets...	6,133	166	6,300	42	6,343	(52)	6,290

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 ¥149 million is mainly the recovery of written-off claims included in "Others."

(2) Adjustment of segment profit of ¥(1,285) million is the elimination of intersegment transactions.

(3) Adjustment of segment assets of ¥(51,534) million is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of ¥(39,819) million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of ¥27 million is the elimination of intersegment transactions.

(6) Adjustment of interest income of ¥(1,396) million is the elimination of intersegment transactions.

(7) Adjustment of interest expense of ¥(90) million is the elimination of intersegment transactions.

(8) Adjustment of tax expense of ¥22 million is the elimination of intersegment transactions.

(9) Adjustment of increase in tangible and intangible fixed assets of ¥(52) 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.

Millions of yen

2022

	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.

Thousands of U.S. dollars

2023

	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	\$ 486,849	\$ 69,467	\$ 556,316	\$ 24,803	\$ 581,127	\$ 1,115	\$ 582,251
Intersegment income	10,566	4,590	15,165	19,830	35,003	(35,003)	—
Total	\$ 497,423	\$ 74,065	\$ 571,489	\$ 44,641	\$ 616,138	\$ (33,880)	\$ 582,251
Segment profit	\$ 43,196	\$ 2,366	\$ 45,562	\$ 11,398	\$ 56,968	\$ (9,623)	\$ 47,345
Segment assets	48,838,935	305,347	49,144,289	235,250	49,379,547	(385,935)	48,993,611
Segment liabilities	46,955,920	268,052	47,223,979	99,745	47,323,732	(298,202)	47,025,522
Others:							
Depreciation	23,822	696	24,526	816	25,350	202	25,552
Interest income	356,466	44	356,511	4,897	361,409	(10,454)	350,947
Interest expense	28,001	636	28,637	52	28,697	(674)	28,016
Extraordinary gain	786	—	786	—	786	—	786
Extraordinary loss	786	0	786	44	831	—	831
Tax expense	7,698	741	8,440	3,250	11,697	164	11,862
Increase in tangible and intangible fixed assets ...	45,929	1,243	47,180	314	47,502	(389)	47,105

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 \$1,115 thousand is mainly the recovery of written-off claims included in "Others."

(2) Adjustment of segment profit of \$(9,623) thousand is the elimination of intersegment transactions.

(3) Adjustment of segment assets of \$(385,935) thousand is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of \$(298,202) thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of \$202 thousand is the elimination of intersegment transactions.

(6) Adjustment of interest income of \$(10,454) thousand is the elimination of intersegment transactions.

(7) Adjustment of interest expense of \$(674) thousand is the elimination of intersegment transactions.

(8) Adjustment of tax expense of \$164 thousand is the elimination of intersegment transactions.

(9) Adjustment of increase in tangible and intangible fixed assets of \$(389) 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.

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(4) Information about services

	Millions of yen				
	2023				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	¥ 35,771	¥ 14,746	¥ 9,276	¥ 17,953	¥ 77,748

	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

	Thousands of U.S. dollars				
	2023				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	\$ 267,887	\$ 110,432	\$ 69,467	\$ 134,449	\$ 582,251

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, 2023 and 2022; 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, 2023 and 2022; 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, 2023 and 2022; therefore, information about major customers is not required to be disclosed.

(7) Impairment loss on fixed assets for each reportable segment

	Millions of yen				
	2023				
	Reportable segments			Other	Total
	Banking	Leasing			
Impairment loss	¥ 40	¥ —	¥ 2	¥ 43	

	Millions of yen				
	2022				
	Reportable segments			Other	Total
	Banking	Leasing			
Impairment loss	¥ 58	¥ —	¥ 3	¥ 62	

	Thousands of U.S. dollars				
	2023				
	Reportable segments			Other	Total
	Banking	Leasing			
Impairment loss	\$ 299	\$ —	\$ 14	\$ 322	

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.

32. RELATED PARTY TRANSACTIONS

For the fiscal year ended March 31, 2023, 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) Interest receivable	¥— 0	\$— 0	Loans —	¥10 —	\$74 —
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 1.31	Loans	Lending of money Interest receivable	200 2	1,497 14	Loans —	200 —	1,497 —
	NIKKEN BLAST CO., LTD. (Note 4)	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 0	— 0	Loans —	74 —	554 —
	Kyowa Shokai Yakuhin K.K. (Note 5)	Kizugawa City Kyoto	10	Sales of chemicals	—	Loans	Lending of money Interest receivable	98 1	733 7	Loans —	89 —	666 —

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. Relatives of Matazaemon Kitamura (Director of the Bank) owned 100% of the voting rights 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.

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)	Accounting title	Year-end balance (millions of yen)
Officers of the Bank and their relatives	Haruyuki Kakutani	—	¥—	Office worker	—	Executive Officer of the Bank	Lending of money (Note 2) Interest receivable	¥— 0	Loans —	¥11 —
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 Interest receivable	200 2	Loans —	200 —
	NIKKEN BLAST CO., LTD. (Note 4)	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 0	Loans —	82 —
	Kyowa Shokai Yakuhin K.K. (Note 5)	Kizugawa City Kyoto	10	Sales of chemicals	—	Loans	Lending of money Interest receivable	76 0	Loans —	80 —

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. Satoru 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 as of that date.

Financial Data

Consolidated Financial Statements

33. PER SHARE INFORMATION

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

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share.....	¥ 8,276.62	¥ 8,800.10	\$ 61.98
Net income per share – basic	147.75	364.29	1.10

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
(Net assets per share)			
Net assets	¥ 262,798	¥ 286,473	\$ 1,968,082
Net assets attributed to common stock	262,798	286,473	1,968,082
Outstanding number of shares of common stock at end of year (unit: thousands of shares)	31,751	32,553	—
(Basic net income per share)			
Net income attributable to owners of parent	¥ 4,731	¥ 11,867	\$ 35,430
Net income attributable to common stockholders of parent	4,731	11,867	35,430
Average outstanding number of shares during the year (unit: thousands of shares)...	32,024	32,577	—

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.

2. Net income per share – diluted for the fiscal years ended March 31, 2023 and 2022 is not presented because there were no residual shares.

3. The Bank introduced the Director Remuneration BIP Trust. 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 numbers of shares of treasury stock as of March 31, 2023 and 2022 that were deducted for computing net asset per share were 73 thousand and 73 thousand, respectively. In addition, the average numbers of shares of treasury stock during the fiscal years ended March 31, 2023 and 2022 that were deducted for computing net income per share were 73 thousand and 47 thousand, respectively.

34. SUBSEQUENT EVENTS.

Not applicable.

35. BORROWED MONEY AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Borrowed money			
Due from May 2023 through August 2030	¥ 356,490	¥ 709,227	\$ 2,669,737
Average interest rate: 0.74% p.a.....			

Annual maturities of borrowed money as of March 31, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars
2024.....	¥ 53,944	\$ 403,984
2025.....	86,894	650,745
2026.....	61,501	460,578
2027.....	150,975	1,130,644
2028.....	505	3,781
2029 and thereafter	2,670	19,995
Total.....	¥ 356,490	\$ 2,669,737

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, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars
2024.....	¥ 0	\$ 0
2025 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 Auditors' Report



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, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report

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 ¥3,944,387 million, accounting for 60.2% of total assets, and a related reserve for possible loan losses of ¥23,043 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 business 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 contribute to the development of the region by taking the initiative in</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>(1) Internal control testing 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"> ● tested the effectiveness of internal controls related to various regulations for the internal self-assessment criteria, and the policy for write-offs and provisions; ● tested the effectiveness of internal controls to ensure the reliability of borrowers’ financial information entered into the financing support system; ● tested IT application controls over the quantitative determination of the category of borrowers; and ● 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. <p>(2) Assessment of determination of the category of borrowers</p> <p>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 business</p>

resolving regional issues, with the aim of “sustainable business that grows together with the region.”

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 ¥1,473,864 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 business 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 business improvement plan exists.

In addition, SMEs may be significantly impacted by the new coronavirus and rising prices. 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.

improvement plans, the impact of the new coronavirus and rising prices, and performed the following procedures:

- compared the quantitative information of borrowers, including financial ratios, to the supporting materials, in order to verify that the information is based on accurate and the latest information;
- 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 business 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 new coronavirus and rising prices on borrowers’ operating results.

Independent Auditors' Report

Other Information

The other information comprises the information included in the Integrated 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. The audit and supervisory committee is 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 the audit and supervisory committee 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.

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

Convenience Translation

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

Independent Auditors' Report

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.

Manabu Matsumoto

Designated Engagement Partner

Certified Public Accountant

Yoshiyuki Sumihiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

November 10, 2023

Capital Management

• Consolidated Capital Adequacy Ratio

As of March 31, 2023 and 2022

	Millions of yen	
	2023	2022
(1) Capital adequacy ratio ((2)/(3)).....	9.25%	9.60%
(2) Capital	¥ 272,924	¥ 273,267
(3) Risk-weighted assets	2,948,007	2,844,259
(4) Requisite capital.....	117,920	113,770

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, 2023 and 2022

	Millions of yen	
	2023	2022
(1) Capital adequacy ratio ((2)/(3)).....	8.95%	9.29%
(2) Capital	¥ 261,612	¥ 261,864
(3) Risk-weighted assets	2,920,859	2,817,900
(4) Requisite capital.....	116,834	112,716

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.



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