名古屋銀行

Bank of NAGOYA

2023 ANNUAL REPORT

THE BANK OF NAGOYA, LTD.

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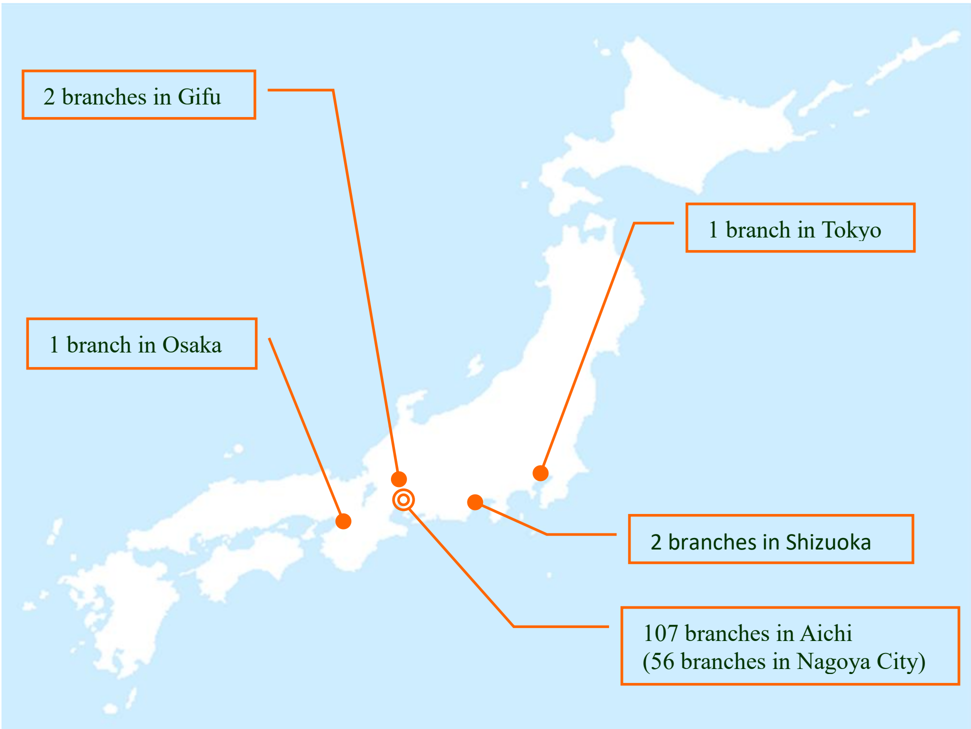
Nagoya City, Aichi 460-0003 Japan
Tel: +81 52 962 9520
Fax: +81 52 961 6605
https://www.meigin.com/

Established 1949
Number of Employees 1,850
(As of March 31, 2023)

Domestic Branches

Number of Branches: 113 (As of March 31, 2023)



Overseas

Nantong Branch

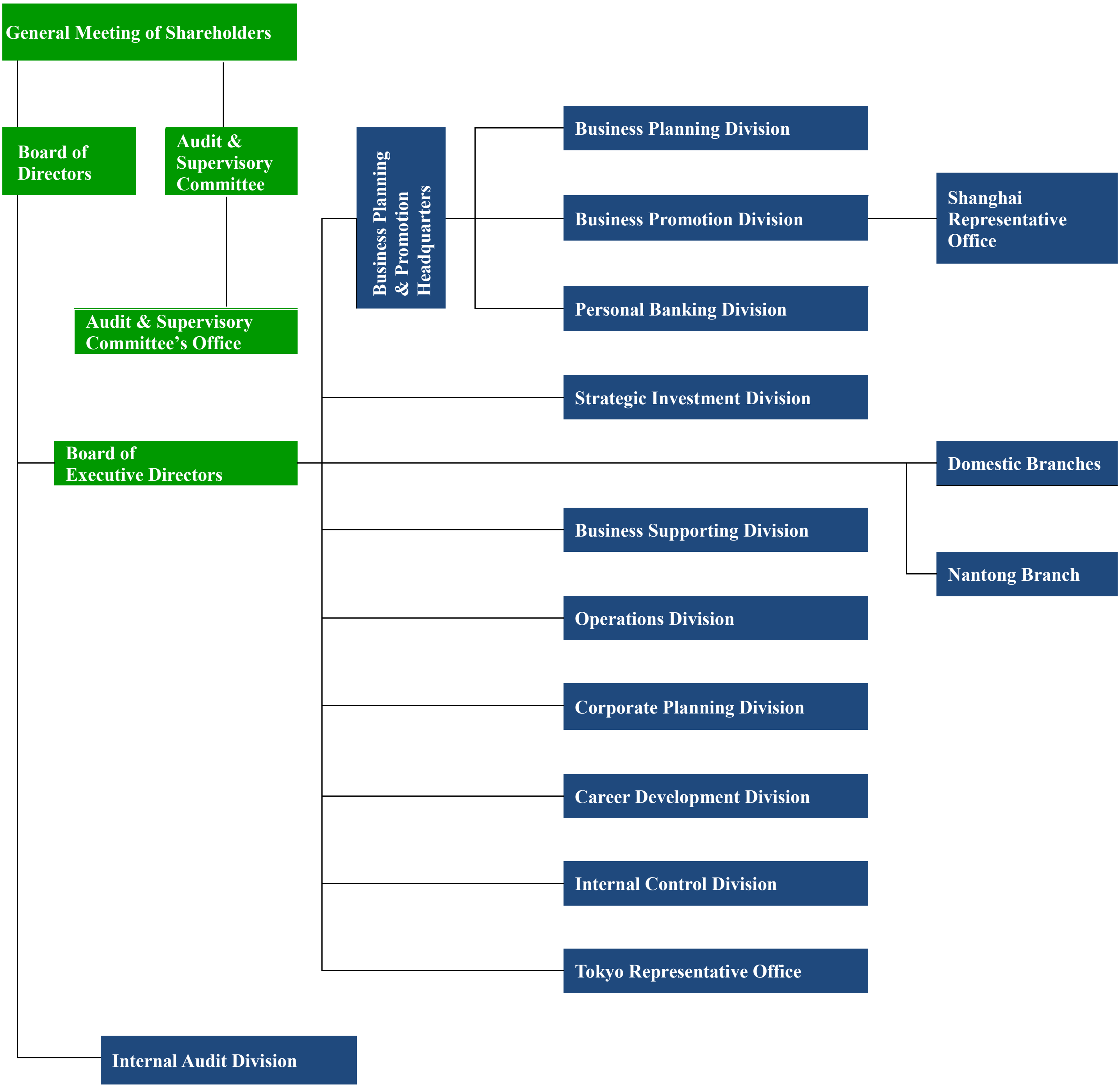
2nd Floor, Business Service Outsourcing Center,
Building C, 188 Tongsheng Road, Economic and
Technological Development Area,
Nantong, Jiangsu, China
Tel +86 513 89192280, Fax +86 513 89192281

Shanghai Representative Office

Room 1809, Shanghai International Trade Center,
2201 Yan-an Road (West), Shanghai China
Tel +86 21 62754207, Fax +86 21 62759461

Organization of the Bank

(As of July 1, 2023)



Subsidiaries

Nagoyalease Co., Ltd.
Nagoya Business Service Co., Ltd.
Nagoya Card, Ltd.
NAGOYA MC CARD Co., Ltd.
Nagoya Capital Partners Co., Ltd.
NAIS Co., Ltd.

Contents

Message from the Management

We would first like to extend our sincere gratitude to all our stakeholders for their patronage to the Bank of Nagoya.

The Bank of Nagoya has embarked on its “Delivering True Value with Respect to the Business of Creating Better Futures” 22nd Management Plan, effective from April 2023. We will provide new forms of value to regional community members with the business of creating better futures serving as our Purpose. Under the management plan, we will focus on key priorities in the three domains of sustainability, human capital strategy, and digital transformation (DX) strategy, thereby aiming to achieve our 2030 Vision of serving as “the region’s leading financial group, growing alongside our customers.”

We will continue to respect the precept of “fostering regional prosperity” that has guided the Bank since it was founded, ensuring that every one of our executives and employees acts with a sense of unity.

We look forward to your ongoing support and patronage going forward.

June 2023

Ichiro Fujiwara.

Ichiro Fujiwara
President

Business Activities and Results (Nonconsolidated basis)

[The Bank's primary business operations and its financial-economic environment]

The Bank of Nagoya, Ltd. (the "Bank") is engaged in depository, lending, domestic currency exchange, foreign currency exchange, securities investment, trading securities transactions, corporate bond trusteeship and registration, and other such services. The bank seeks to rationalize and streamline management resources in order to better meet the diverse needs of its customers.

During the year ended March 2023, the Japanese economy changed significantly due to factors that included supply chain disruption amid resurgence of the COVID-19 pandemic and semiconductor shortages, policy rate increases accompanying escalating inflation in the U.S. and European economies, and rising prices due to the weakening yen.

In the Bank's vicinity centered around Aichi Prefecture, the economy has been mounting a gradual recovery despite the impact of factors that include constraints on the supply-side amid the "with-corona" landscape.

Meanwhile, the economic outlook remains uncertain going forward amid concerns that a wide range of industries in Japan may be susceptible to rising consumer prices and underperforming business conditions overseas, even given mounting expectations due to normalizing economic activity with the COVID-19 having been downgraded to the less severe Class 5 designation under the Infectious Diseases Control Law.

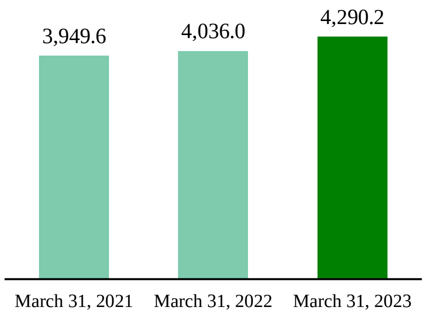
[Business activities and results]

Amidst this economic environment, the Bank has been implementing various measures guided by its "Hastening Evolution Toward the Business of Creating Better Futures" 21st Medium-term Management Plan.

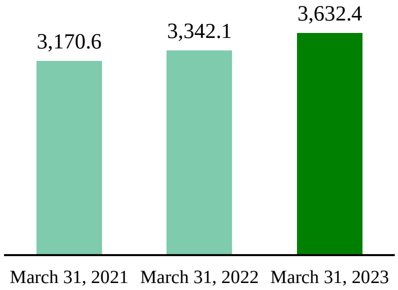
As a result, the fiscal year-end balance of deposits amounted to ¥4,290.2 billion (+¥254.2 billion compared to March 31, 2022), and the fiscal year-end balance of loans and bills discounted amounted to ¥3,632.4 billion (+¥290.3 billion compared to March 31, 2022). On the earnings front, whereas interest on loans and discounts as well as fees and commissions increased, the Bank recorded ordinary profit of ¥10,703 million and profit of ¥8,263 million given an increase in interest expenses associated with a higher policy rate in the United States and the bank's posting of loss on sales of bonds.

The capital adequacy ratio has held to a sufficient level of 11.70% (international standard).

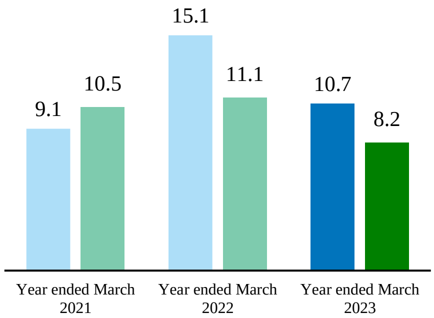
■Deposits (Billions of yen)



■Loans and bills discounted (Billions of yen)

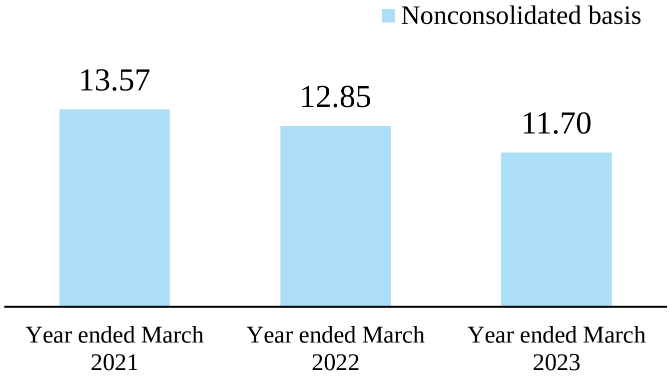


■Ordinary profit ■Profit (Billions of yen)



Total capital adequacy ratio

(%)



Rating

Japan Credit Rating Agency, Ltd. (JCR) long-term issuer rating

A

A high level of certainty to honor the financial obligations.

The 22nd Management Plan: Delivering True Value with Respect to the Business of Creating Better Futures (April 2023 - March 2031)

Our Purpose (Raison d'etre), Mission, Vision, and Values

Declaration on Business of Creating Better Futures

We are in the business of creating better futures.

We will
create better futures in conjunction with our corporate customers in helping them **develop their companies**, and create better futures in conjunction with our retail customers in helping them achieve **greater happiness within their families**.
Moreover, we will work hard to ensure better futures with respect to our customers and ourselves.

We will continue forging ahead in our efforts to shift from the banking services to the business of creating better futures.

Mission
Mission, objectives and management philosophy
Accomplishments to achieve

Precepts
Mission

Fostering regional prosperity
This shall both develop the Bank and bring happiness to bank employees

Vision
Medium- to long-term target
Ideals and Aspirations
Desired future outcomes

The 22nd Management Plan
Vision

Vision 2030

Value
Guidelines and decision-making criteria
Values that we cherish

Tenets
Values

1. **Good service**
   Sincere, considerate and speedy service
2. **Good people**
   Lift people, broaden people and create a cheery workplace
3. **Good management**
   Sound and richly innovative management that seeks full participation from employees

Purpose: Creating better futures

Purpose
Raison d'etre

[Long-term vision and single-year strategies]

Vision 2030 (Ideals to achieve by March 2031)

The region's leading financial group, growing alongside our customers

Sustainability | **Human capital strategies** | **DX strategies**

Upgrading the Management Plan

Aim to achieve intermediate targets by implementing the cyclical plan-do-check-act (PDCA) approach on a single-fiscal-year basis. When the targets are achieved, set new targets.

Financial: Intermediate targets	FY2022	FY2027
Profit (Consolidated)	¥8.3 billion	¥15.0 billion
ROE (Consolidated)	3.3%	Over 5%
Core OHR	70.4%	50% +
Loans and deposits	¥7.9 trillion	¥10 trillion
Reduction in strategically held listed equity securities (acquisition cost basis)		¥5.0 billion

Non-financial: FY2030 targets	
Female on-site representation ratio	100%
Work engagement	3.60
Diverse career experience ratio	80%
ESG investments and loans (10-year cumulative amount through FY2030)	¥500.0 billion
CO_2 emissions (compared to FY2013)	-70%

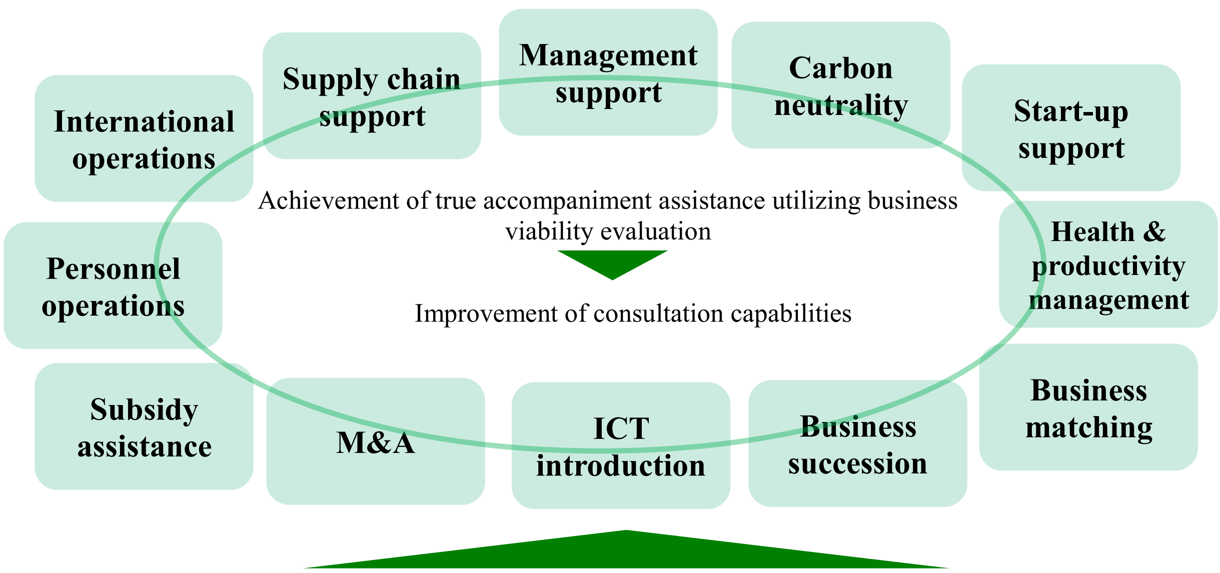
[Sustainability]

Materiality (Material issues)

Facilitate sound growth of the regional economy	Provide services that contribute to customer growth beyond the framework of the banking business
Contribute to sustainable environmental conservation	Decrease environmental footprint by reducing CO_2 emissions and arranging ESG investments and loans
Develop human resources empowered to consistently excel into the future	Establish workplace environments conducive to enabling development of diverse career paths

Policy for promoting corporate banking

Contributing to enhancement of customers' corporate value



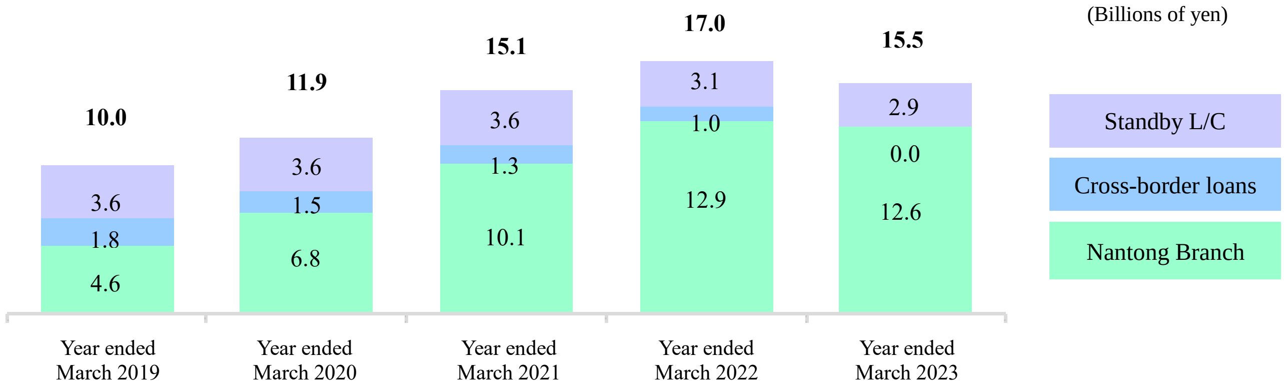
The Bank of Nagoya's strengths and distinctive characteristics

- Serving as a conduit between major suppliers and micro, small and medium-sized suppliers
- Supporting micro, small and medium-sized suppliers
- Providing accurate information through seminars and workshops
- Facilitating execution by providing management support and a menu of various options

Overseas business support

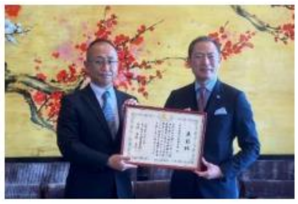
By utilizing our wide-ranging network including overseas offices, we provide support for our customers as they enter overseas markets.

Balance of amount financed for local subsidiaries overseas (at end of fiscal year)

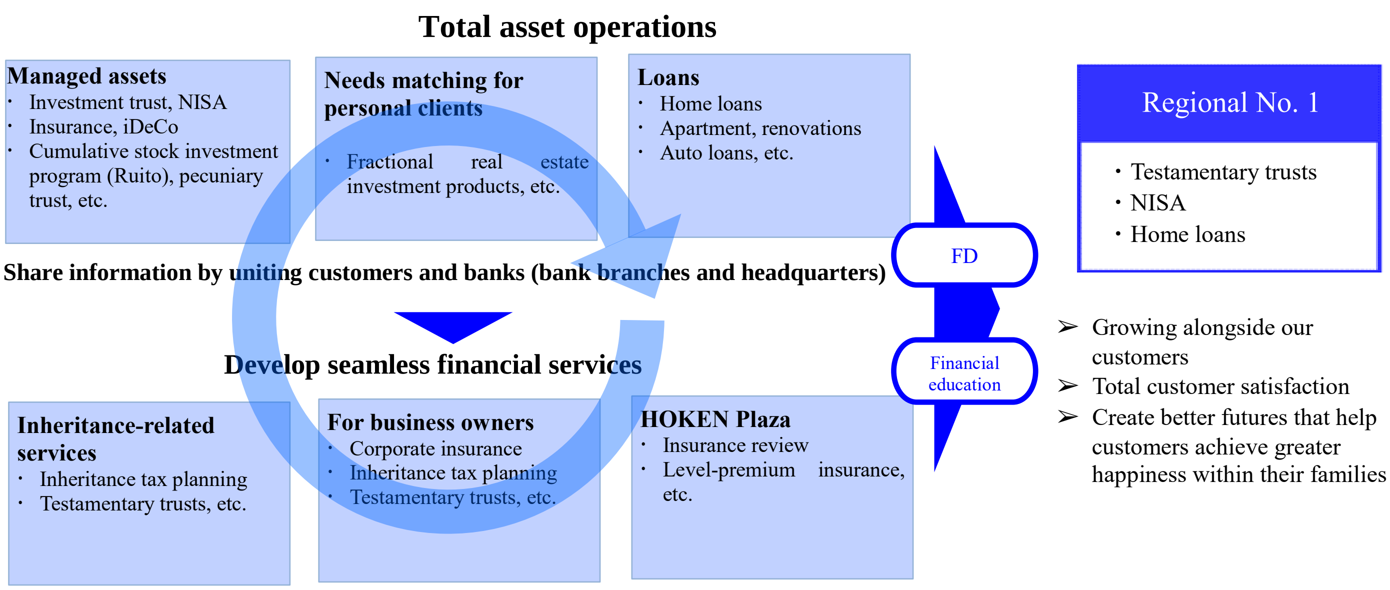


TOPICS! First Japanese bank ever to be awarded Consul General's Commendation

In commemoration of the 45th anniversary of the Treaty of Peace and Friendship between Japan and China, the Consulate-General of Japan in Shanghai awarded the Bank the Consul General's Commendation in recognition of its efforts to promote economic and human exchange with China.



Policy for promoting personal banking



TOPICS!

Obtained an "S" rating in the R&I Customer–Oriented Investment Trust Sales Company Evaluation

- Rating and Investment Information, Inc. (R&I) assesses the extent to which financial business providers that engage in sales of investment trusts adhere to customer-oriented business operations
- The Bank was the first regional bank in the three prefectures of the Tokai region to obtain a rating

Financial education

- Seminars for employees held as necessary
- Outreach lessons held at various schools accompanying moves to lower the age of adulthood and to make financial education mandatory in high schools

HOKEN Plaza

- Established four HOKEN Plaza insurance consultation desks, which draw on expertise of HOKEN NO MADOGUCHI GROUP INC., with which the Bank has a business alliance
- Cumulative total number of branch visitors surpassed 10,000 (Agency taking applications: The Bank of Nagoya, Ltd.)

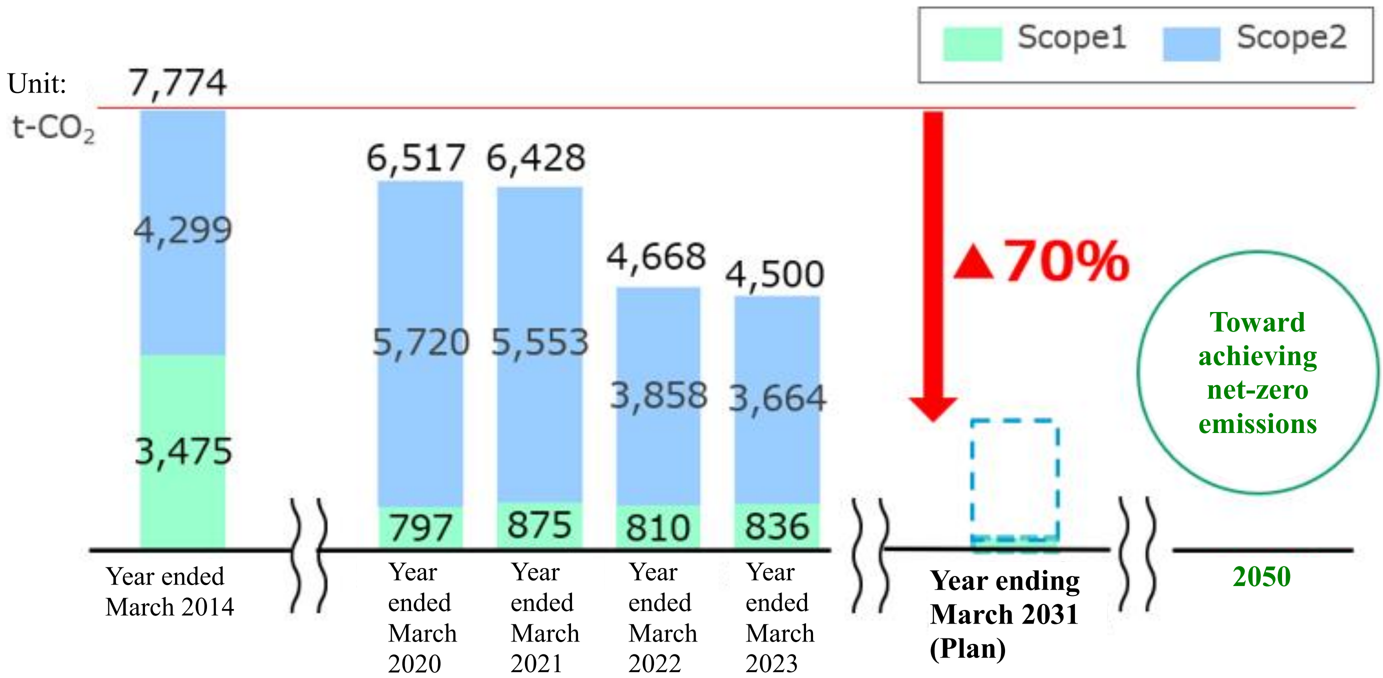
Trust business

- By having the Bank itself handle trust services, the Bank provides optimal one-stop products and services that meet the inheritance and asset succession needs of its customers
- Currently expanding business with institutions that it enters into partnership agreements with for the purpose of setting up frameworks for handling bequests in alignment with customers' testamentary intentions
  (Agreements concluded with 18 institutions as of March 2023)

Endorsement of TCFD recommendations

	Status of addressing the TCFD recommendations
Governance	The Sustainability Committee is chaired by the President and conducts deliberation on the basis of the Basic Policy on Sustainability.
Strategy	The Bank will implement the following strategies to realize sustainable regional communities. ● Facilitate client efforts for transitioning to a carbon-free society ● Promote ESG investments and loans in alignment with the ESG investment and loan policy ● Reduce CO_2 emissions ● Perform scenario analysis to evaluate risks and opportunities
Risk management	• The Bank has established a risk management structure by drawing up the Climate Change Risk Management Regulations. • The Bank addresses effects of climate change within its framework of enterprise risk management.
Metrics & Targets	ESG investments and loans to be implemented: ¥500.0 billion over ten years through FY2030 CO_2 emissions: • By FY2030, achieve a 70% reduction in the Bank's CO_2 emissions (Scopes 1 & 2) relative to levels of FY2013 • By FY2050, achieve net-zero CO_2 emissions of the Bank

CO_2 emissions



Promotion of ESG investments and loans

- Actively arrange investment and loans, etc. associated with renewable energy
- ESG investments and loan products (excerpt)
  - Meigin Positive Impact Finance
  - Meigin Sustainability-Linked Loan
  - “Ties to the future” SDGs and donation-type private placement bonds
  - Loans for large-scale earthquake countermeasures (with special terms of waiving principal) “Jishin Anshin Loan”

(Billions of yen)

ESG investments and loans implemented	Year ended March 2022	Year ended March 2023	Accumulated amount
Sustainability related loans and financing	18.7	26.6	
Financing of ESG bonds	24.7	10.1	
Donation-type private placement bonds	19.3	26.8	
Loans for disaster countermeasures	0.5	0.3	
Total	**63.4**	**63.8**	**Accumulative from FY2021: 127.3**

Green Deposit

First financial institution headquartered in Aichi Prefecture!

- Launch date: March 1, 2023
- Allocate deposited funds as a source to investments and loans for projects that contribute to betterment of the environment by targeting renewable energy domains such as solar and wind power generation

Consultation services to support formulation of SDG declarations

- Embody the Bank's policy on SDG initiatives, "We will arouse the interest of regional customers in SDGs, and gain momentum to help achieve them."
- Prompt more extensive understanding of the SDGs among its customers and will furthermore support them in their efforts for establishing SDG declarations and setting targets

Number of companies with consulting contracts	3,531

(April 10, 2020 - March 31, 2023; Accumulative)

Consultation services to formulate carbon neutrality declarations

- Launch date: January 14, 2022
- Formulate declarations containing customer initiatives for reducing CO_2 emissions toward achieving carbon neutrality by 2050
- Actively promote and facilitate initiatives toward achieving carbon neutrality as these initiatives will lead to client business expansion and greater business opportunities for innovation, etc.

Number of companies with consulting contracts	107

(January 14, 2022 - March 31, 2023; Accumulative)

Consultation services to facilitate preparation of ESG reports

- Launch date: January 4, 2023
- Provide support for preparing ESG reports and delivery of such reports
- Facilitate client disclosure of their ESG initiatives as a service that contributes to enhancing corporate value

[Human capital strategies]

Develop human resources empowered to consistently excel into the future – Establish workplace environments conducive to enabling development of diverse career paths

Seven aspects of diversity

Category	Issues and the draft of measures
1) Age	Prevent turnover of younger employees and heighten motivation of senior employees
2) Gender	Participation of women (management and sales)
3) Mid-career hires	Recruit professional personnel and increase percentage of partners
4) Knowledge and experience	Reassignment of reskilled employees, non-banking experience
5) Life plans	Contend with temporary changes in personal circumstances (childcare, long-term care, illness, and enrollment in graduate school)
6) Workstyle	Flextime, shortened working hours, remote work
7) Values	Select workstyle options in alignment with individual values

* The term "partner" refers to part-timers, entrusted workers, employees rehired subsequent to retirement, etc.

		FY2022	FY2030 Target
Participation of women	Female on-site representation ratio*1	82%	100%
Motivation	Work engagement*2	3.08	3.60
Abilities and skills	Diverse career experience ratio*3	44%	80%

*1 The "female on-site representation ratio" refers to the percentage of management and groups at headquarters and bank branches, to which two or more female employees belong, out of all management and groups.

*2 Values presented for "work engagement" represent average scores for vigor, dedication, and absorption with respect to the Utrecht Work Engagement Scale (UWES).

*3 Diverse career experience ratio represents the percentage of mid-career bank employees with between 11 to 20 years of service who have gained experience in multiple types of jobs or have worked outside of the Bank.

Promoting work-style reform and health & productivity management

- Established the Health & Productivity Management Promotion Office in June 2022 to further strengthen health and productivity management and work-style reform of the entire Bank
- In January 2023, the Women's Participation Promotion Project Team "Team Himawari" was progressively restructured into "Team Himawari Plus+" to leverage the D&I (diversity & inclusion) attributes of employees. Outside Director Hisako Munekata serves as the team advisor and accordingly provides back-up support for planning and implementation of initiatives that reflect the opinions of those in on-site operations.
- Improvements were made with respect to various issues upon having formulated the "Seven Aspects of Diversity," based on the notion that diversity forms the basis for the Bank's sustained growth.

[DX strategies]

Digital transformation (DX)

Smartphone account setup service: January 2023

- Ordinary savings account setup via smartphone
- No seal required, no issuance of physical passbook

Electronic contract: May 2023

- Commenced handling of electronic contracts for home loan agreement procedures
- No need to sign or affix seal to paper-based contracts and no revenue stamp fee required

Home loans services integrated at headquarters: October 2022

- Home loan service locations consolidated to four sites from ten sites previously
- Automated screening system adopted to achieve digitization and streamline procedures

Bank employee use of smartphones initiated in anticipation of call center handling of incoming calls: May 2023

- Smartphones lent to all bank employees in anticipation of plans to eliminate land-line phones and direct focus of incoming calls to a call center
- This will increase productivity by reducing burden of call transfer and enabling employees to check e-mail when out of the office

TOPICS! The Bank's framework for promoting digital transformation (DX)

The Bank aims to improve customer convenience and provide high-value-added services by promoting and strengthening digital channels and streamlining operations

Acquisition of DX-certified operator certification

- Certified: March 1, 2023
- Certified by the Ministry of Economy, Trade and Industry (METI) as an operator prepared to promote DX in part by developing strategies and structures related to DX

Digital Transformation Certification

Implementation of various seminars

DX seminar for the food and beverage industry

- Held: November 28, 2022
- Guidance focusing on post-COVID-19 financial affairs and strategy, DX solutions combining IT technologies and ideas from startup companies, and diversification of approaches to attracting customers
- Supporting customers in the food and beverage industry who have been significantly affected by the COVID-19 pandemic

DX seminar for construction and real estate

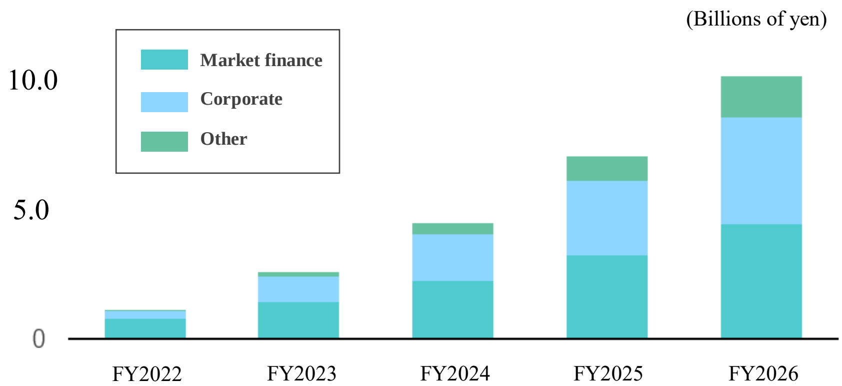
- Held: March 7, 2023
- Profile of DX services for start-ups geared to customers who are construction and real estate business operators
- Support provided to address management challenges, including services that reduce time required for on-site surveys

[Shizuoka Nagoya Alliance]

Agreement date: April 27, 2022

- Conceptual image of alliance

- Anticipated earnings effects
  Aim at realizing effect of alliance of ¥10.0 billion or more (total in 5 years by 2 banks)



¥1.13 billion in annual financial results for FY2022 (Equivalent to ¥3.4 billion on a 5-year basis)

Issues to Address

Business Environment

The business environment calls for the ability to address changes more than ever before, particularly given the scenario of diversifying customer values and needs, in addition to factors that include the decreasing birthrate and aging population, medium- to long-term changes in the social structure due to population decline, and advancement of a cashless society made by various fintech companies. Moreover, competition among banks has been intensifying amid a scenario where regional financial institutions in Aichi Prefecture along with financial institutions in neighboring prefectures have been concentrating their management resources in Aichi Prefecture, which offers a relatively favorable economic environment.

The Bank is a regional financial institution with the largest network of branches in Aichi Prefecture as well as more than 29,000 business clients. While maintaining this network of branches, we intend to extend beyond providing traditional banking services such as deposits, loans and settlements leveraging our connections with our customers who are business clients. Accordingly, our policy calls for us to strengthen earning potential which will involve increasing our number of clients in the region and heightening the Bank's market share with respect to each customer segment and within Aichi Prefecture overall, by creating a better future with our customers by providing accompaniment assistance through gaining of an understanding of our customers' management challenges and proposal of appropriate solutions in that regard.

Management Policy

We have set "creating better futures" as our purpose. By creating better futures in conjunction with our corporate customers in helping them develop their companies, and by creating better futures in conjunction with our retail customers in helping them achieve greater happiness within their families, we will provide new values to regional community members. Based on the precept of "fostering regional prosperity—which shall both develop the Bank and bring happiness to bank employees," that has guided the Bank since it was founded, in accordance with the 22nd Medium-term Management Plan and the Vision 2030, we will strive to further increase our corporate value as a regional financial institution which fosters regional prosperity. At the same time, we will work to fulfill this duty and earn the unshakeable support and trust of our shareholders and all other stakeholders.

The Bank's Corporate Governance

At the Bank of Nagoya, we consider enhancing corporate governance to be one of the most important management challenges. While striving to further enhance our corporate value as a regional financial institution that fosters regional prosperity, we shall fulfill our responsibilities as a corporate citizen and work to establish unshakeable support and trust from all stakeholders, particularly the shareholders.

Based on this positioning, in addition to setting out the guiding precepts and tenets that form the foundations of management, we shall strive to share the basic sense of values and ethics of directors and employees of the Bank, and to ensure that these are reflected in the Bank's operations. We have formulated a "Code of Ethics for Bank of Nagoya Directors and Employees" and "Policy on Compliance with Laws and Regulations, Etc." and through this we are striving to raise corporate value.

The Bank has a swift decision-making framework, led by the Board of Directors, that strictly operates internal regulations and delegates authority as appropriate.

To this end, in order to enhance the clarity of the system of responsibility, further improve the vitality and strengthen the supervisory functions of the Board of Directors, we have invited five highly independent outside directors, and adopted an executive officer system by the appointment of the Board of Directors.

Moreover, the Bank has transitioned to a company with audit and supervisory committee as of June 26, 2020, per amendment to the Articles of Incorporation resolved at the annual General Meeting of Shareholders held on the same date. The Audit & Supervisory Committee will coordinate with the independent auditor and the Internal Audit Division to audit the execution of the duties of directors. We have determined that we are able to adequately strengthen our corporate governance through this system.

Risk Management System

The Bank has enhanced its risk management system by establishing the Asset Liability Management (ALM) Committee to oversee credit risk, liquidity risk, and market risk, and the Operational Risk Management Committee to oversee system risk, administrative risk, etc. The Bank also considers compliance as a top priority and aims to establish a system of checks and balances and tighten internal controls by establishing the Compliance Committee that includes attorneys at law from outside the Bank. Status of all risks the Bank should address is covered by monthly meetings of these three committees, which will be then reported to the Board of Directors. This consolidated reporting system is designed in the way to enhance the Board of Directors' ability to monitor the Bank's risk control functions.

Breakdown of Loans (Nonconsolidated basis)

Balance of problem loans under the Banking Act (risk monitored loans)

Claims based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions (the "Financial Revitalization Act") are as follows. Further, claims are corporate bonds under "Securities" in the balance sheet (limited to the corporate bonds for which redemption of principal or payment of interests, wholly or partly, are guaranteed and issuance of which is implemented through private placement of securities (Article 2, paragraph (3) of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchange, accrued interest and temporary payment as well as consideration for acceptance of payment under "Other assets" as listed in the balance sheet, and also securities subject to lending as presented in the notes (limited to securities subject to loan for use or lease contract).

(As of March 31)

	2023 (Millions of yen)	2022 (Millions of yen)
Total loans and bills discounted	3,687,522	3,390,801
Bankrupt and quasi-bankrupt*1	6,867	4,935
Doubtful*2	69,164	60,060
Need of special attention	11,768	9,198
Accruing loans past due three months or more*3	333	181
Restructured loans*4	11,435	9,016
Subtotal	87,800	74,193
Normal*5	3,599,721	3,316,607
Ratio of risk monitored loans to total loans and bills discounted	2.38%	2.19%

*1 "Bankrupt and quasi-bankrupt" is loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement, and borrowers who are not currently in legal bankruptcy, but in quasi-bankruptcy.

*2 "Doubtful" is loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a possibility of higher default risk, excluding bankrupt and quasi-bankrupt.

*3 "Accruing loans past due three months or more" are loans for which the payment of the principal and/or interest is past due three months or more from the day following contractual payment date, excluding bankrupt and quasi-bankrupt, and doubtful.

*4 "Restructured loans" are loans for which the Bank has relaxed the lending conditions for borrowers in financial difficulties—such as by a reduction of the original rate, forbearance of interest payment, granting a maturity date extension, and renunciation of claims—in order to support their financial recovery or restructuring. These exclude bankrupt and quasi-bankrupt, doubtful and accruing loans past due three months or more.

*5 "Normal" is loans to borrowers not having particular problems regarding their financial situations and operating conditions, and excluding bankrupt and quasi-bankrupt, doubtful, accruing loans past due three months or more, and restructured loans.

The above amount of claims is the amount before deducting reserve for possible loan losses.

Balance of problem loans under the Financial Revitalization Act

(As of March 31)

	2023 (Millions of yen)	2022 (Millions of yen)
Bankrupt and quasi-bankrupt*6	6,867	4,935
Doubtful*7	69,164	60,060
Need of special attention*8	11,768	9,198
Normal*9	3,599,721	3,316,607

*6 Bankrupt and quasi-bankrupt

These are loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement, and borrowers who are not currently in legal bankruptcy, but in quasi-bankruptcy.

*7 Doubtful

These are loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a possibility of higher default risk.

*8 Need of special attention

These are accruing loans past due three months or more, and restructured loans.

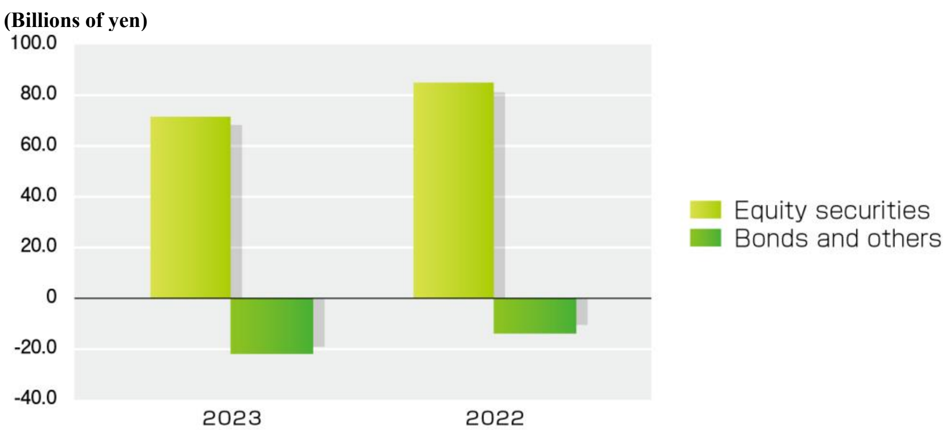
*9 Normal

These are loans to borrowers not having particular problems regarding their financial situations and operating conditions, and excluding loans classified as “Bankrupt and quasi-bankrupt,” “Doubtful” and “Need of special attention.”

Unrealized Gains on Securities (Nonconsolidated basis)

(As of March 31)

	2023 (Billions of yen)	2022 (Billions of yen)
Equity securities	71.5	85.0
Bonds and others	-21.9	-13.9
Total	49.5	71.0



Board of Directors and Audit & Supervisory Committee (As of July 1, 2023)

President
Ichiro Fujiwara

Managing Directors
Masao Minamide
Katsutoshi Yamamoto
Hideki Mizuno

Directors
Kazu Kondou
Fumihide Yoshitomi
Sadaharu Shimizu
Masahiko Tachi
Hisako Munekata*1
Sachie Kinugawa*1

*1 Outside director

Audit & Supervisory Committee Members
Tomoaki Oka*2
Nobuyoshi Hasegawa*1
Takao Kondo*1
Masatoshi Sakaguchi*1

*2 Full-time

Executive Officers
Yasunori Kanamori
Hiroyoshi Ito
Gaku Kimura
Naofumi Yamamoto
Atsushi Iida
Yoshinori Suzuki
Shinichi Ishida

Principal Shareholders (As of March 31, 2023)

The Master Trust Bank of Japan, Ltd. (Trust Account)	7.36%
Nippon Life Insurance Company	4.20%
Meiji Yasuda Life Insurance Company	4.20%
The Bank of Nagoya Employees' Shareholding Association (Meigin Minori-kai)	4.01%
The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account)	3.38%
Sumitomo Life Insurance Company	2.98%
Custody Bank of Japan, Ltd. (Trust Account)	2.45%
Mizuho Bank, Ltd.	2.44%
Mitsui Sumitomo Insurance Company, Ltd.	2.37%
The Juroku Bank, Ltd.	2.35%

Notes:
1. Shares held by The Master Trust Bank of Japan, Ltd. (Trust Account and Toyota Motor Corporation Account) and Custody Bank of Japan, Ltd. (Trust Account) are shares in association with their trust business.
2. In addition to the above, the Bank holds 79,900 treasury shares.

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Bank of Nagoya, 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, statements of comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of determination of borrower categories for borrowers for which the management improvement plans were developed and for borrowers who belong to business sectors whose financial performance deterioration is a matter of particular concern

The key audit matter	**How the matter was addressed in our audit**
In the consolidated financial statements at the end of the current fiscal year, the Company recorded a balance of Loans and bills discounted of JPY3,626,289 million, which accounted for a high proportion of	The primary procedures we performed to assess whether the Company's determination of the borrower categories was reasonable included the following:

approximately 71% of total assets amounting to JPY5,098,245 million. It also recognized a reserve for possible loan losses of JPY14,099 million. The balances of Loans and bills discounted and reserve for possible loan losses recognized in the Company's non-consolidated financial statements (including the balances to its consolidated subsidiaries) were JPY3,632,448 million and JPY13,002 million, respectively, which represented high proportions of the balances in the consolidated financial statements. The loans were primarily to corporate entities and individual customers who conduct their own business (hereinafter, "business owner borrowers"). In calculating the reserve for possible loan losses, the Company assesses its loans based on the internal self-assessment criteria and determines borrower categories based on the credit risk of borrowers. Major assumptions used in determining borrower categories are explained in Note 2, "Summary of Significant Accounting Policies, (v) Significant accounting estimate" to the consolidated financial statements. Based on the borrower categories, the Company calculates the amount of the reserve for possible loan losses in accordance with the predetermined criteria for write-offs and loan loss provisions, as described in 2 of Notes, "Summary of Significant Accounting Policies, (f) Loans and bills discounted and reserve for possible loan losses" to the consolidated financial statements. The borrower categories of business owner borrowers are determined based on the Integrated Loan Support System, which is mainly based on quantitative information related to financial information of the borrowers. However, the Company also considers qualitative factors including assessment of management improvement plans prepared based on projected financial performance, which involve management judgment. Particularly, for borrowers with the significant amount of unsecured loans, whose borrower	(1) Internal control testing We tested the design and operating effectiveness of internal controls relevant to the determination of the borrower categories. In this assessment, we focused our testing on the following: ● controls to ensure the reliability of the borrowers' financial information entered in the Integrated Loan Support Systems; and ● determination of the borrower categories including the determination using the qualitative factors. (2) Substantive procedures for assessing the reasonableness of the Company's determination of the borrower categories We performed the following procedures to assess whether the determination of the borrower categories using the qualitative factors was appropriate based on the self-assessment criteria: ● selected borrowers to be assessed mainly from the following perspectives: • borrowers, whose borrower categories had been determined using quantitative information but revised based on management improvement plans, for which the negative change in the borrower categories could significantly impact the amount of the reserve for possible loan losses; and • identifying the business sectors particularly affected by the COVID-19 pandemic and price hikes, borrowers, whose financial performance deteriorated due to the impact of the pandemic and price hikes, for which the negative change in the borrower categories could significantly impact the amount of the reserve for possible loan losses. ● assessed the documents obtained or prepared by the Company and inquired of the second-stage assessment division to assess the substantive financial position and results of operations of the selected borrowers. ● assessed the feasibility of the management improvement plans and reason of the determination of the borrower categories and inquired of the second-stage assessment division regarding the borrowers whose borrower categories were changed based on the qualitative factors of the management improvement plans. ● assessed the business situation, projected financial performance and financing of the borrowers whose financial performance deteriorated due to the impact of the COVID-19 pandemic and price hikes, and inquired of the

categories are determined using quantitative information but revised based on the management improvement plans prepared by reflecting projected financial performance, and for borrowers with the significant amount of unsecured loans, who belong to the business sectors whose financial performance deterioration is a matter of particular concern due to the coronavirus (COVID-19) pandemic and price hikes, the determination of the borrower categories may have a significant impact on the amount of reserve for possible loan losses. We, therefore, determined that our assessment of reasonableness of determination of borrower categories for borrowers for which the management improvement plans were developed and for borrowers who belong to business sectors whose performance deterioration is a matter of particular concern was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	secondary assessment division regarding these borrowers.

Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and 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 are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

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.

Tetsuya Nakamura

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

September 1, 2023

<u>Notes to the Reader of Independent Auditor's Report</u>:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Cash and due from banks (Note 3)	¥ 451,935	¥ 851,450	$ 3,384,524
Securities (Notes 3, 4, 7 and 12)	876,724	824,618	6,565,747
Loans and bills discounted (Notes 3, 5, 7, 15 and 20)	3,626,289	3,338,572	27,157,113
Foreign exchange	5,700	6,200	42,690
Lease receivables and investments in leased assets (Note 15)	36,646	36,721	274,444
Other assets (Note 7)	51,056	54,344	382,360
Tangible fixed assets (Note 6)	36,976	36,839	276,913
Intangible fixed assets	2,229	2,692	16,693
Employee retirement benefit assets (Note 11)	14,098	15,894	105,582
Deferred tax assets (Note 17)	739	765	5,537
Customers' liabilities for acceptances and guarantees (Note 12)	9,949	8,381	74,510
Reserve for possible loan losses (Note 3)	(14,099)	(13,641)	(105,591)
Total assets	¥ 5,098,245	¥ 5,162,840	$ 38,180,522

(Continued)

See accompanying Notes to Consolidated Financial Statements.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liabilities:			
Deposits (Notes 3, 7 and 8)	¥ 4,353,568	¥ 4,089,416	$ 32,603,675
Call money and bills sold (Note 3)	6,033	3,763	45,187
Payables under securities lending transactions (Notes 3 and 7)	76,200	29,931	570,662
Borrowed money (Notes 3, 7 and 9)	321,067	669,654	2,404,461
Foreign exchange	304	37	2,282
Bonds payable (Notes 3 and 10)	20,000	30,000	149,780
Borrowed money from trust account	1,601	1,140	11,994
Other liabilities (Notes 9 and 17)	43,457	45,371	325,448
Reserve for employee bonuses	1,135	1,132	8,506
Reserve for executive bonuses	38	44	289
Employee retirement benefit liability (Note 11)	2,899	2,311	21,717
Reserve for executive retirement benefits	25	30	193
Reserve for losses on repayments of dormant bank accounts	88	183	662
Reserve for contingent losses	1,249	1,054	9,356
Reserve for loss on interest repayments	27	30	208
Deferred tax liabilities (Note 17)	12,500	19,884	93,618
Deferred tax liabilities for revaluation (Notes 6 and 17)	2,766	2,774	20,714
Acceptances and guarantees (Note 12)	9,949	8,381	74,510
Total liabilities	4,852,915	4,905,143	36,343,262
Net assets (Notes 13, 14 and 19):			
Common stock	25,090	25,090	187,904
Capital surplus	21,241	21,241	159,080
Retained earnings	159,190	154,097	1,192,170
Less treasury stock, at cost	(232)	(351)	(1,742)
Total shareholders’ equity	205,290	200,078	1,537,412
Accumulated other comprehensive income	40,038	57,488	299,848
Stock acquisition rights	–	130	–
Total net assets	245,329	257,697	1,837,260
Total liabilities and net assets	¥ 5,098,245	¥ 5,162,840	$ 38,180,522

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

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		2023	
Income:						
Interest income:						
Interest on loans and discounts	¥	27,120	¥	26,032	$	203,106
Interest and dividends on securities		8,258		5,792		61,847
Other interest income		1,095		1,286		8,205
Total interest income		36,474		33,111		273,158
Trust fees		58		51		436
Fees and commissions		12,903		12,385		96,632
Other operating income		24,200		24,923		181,236
Gain on sales of stocks and other securities		5,833		6,990		43,690
Gain on negative goodwill		–		362		–
Other income		304		317		2,279
Total income		79,774		78,142		597,431
Expenses:						
Interest expenses:						
Interest on deposits		953		424		7,144
Interest on borrowings and rediscounts		538		162		4,031
Other interest expenses		4,500		433		33,707
Total interest expenses		5,993		1,020		44,882
Fees and commissions		2,914		3,033		21,828
Other operating expenses		25,401		22,298		190,228
General and administrative expenses (Notes 14 and 18)		30,918		32,235		231,544
Provision of reserve for possible loan losses		1,386		2,263		10,383
Loss on devaluation of stocks and other securities		11		23		84
Other expenses		1,667		1,207		12,487
Total expenses		68,292		62,082		511,436
Profit before income taxes		11,482		16,059		85,995
Income taxes (Note 17)		3,104		4,381		23,253
Profit		8,377		11,678		62,742
Profit attributable to noncontrolling interests		–		34		–
Profit attributable to owners of the parent	¥	8,377	¥	11,643	$	62,742

	Yen				U.S. dollars	
Earnings per share (Note 2(u)):						
Basic	¥	483.98	¥	649.26	$	3.62
Diluted		483.60		647.61		3.62
Cash dividends		120.00		120.00		0.90

See accompanying Notes to Consolidated Financial Statements.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Profit	¥ 8,377	¥ 11,678	$ 62,742
Other comprehensive income (Note 19):			
Net change in unrealized losses on available-for-sale securities	(14,832)	(5,488)	(111,080)
Land revaluation excess	(19)	–	(149)
Retirement benefit adjustments	(2,597)	1,756	(19,450)
Total other comprehensive income	(17,449)	(3,731)	(130,679)
Comprehensive income	¥ (9,071)	¥ 7,946	$ (67,937)
Comprehensive income attributable to:			
Owners of the parent	¥ (9,071)	¥ 7,913	$ (67,937)
Noncontrolling interests	–	33	–
Total comprehensive income	¥ (9,071)	¥ 7,946	$ (67,937)

See accompanying Notes to Consolidated Financial Statements.

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

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation excess	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2021	¥ 25,090	¥ 21,231	¥ 145,517	¥ (560)	¥ 191,280	¥ 55,243	¥ 3,887	¥ 2,087	¥ 61,218	¥ 139	¥ 620	¥ 253,259
Cumulative effects of change in accounting policies			(108)		(108)						(6)	(114)
Restated balance at April 1, 2021	25,090	21,231	145,409	(560)	191,172	55,243	3,887	2,087	61,218	139	613	253,144
Profit attributable to owners of the parent	–	–	11,643	–	11,643	–	–	–	–	–	–	11,643
Cash dividends	–	–	(1,358)	–	(1,358)	–	–	–	–	–	–	(1,358)
Purchases of treasury stock	–	–	–	(1,424)	(1,424)	–	–	–	–	–	–	(1,424)
Disposition of treasury stock	–	(11)	–	47	36	–	–	–	–	–	–	36
Retirement of treasury stock	–	(1,585)	–	1,585	–	–	–	–	–	–	–	–
Change in ownership interest of parent due to transactions with noncontrolling interests	–	10	–	–	10	–	–	–	–	–	–	10
Transfer from retained earnings to capital surplus	–	1,596	(1,596)	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(5,487)	–	1,756	(3,730)	(9)	(613)	(4,353)
Balance at March 31, 2022	25,090	21,241	154,097	(351)	200,078	49,756	3,887	3,844	57,488	130	–	257,697
Profit attributable to owners of the parent	–	–	8,377	–	8,377	–	–	–	–	–	–	8,377
Cash dividends	–	–	(2,438)	–	(2,438)	–	–	–	–	–	–	(2,438)
Purchases of treasury stock	–	–	–	(910)	(910)	–	–	–	–	–	–	(910)
Disposition of treasury stock	–	5	–	157	162	–	–	–	–	–	–	162
Retirement of treasury stock	–	(872)	–	872	–	–	–	–	–	–	–	–
Reversal of land revaluation excess	–	–	19	–	19	–	–	–	–	–	–	19
Transfer from retained earnings to capital surplus	–	866	(866)	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(14,832)	(19)	(2,597)	(17,449)	(130)	–	(17,579)
Balance at March 31, 2023	¥ 25,090	¥ 21,241	¥ 159,190	¥ (232)	¥ 205,290	¥ 34,923	¥ 3,867	¥ 1,247	¥ 40,038	¥ –	¥ –	¥ 245,329

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

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation excess	Retirement benefit adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2022	$ 187,904	$ 159,080	$ 1,154,031	$ (2,634)	$ 1,498,381	$ 372,624	$ 29,111	$ 28,792	$ 430,527	$ 974	$ –	$ 1,929,882
Profit attributable to owners of the parent	–	–	62,742	–	62,742	–	–	–	–	–	–	62,742
Cash dividends	–	–	(18,261)	–	(18,261)	–	–	–	–	–	–	(18,261)
Purchases of treasury stock	–	–	–	(6,817)	(6,817)	–	–	–	–	–	–	(6,817)
Disposition of treasury stock	–	41	–	1,178	1,219	–	–	–	–	–	–	1,219
Retirement of treasury stock	–	(6,531)	–	6,531	–	–	–	–	–	–	–	–
Reversal of land revaluation excess	–	–	148	–	148	–	–	–	–	–	–	148
Transfer from retained earnings to capital surplus	–	6,490	(6,490)	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(111,080)	(149)	(19,450)	(130,679)	(974)	–	(131,653)
Balance at March 31, 2023	$ 187,904	$ 159,080	$ 1,192,170	$ (1,742)	$ 1,537,412	$ 261,544	$ 28,962	$ 9,342	$ 299,848	$ –	$ –	$ 1,837,260

See accompanying Notes to Consolidated Financial Statements.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash flows from operating activities:			
Profit before income taxes	¥ 11,482	¥ 16,059	$ 85,995
Adjustments for:			
Depreciation and amortization	2,515	2,563	18,835
Gain on negative goodwill	–	(362)	–
Stock option expenses	25	26	194
Gain on step acquisitions	–	(14)	–
Increase in reserve for possible loan losses	458	827	3,433
Increase in employee retirement benefit assets	1,796	(2,070)	13,451
Decrease in employee retirement benefit liability	588	(1,079)	4,408
Decrease in reserve for executive retirement benefits	(4)	(1)	(36)
Increase (decrease) in reserve for contingent losses	194	(14)	1,456
Interest income recognized on statement of income	(36,474)	(33,111)	(273,158)
Interest expense recognized on statement of income	5,993	1,020	44,882
Net losses (gains) on securities	79	(5,146)	594
Foreign exchange gains, net	(10,340)	(11,474)	(77,436)
Net decrease in call loans and bills purchased and others	–	589	–
Net increase in loans and bills discounted	(287,716)	(173,588)	(2,154,699)
Net decrease in lease receivables and investments in leased assets	74	1,440	560
Net increase in deposits	264,152	88,563	1,978,226
Net increase (decrease) in call money and bills sold	2,269	(2,614)	17,000
Net increase in payables under securities lending transactions	46,269	24,185	346,509
Net (decrease) increase in borrowed money (excluding subordinated borrowings)	(368,587)	142,636	(2,760,332)
Net increase in borrowed money from trust account	461	1,140	3,453
Interest income received	36,009	32,849	269,676
Interest expense paid	(5,574)	(1,042)	(41,745)
Others, net	685	31,284	5,133
Subtotal	(335,641)	112,666	(2,513,601)
Income taxes paid	(4,097)	(4,827)	(30,684)
Net cash provided by operating activities	(339,738)	107,838	(2,544,285)
Cash flows from investing activities:			
Purchases of securities	(327,045)	(470,130)	(2,449,231)
Proceeds from sales and maturities of securities	263,757	395,846	1,975,266
Purchases of tangible fixed assets	(1,586)	(1,247)	(11,882)
Proceeds from sales of tangible fixed assets	80	2	600
Purchases of intangible fixed assets	(296)	(219)	(2,222)
Proceeds from the purchase of shares of subsidiaries resulting in a change in the scope of consolidation	–	366	–
Net cash used in investing activities	(65,091)	(75,382)	(487,469)
Cash flows from financing activities:			
Redemption of subordinated bonds	(10,000)	(10,000)	(74,890)
Proceeds from subordinated debts	20,000	–	149,779
Dividends paid to shareholders	(2,430)	(1,358)	(18,202)
Dividends paid to noncontrolling shareholders	–	(46)	–
(Purchase) disposition of treasury stock, net	(908)	(1,424)	(6,806)
Purchase of shares of subsidiaries not resulting in a change of the consolidation scope	–	(592)	–
Net cash provided by (used in) financing activities	6,660	(13,422)	49,881
Effect of exchange rate changes on cash and cash equivalents	(1)	4	(11)

Net increase in cash and cash equivalents	(398,171)	19,038	(2,981,884)
Cash and cash equivalents at the beginning of the year	844,771	825,733	6,326,452
Cash and cash equivalents at the end of the year (Note 2(b))	¥ 446,600	¥ 844,771	$ 3,344,568

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of The Bank of Nagoya, Ltd. (the "Bank") and its consolidated subsidiaries (together with the Bank, the "Group") have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from the International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English 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 of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, has not been presented in the accompanying consolidated financial statements.

The amounts in Japanese yen are presented in millions of yen and are rounded down to the nearest million. Accordingly, the totals shown in the accompanying consolidated financial statements and these notes may not equal 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 translation should not be construed as a representation 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.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. At March 31, 2023, the Bank had six consolidated subsidiaries (six in 2022), that primarily provided a wide range of financial services to customers.

Subsidiaries, Aichi-Jimoto Fund for Agriculture, Forestry and Fisheries Investment Limited Partnership, Meigin Business Succession Investment Limited Partnership, Meigin Venture No. 1 Investment Limited Partnership and Meigin Business Revitalization No. 1 Investment Limited Partnership are excluded from the scope of consolidation and the scope of application of the equity method because their profit, retained earnings, accumulated other comprehensive income (each in proportion to the Bank's interests) and assets are immaterial to the Group's consolidated financial statements. The carrying amount of the investment in these subsidiaries, which is included in "securities" on the consolidated balance sheets, was ¥1,561 million ($11,692 thousand) and ¥1,066 million at March 31, 2023 and 2022, respectively. As of both March 31, 2023 and 2022, the Bank had no affiliates.

The Group owns a majority of the voting rights of Houden Engineering Co., Ltd., TY HOLDINGS, LTD., Toyo Corporation, FAPARTNER, LTD., Yamaguchi Co., Ltd., AIHOLDINGS, LTD., Aiho seiki seisakujo Co., Ltd., NS Holdings Co., Ltd., MIKAWA KOUSAN Co., LTD., and Kojima Institute co., ltd. in its own calculation, but these companies are not treated as subsidiaries, since the investments were made by unconsolidated subsidiaries engaged in investment businesses for the purpose of investment development, not for the purpose of making them subsidiaries.

The difference between the cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, is deferred as goodwill and amortized over five years using the straight-line method. Negative goodwill resulting from an acquisition, measured as the excess of the underlying equity in the net assets over the acquisition cost, is charged to income. In consolidation, all intercompany transactions and accounts have been eliminated. In addition, all significant unrealized profits, included in assets, resulting from transactions within the Group have been eliminated.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from banks with an original maturity of three months or less. At March 31, 2023 and 2022, cash and cash equivalents were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and due from banks	¥ 451,935	¥ 851,450	$ 3,384,524
Less due from banks whose period exceeds three months	(5,335)	(6,679)	(39,956)
Cash and cash equivalents	¥ 446,600	¥ 844,771	$ 3,344,568

(c) Trading account securities

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

(d) Securities

Debt securities for which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost. Investments in nonconsolidated subsidiaries and affiliates are stated at moving average cost. In principle, available-for-sale securities other than those classified as trading or held-to-maturity debt securities are carried at fair value, with net unrealized gains and losses reported as a component of accumulated other comprehensive income in net assets, net of applicable income taxes. Available-for-sale securities whose market prices are not available are stated at moving average cost. The carrying values of individual securities are reduced, if necessary, through write-downs to reflect other than temporary declines in value. Gains and losses on disposal of securities are computed based principally on the moving average method. Accrued interest on securities is included in “other assets.”

(e) Derivatives and hedge accounting

The Bank uses various derivative instruments. Derivatives are recorded at fair value, with changes in fair values included in the consolidated statements of income for the period in which they arise, except for derivatives that are designated as hedging instruments and qualify for hedge accounting.

The Bank applies the deferral method of hedge accounting for hedging foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the Industry Audit Committee Report No. 25 (October 8, 2020), titled the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). The effectiveness of the currency swap transactions, foreign exchange swap transactions and similar transactions that hedge foreign exchange risks of monetary receivables and payables denominated in foreign currencies as described above is assessed based on a comparison of the hedged monetary receivables and payables denominated in foreign currencies and the foreign currency positions of the corresponding hedging instruments.

(f) Loans and bills discounted and reserve for possible loan losses

A reserve for possible loan losses is maintained based on the judgment and future loss assessment of the Bank's management. The Bank implements a self-assessment system for asset quality. Each of the Bank's branches and business units performs the primary and secondary assessments of the quality of all loans which will be subsequently examined by the Bank's Credit Supervision Division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which customers are classified into five categories. All loans are classified through self-assessment into the following categories: "legal bankruptcy," "de facto bankruptcy," "bankruptcy risk," "under observation" and "normal." The Bank provides a reserve for possible loan losses at an amount deemed necessary to cover possible future losses. For claims against borrowers in legal bankruptcy and de facto bankruptcy, a reserve is provided based on the amounts of such claims, net of the amounts expected to be collected through the disposal of collateral or from guarantees. For claims against borrowers who have bankruptcy risk, a reserve is provided in the amount considered necessary based on a solvency assessment performed for the amounts of such claims, net of the amounts expected to be collected through the disposal of collateral or from guarantees. For claims against borrowers in the "under observation" and "normal" categories, a reserve is provided as estimated loss amounts mainly for future one year or three years, which is calculated using an estimated loss ratio determined as an average of the loan loss ratio over a certain period of time based on the historical loss experience of the Bank for the past one year, with required adjustments for future prospects and others.

Reserve amounts recorded by consolidated subsidiaries are provided at the aggregate amount of estimated credit loss based on an individual financial review approach for doubtful or troubled claims. For other claims, an amount deemed necessary is provided as a reserve, taking into consideration the historical loss experience.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated principally at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the asset, except for buildings (excluding facilities attached thereto) acquired on or after April 1, 1998 and facilities attached thereto and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method. For the years ended March 31, 2023 and 2022, the useful life of buildings ranged from 15 to 50 years, and the useful life of equipment and other tangible fixed assets ranged from 4 to 20 years. Tangible fixed assets of the consolidated subsidiaries are depreciated mainly using the straight-line method over the estimated useful life of the asset.

(h) Intangible fixed assets and amortization

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are capitalized and amortized principally using the straight-line method over the estimated useful life of mainly five years.

(i) Recognition of revenues and expenses

Revenues are recognized at the time of the transfer of promised goods or services to customers in an amount to which the Bank expects to be entitled in exchange for those goods or services.

Revenues and expenses related to finance lease transactions are recognized when lease payments are received.

(j) Impairment of fixed assets

A fixed asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, measured at the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and other forms of property, including intangible assets, and are grouped at the lowest level at which there are identifiable cash flows that are separate from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Bank other than idle or unused property are grouped into cash-generating units such as operating branches. Fixed assets of the consolidated subsidiaries are grouped into their respective units, which manage and determine income and expenses related to such assets. The Group did not recognize impairment loss on fixed assets for the years ended March 31, 2023 or 2022. Recoverable amounts of the assets were measured based on net selling prices, which were based on appraisal values or expected selling amounts less estimated costs of disposal. Accumulated impairment loss is deducted from the net book value of each asset.

(k) Foreign currency translation

The Group's assets and liabilities denominated in foreign currencies, including the accounts of its foreign branches, are translated into Japanese yen at the exchange rate prevailing at the fiscal year end. Revenues and expenses are translated at the exchange rate prevailing on the applicable transaction dates. Gains and losses resulting from transactions are included in the determination of profit (loss).

(l) Reserve for employee bonuses

A reserve for employee bonuses is provided based on the estimated amount of future payments attributable to the respective year.

(m) Reserve for executive bonuses

A reserve for executive bonuses is provided for the payment of bonuses to directors as well as audit and supervisory board members based on the estimated amount of payments attributable to the respective year.

(n) Reserve for employee retirement benefits

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

The Group recognizes retirement benefits based principally on the actuarial present value of the retirement benefit obligation using the actuarial appraisal approach and the fair value of the pension plan assets available for benefits at the respective fiscal year end.

In the calculation of retirement benefit obligations, the expected retirement benefits are attributed to periods up to the end of the respective fiscal year using the benefit formula method. Past service cost is amortized by the straight-line method over a certain period within the average remaining years of service of the current employees. Actuarial differences arising from changes in the retirement benefit obligations, or value of plan assets not anticipated by previous assumptions, or from changes in the assumptions themselves, are amortized on a straight-line basis over a certain period within the average remaining years of service of the current employees, measured from the year following the year in which the differences arise. For the amortization of past service cost and actuarial differences, the Bank recognizes an amortization period of 13 years, which is within the average remaining years of services of employees. The consolidated subsidiaries use the simplified method in calculating employee retirement benefit liability and retirement benefit expenses. Under this method, the amount for severance payments required at the fiscal year end for voluntary termination is deemed the retirement benefit obligation.

(o) Reserve for executive retirement benefits

For consolidated subsidiaries, a reserve for executive retirement benefits is provided based on the Group's internal rules in the amount that would be payable assuming the directors as well as audit and supervisory board members of the consolidated subsidiaries terminated their services at the balance sheet date.

(p) Reserve for losses on repayments of dormant bank accounts

In order to cover possible losses on claims from customers for repayment of dormant bank accounts, the balances of which were previously recognized as income, the Bank provides a reserve to the extent of estimated losses based on the historical loss experience and taking into consideration the repayment conditions for a certain past period. A reserve for losses on repayments of dormant bank accounts was included in "other expenses," which amounted to nil for the years ended March 31, 2023 and 2022.

(q) Reserve for contingent losses

A reserve for contingent losses is provided at an amount deemed necessary to cover possible future losses from the defaulting of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee Corporation based on the historical loss experience from prior defaults. For the years ended March 31, 2023 and 2022, a reversal of reserve for contingent losses of nil and ¥14 million, respectively, was included in "Other income." For the years ended March 31, 2023 and 2022, a reserve for contingent losses of ¥194 million ($1,456 thousand) and nil, respectively, was included in "Other expenses."

(r) Reserve for loss on interest repayments

In order to cover possible losses on the repayment of interest to be received from customers that exceeds the upper limit of interest rates prescribed under the Interest Rate Restriction Act, two consolidated subsidiaries provide a reserve for loss on interest repayments to the extent of the estimated losses that may be incurred from repayment claims against customers for whom court settlements have not been reached. Such estimated losses are based on the historical loss experience taking into consideration the repayment conditions for a certain past period.

(s) Income taxes

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

(t) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Bank's Board of Directors and/or shareholders.

(u) Per share data

Basic earnings per share are computed by dividing profit attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the respective year. Diluted earnings per share are computed by reflecting the potential dilution that would occur if all dilutive securities were exercised or converted into common stock.

Diluted earnings per share for the year ended March 31, 2023 were computed by taking into account 13 thousand potential shares of common stock related to stock acquisition rights. In addition, diluted earnings per share for the year ended March 31, 2023 were computed by adjusting profit attributable to the owners of the parent by none.

Diluted earnings per share for the year ended March 31, 2022 were computed by taking into account 45 thousand potential shares of common stock related to stock acquisition rights. In addition, diluted earnings per share for the year ended March 31, 2022 were computed by adjusting profit attributable to the owners of the parent by none.

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

(v) Significant accounting estimate

Reserve for possible loan losses

(1) The amount of reserve for possible loan losses in the consolidated financial statements for the years ended March 31, 2023 and 2022 was ¥14,099 million ($105,591 thousand) and ¥13,641 million, respectively.

(2) Information about the details of the significant accounting estimate for the identified item

(i) Calculation method
The calculation method of the reserve for possible loan losses is described in (f) Loans and bills discounted and reserve for possible loan losses.

(ii) Major assumptions
- Losses that are expected to occur in relation to individual borrowers, such as the deterioration of a borrower's business performance and cash flow due to the growing effect of the coronavirus (COVID-19) pandemic and price hikes, are reflected in the borrower categories, based on the latest available information.
- In addition to quantitative information based on a borrower's financial information, qualitative factors that do not appear in the borrower's financial information, such as management improvement plans created and based on the borrower's future financial outlook, and the growth potential at present and in the future of the industry to which the borrower belongs, the position of the borrower in the industry, etc., are reflected in the borrower categories.

(iii) The effect on the consolidated financial statements for the year ending March 31, 2024
The major assumptions used to calculate the estimate include the following uncertainties.
- If the initially assumed business performance and cash flow of a borrower deteriorates due to the further expansion of the effects of COVID-19 and price hikes, the borrower categories may shift downward.
- If the assumptions of the qualitative factors initially assumed depart from the reality, such as the growth potential of the industry to which the borrower belongs is more stagnant than expected, the borrower categories may shift downward.

These uncertainties can result in large amounts of recording of reserves for possible loan losses.

(w) Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Bank adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (Corporate Accounting Guidance No. 31, June 17, 2021 Accounting Standards Board of Japan (ASBJ), hereinafter, the "Guidance No. 31") from the beginning of the year ended March 31, 2023. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance No. 31, the Bank has decided to apply the new accounting policies stipulated by the Guidance No. 31 prospectively. There is no effect on the consolidated financial statements.

In accordance with Paragraph 27-3 of the Guidance No. 31, notes on investment trusts in fair value information of financial instruments by level of inputs in Note 3, "Financial Instruments and Related Disclosures" were not disclosed for the year ended March 31, 2022.

Application of Accounting Standard for Revenue Recognition

The Bank adopted the Accounting Standard for Revenue Recognition (Corporate Accounting Standard No. 29, March 31, 2020 ASBJ), hereinafter, the “Standard No. 29”) and related guidance from the beginning of the year ended March 31, 2022. The Bank recognizes revenue at the time of the transfer of promised goods or services to customers in an amount to which the Bank expects to be entitled in exchange for those goods or services. As a result, the Bank has changed its revenue recognition from the year ended March 31, 2022 to recognize revenue according to the elapsed period, as performance obligations are satisfied over a certain period for a portion of revenue which was previously recognized in a lump sum upon receipt.

The transitional treatment stipulated in the proviso of Paragraph 84 of the Standard No. 29 is applied. The cumulative impact of retrospective application of the new accounting policy prior to the beginning of the year ended March 31, 2022 is added to or deducted from retained earnings at the beginning of the year ended March 31, 2022 so that the new accounting policy is applied from the beginning of the year ended March 2022. The effect of applying the Standard No. 29 and related guidance on the consolidated financial statements is immaterial.

Application of Accounting Standard for Fair Value Measurement

The Bank adopted the Accounting Standard for Fair Value Measurement (Corporate Accounting Standard No. 30, July 4, 2019 ASBJ, hereinafter, the “Standard No. 30”) and related guidance from the beginning of the year ended March 31, 2022. In accordance with Paragraph 19 of the Standard No. 30 and the transitional treatment stipulated in Paragraph 44-2 of the Accounting Standard for Financial Instruments (Corporate Accounting Standard No. 10, July 4, 2019 ASBJ), the Bank has decided to apply the new accounting policies stipulated by the Standard No. 30 and related guidance prospectively. There is no effect on the consolidated financial statements.

Fair value of financial instruments and breakdown by level of fair values are disclosed in Note 3, “Financial Instruments and Related Disclosures.”

3. Financial Instruments and Related Disclosures

(a) Qualitative information on financial instruments

(1) Group policy for financial instruments

The Group conducts deposit, loan and investment operations. Since the Group has financial assets and liabilities which involve interest rate risk, the Bank has established an Asset Liability Management (“ALM”) system to avoid unfavorable effects of interest rate fluctuations. Derivative transactions are used as part of ALM.

(2) Nature of financial instruments and related risks

Financial assets held by the Group comprise mainly loans to domestic corporate entities and individuals and securities. Loans are subject to customer credit risk arising from defaults by borrowers. There is a possibility that borrowers will not perform their obligations in accordance with the applicable contract terms due to economic circumstances or other reasons.

Securities, which primarily comprise equity securities, bonds and investment trusts, are held for maturity, and investment and business promotion purposes. These securities are exposed to the credit risk of issuers, interest rate fluctuation risk and/or market price fluctuation risk.

For securities denominated in foreign currencies, bonds denominated in foreign currencies are generally purchased at an amount up to the corresponding amount of deposits, and funds are procured from the market in foreign currencies to avoid foreign exchange fluctuation risk.

Financial liabilities include mainly deposits from customers and are subject to liquidity risk. There is an interest or maturity mismatch between assets such as loans and bills discounted and liabilities such as deposits that exposes these assets and liabilities to interest rate fluctuation risk.

Derivative transactions include interest rate swaps and forward foreign exchange contracts. The Group uses derivative transactions in line with ALM in order to avoid interest rate fluctuation risk in relation to deposits and loans and to fulfill the customers' hedging requirements for foreign exchange fluctuation risk. Hedge accounting is applied to certain transactions which offset market fluctuations or fix cash flows and fulfill preliminary and subsequent requirements. Derivative transactions which do not meet the hedge accounting criteria are exposed to foreign exchange and interest rate fluctuation risks.

(3) Risk management for financial instruments

(i) Credit risk management

The Group manages its credit risk by maintaining a credit exposure management system in relation to loans in accordance with its "Credit Policy," which stipulates the basic concepts in relation to its credit exposure management and administrative rules regarding credit risk. The system includes the credit administration of loans, credit lines, credit records and internal ratings and the establishment of guarantees and/or collateral and handling of doubtful loans. These credit exposure management procedures are performed by each of the Group's sales branches and operations support departments, and are reported to the Board of Executive Directors and/or Board of Directors on a regular basis.

The credit risk of issuers of securities and the counterparty risk of derivative transactions are managed by the Bank's Strategic Investment Division which monitors credit information and fair values on a regular basis.

(ii) Market risk management

(a) Interest rate risk management

The Group has established the ALM committee to recognize and manage interest rate fluctuation risk comprehensively and implement appropriate ALM. Risk control methods and procedures are stipulated in the ALM committee codes, and the implementation is monitored, while future actions are discussed at the Board of Directors' meetings. On a daily basis, the Bank's Risk Control Division checks interest rates and periods of financial assets and liabilities, monitors risks using gap analysis and interest rate sensitivity analysis, as well as reports to the ALM committee and Board of Directors on a monthly basis.

(b) Foreign exchange risk management

The Group manages foreign exchange fluctuation risk by transaction and enters into forward foreign exchange contracts to manage foreign exchange fluctuation risk on transactions with customers.

(c) Market price fluctuation risk management

The Group holds investment products, including securities based on marketable securities investment planning, determined by the Board of Executive Directors in accordance with the market fluctuation risk management rules of the Board. Since the Bank's Strategic Investment Division purchases investment products from outside, market price fluctuation risk is reduced through effective monitoring after preliminary reviews and the establishment of investment limits. Most of the equity securities managed by the Bank's Planning Division are for business promotion purposes, and market conditions and the financial status of customers are monitored and reported to the Board of Executive Directors on a regular basis.

(d) Derivative transactions

An internal system of checks has been established through the segregation of functions related to derivative transactions, including trading functions such as entering into derivative contracts, operations functions such as the processing of transactions and the evaluation of hedge effectiveness.

(e) Quantitative information on market risk

i) Financial instruments for trading purposes

The Group uses the historical simulation method based on the assumptions of a holding period of 120 business days, a 99% confidence level and an observation period of 1,200 business days for the calculation of interest-related Value at Risk (VaR) for trading account securities. As of both March 31, 2023 and 2022, the market risk exposure (the expected maximum loss) of the Group's trading operation amounted to zero.

ii) Financial instruments other than for trading purposes

Market risk is the primary risk to the Group. The major financial instruments subject to market risk are "loans and bills discounted," debt and equity securities and investment trusts included in "securities" and "deposits." The historical simulation method with the assumption of a holding period of 120 business days, a 99% confidence level and observation period of 1,200 business days is used for the calculation of VaR of these financial assets and liabilities. As of March 31, 2023 and 2022, the market risk exposures (the expected maximum loss) of the Bank's banking operations were as follows.

	Value at Risk		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Securities for investment purposes *(*1)*	¥ 30,362	¥ 15,756	$ 227,385
Strategically held equity securities	18,074	20,070	135,360
Loans and deposits *(*2)*	25,965	13,564	194,457

Notes:
*(*1) Securities for investment purposes: yen bonds, foreign bonds, equity securities for investment purposes and investment trusts*
*(*2) Loans and deposits: deposits, negotiable certificates of deposit, loans and bills discounted, call loans, due from banks, bonds payable, payables under securities lending transactions, borrowed money and call money*

iii) Supplementary explanation about quantitative information on market risk

The Group evaluates the effectiveness of its measurement model by performing back-testing procedures to compare VaR calculated by the measurement system with actual gain or loss. VaR provides information regarding market risk exposure statistically calculated with certain probability based on historical market fluctuations. Therefore, VaR may not be able to measure risks under extreme situations in which the market environment changes extraordinarily.

(iii) Management of liquidity risk associated with financing

The Group regards the stable financing of its operations as a top priority and manages its financing needs effectively. In addition, the Group manages liquidity risk by diversifying the sources of its funds and adjusting the balance of long-term and short-term accounts with consideration for market conditions.

(4) Supplementary explanation on fair values

Since assumptions must be made when using alternative methods to determine fair values of financial instruments, different assumptions may lead to different fair values.

(b) Fair values of financial instruments

The carrying values and fair values of financial instruments at March 31, 2023 and 2022 were as follows. Notes to "cash and due from banks," "call loans," "call money," and "payables under securities lending transactions" have been omitted since their carrying values approximate fair values because of their short maturities.

	Millions of yen		
	2023		
	Carrying value	Fair value	Difference
Securities:			
Held-to-maturity debt securities	¥ 20,000	¥ 19,763	¥ (237)
Available-for-sale securities *(*1)*	830,042	830,042	–
Loans and bills discounted:	3,626,289		
Reserve for possible loan losses *(*2)*	(13,422)		
Loans and bills discounted - subtotal	3,612,866	3,613,745	879
Total	¥ 4,462,908	¥ 4,463,551	¥ 642
Deposits	¥ 4,353,568	¥ 4,353,608	¥ 39
Borrowed money	321,067	321,059	(8)
Bonds payable	20,000	19,894	(106)
Total	¥ 4,694,636	¥ 4,694,561	¥ (75)
Derivative transactions *(*3)*:			
Hedge accounting not applied	¥ (706)	¥ (706)	¥ –
Hedge accounting applied	–	–	–
Total	¥ (706)	¥ (706)	¥ –

	Millions of yen					
	2022					
	Carrying value		Fair value		Difference	
Securities:						
Available-for-sale securities *(*1)*	¥	805,411	¥	805,411	¥	–
Loans and bills discounted:		3,338,572				
Reserve for possible loan losses (*2)		(13,094)				
Loans and bills discounted - subtotal		3,325,477		3,340,838		15,360
Total	¥	4,130,889	¥	4,146,250	¥	15,360
Deposits	¥	4,089,416	¥	4,089,451	¥	35
Borrowed money		669,654		669,638		(16)
Bonds payable		30,000		29,877		(122)
Total	¥	4,789,071	¥	4,788,968	¥	(102)
Derivative transactions *(*3)*:						
Hedge accounting not applied	¥	(3,902)	¥	(3,902)	¥	–
Hedge accounting applied		–		–		–
Total	¥	(3,902)	¥	(3,902)	¥	–

	Thousands of U.S. dollars					
	2023					
	Carrying value		Fair value		Difference	
Securities:						
Held-to-maturity debt securities	$	149,779	$	148,004	$	(1,775)
Available-for-sale securities *(*1)*		6,216,147		6,216,147		–
Loans and bills discounted:		27,157,113				
Reserve for possible loan losses *(*2)*		(100,521)				
Loans and bills discounted - subtotal		27,056,592		27,063,177		6,585
Total	$	33,422,518	$	33,427,328	$	4,810
Deposits	$	32,603,675	$	32,603,970	$	295
Borrowed money		2,404,461		2,404,397		(64)
Bonds payable		149,780		148,986		(794)
Total	$	35,157,916	$	35,157,353	$	(563)
Derivative transactions *(*3)*:						
Hedge accounting not applied	$	(5,293)	$	(5,293)	$	–
Hedge accounting applied		–		–		–
Total	$	(5,293)	$	(5,293)	$	–

Notes:

*(*1) The following securities were excluded from the above tables because they do not have a quoted market price.*

	Millions of yen				*Thousands of U.S. dollars*	
	2023		*2022*		*2023*	
*Unlisted stocks *1 and *2*	¥	*2,061*	¥	*2,200*	$	*15,435*
*Investments in partnerships *3 and *4*		*24,621*		*17,005*		*184,386*
Total	¥	*26,682*	¥	*19,205*	$	*199,821*

**1 The fair value of unlisted stocks was not disclosed in accordance with Paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Corporate Accounting Standard Application Guideline No. 19, March 31, 2020 ASBJ).*

**2 The Group wrote off unlisted stocks amounting to ¥0 million ($5 thousand) and ¥14 million for the years ended March 31, 2023 and 2022, respectively.*

**3 The fair value of investments in partnerships was not disclosed in accordance with Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (Corporate Accounting Standard Application Guideline No. 31, June 17, 2021 ASBJ).*

**4 The Group wrote off investments in partnerships amounting to ¥9 million ($69 thousand) and ¥4 million for the years ended March 31, 2023 and 2022, respectively.*

*(*2) General and individual reserves for possible loan losses corresponding to loans and bills discounted were deducted.*

*(*3) Derivative transactions show net amounts after offsetting related receivables and payables. Amounts in parentheses denote net payables.*

(c) Maturity analysis for monetary claims and securities with contractual maturities as of March 31, 2023

	Millions of yen					
	2023					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 418,819	¥ 3,000	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	–	–	–	–	–	–
Securities:						
Held-to-maturity debt securities						
Others	–	–	–	–	–	20,000
Available-for-sale securities with maturities *(*1)*						
National government bonds	–	–	–	10,000	6,000	105,000
Local government bonds	15,364	27,961	23,727	13,829	64,143	744
Bonds and debentures	40,332	74,471	44,349	27,713	35,197	5,094
Others *(*2)*	4,099	36,994	52,309	25,904	14,005	39,756
Securities - total	59,796	139,427	120,386	77,447	119,346	190,596
Loans and bills discounted *(*3)*	612,090	598,155	471,221	375,657	337,573	1,155,581
Total	¥ 1,090,707	¥ 740,583	¥ 591,607	¥ 453,105	¥ 456,920	¥ 1,326,177

	Thousands of U.S. dollars					
Due from banks	$ 3,136,523	$ 22,467	$ –	$ –	$ –	$ –
Call loans and bills purchased	–	–	–	–	–	–
Securities:						
Held-to-maturity debt securities						
Others	–	–	–	–	–	149,779
Available-for-sale securities with maturities *(*1)*						
National government bonds	–	–	–	74,890	44,934	786,340
Local government bonds	115,065	209,400	177,692	103,566	480,364	5,579
Bonds and debentures	302,050	557,715	332,132	207,543	263,593	38,156
Others (*2)	30,700	277,047	391,744	194,000	104,890	297,735
Securities - total	447,815	1,044,162	901,568	579,999	893,781	1,277,589
Loans and bills discounted *(*3)*	4,583,918	4,479,563	3,528,954	2,813,285	2,528,076	8,654,097
Total	$ 8,168,256	$ 5,546,192	$ 4,430,522	$ 3,393,284	$ 3,421,857	$ 9,931,686

Notes:

*(*1) Amounts of securities were stated on the basis of scheduled redemption amounts regarding the principal and do not match the amounts shown in the consolidated balance sheets.*

*(*2) "Others" include Samurai bonds, Euro-Yen bonds and other foreign bonds.*

*(*3) The portion of loans and bills discounted whose timing of collection is unforeseeable, including loans to "legal bankruptcy" borrowers, loans to "de facto bankruptcy" borrowers and loans to "bankruptcy risk" borrowers, amounting to ¥76,008 million ($569,221 thousand) was not included in the above table.*

(d) Repayment schedule for bonds, borrowed money and other debts with contractual maturities as of March 31, 2023

	Millions of yen					
	2023					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits *(*1)*	¥ 4,213,821	¥ 107,152	¥ 21,998	¥ 9,687	¥ 908	¥ –
Call money and bills sold	6,033	–	–	–	–	–
Payables under securities lending transactions	76,200	–	–	–	–	–
Borrowed money	78,280	20,279	202,508	–	20,000	–
Bonds payable	–	–	–	20,000	–	–
Total	¥ 4,374,335	¥ 127,431	¥ 224,506	¥ 29,687	¥ 20,908	¥ –

	Thousands of U.S. dollars					
Deposits *(*1)*	$ 31,557,114	$ 802,462	$ 164,746	$ 72,552	$ 6,801	$ –
Call money and bills sold	45,187	–	–	–	–	–
Payables under securities lending transactions	570,662	–	–	–	–	–
Borrowed money	586,237	151,870	1,516,575	–	149,779	–
Bonds payable	–	–	–	149,780	–	–
Total	$ 32,759,200	$ 954,332	$ 1,681,321	$ 222,332	$ 156,580	$ –

Note:

*(*1) Demand deposits were included in "due in one year or less."*

(e) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets

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

Level 3 fair value: the fair value measured using unobservable inputs

When multiple inputs of different categories are used in measuring fair value, the Bank classifies fair values into a category to which the lowest priority is assigned.

Financial instruments measured at fair values in the consolidated balance sheet:

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Securities: Available-for-sale securities				
National and local government bonds	¥ 118,264	¥ 143,858	¥ –	¥ 262,123
Bonds and debentures	–	182,013	43,452	225,466
Equity securities	113,111	–	–	113,111
Others	86,732	128,166	–	214,898
Derivative transactions:				
Currency transactions	–	93	–	93
Others	–	–	18	18
Total assets	¥ 318,108	¥ 454,132	¥ 43,471	¥ 815,711
Derivative transactions:				
Currency transactions	¥ –	¥ 800	¥ –	¥ 800
Others	–	–	18	18
Total liabilities	¥ –	¥ 800	¥ 18	¥ 819

	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Securities: Available-for-sale securities				
National and local government bonds	$ 885,679	$ 1,077,349	$ –	$ 1,963,028
Bonds and debentures	–	1,363,094	325,414	1,688,508
Equity securities	847,084	–	–	847,084
Others	649,535	959,831	–	1,609,366
Derivative transactions:				
Currency transactions	–	700	–	700
Others	–	–	142	142
Total assets	$ 2,382,298	$ 3,400,974	$ 325,556	$ 6,108,828
Derivative transactions:				
Currency transactions	$ –	$ 5,993	$ –	$ 5,993
Others	–	–	142	142
Total liabilities	$ –	$ 5,993	$ 142	$ 6,135

Note:

*(*1) Securities do not include investment trusts to which the treatment, which considers net asset value as fair value, stipulated in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Corporate Accounting Standard Application Guidance No. 31, June 17, 2021 ASBJ) is applied. The amount of investment trusts to which the treatment of Paragraph 24-9 is applied in the consolidated balance sheet is ¥14,442 million ($108,161 thousand).*

Reconciliation from beginning balance to ending balance of investment trusts to which the treatment of Paragraph 24-9 is applied:

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Beginning balance	¥ 4,903	$ 36,723
Recorded to:		
Gains (losses)	–	–
Other comprehensive income *1	99	742
Net amount of purchases, sales and redemptions	9,439	70,696
Amount of investment trusts whose net asset value was considered to be fair value	–	–
Amount of investment trusts whose net asset value was not considered to be fair value	–	–
Ending balance	¥14,442	$ 108,161

Note:

*(*1) Included in "Net change in unrealized losses on available-for-sale securities" in "Other comprehensive income" in the consolidated statements of comprehensive income.*

Net unrealized gains (losses) on investment trusts held at the consolidated balance sheet among the amount recorded to gains (losses) are nil for the year ended March 31, 2023.

As of March 31, 2023, investment trusts to which the treatment of Paragraph 24-9 is applied of ¥14,442 million ($108,161 thousand) will require several months from the time of cancellation application to the time of cancellation of contract.

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Securities: Available-for-sale securities				
National and local government bonds	¥ 115,961	¥ 157,808	¥ –	¥ 273,770
Bonds and debentures	–	212,129	38,929	251,059
Equity securities	130,297	–	–	130,297
Others	54,023	61,975	–	115,999
Derivative transactions:				
Currency transactions	–	100	–	100
Others	–	–	30	30
Total assets	¥ 300,282	¥ 432,015	¥ 38,960	¥ 771,258
Derivative transactions:				
Currency transactions	¥ –	¥ 4,003	¥ –	¥ 4,003
Others	–	–	30	30
Total liabilities	¥ –	¥ 4,003	¥ 30	¥ 4,033

Notes:

*(*1) Investment trusts to which the transitional treatment stipulated in Paragraph 5-6 of the Supplementary Provision of the Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 9, March 6, 2020) was applied, were excluded from the above tables. The amount of such investment trusts in the consolidated balance sheet is ¥33,207 million.*

*(*2) Investments in partnerships to which the transitional treatment stipulated in Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (Corporate Accounting Standard Application Guideline No. 31, July 4, 2019 ASBJ) was applied, were excluded from the above tables. The amount of such investments in partnerships in the consolidated balance sheet is ¥1,067 million.*

Financial instruments other than those measured at fair values in the consolidated balance sheet:

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Others	¥ –	¥ 19,763	¥ –	¥ 19,763
Loans and bills discounted	–	–	3,613,745	3,613,745
Total assets	¥ –	¥ 19,763	¥ 3,613,745	¥ 3,633,508
Deposits	¥ –	¥ 4,353,608	¥ –	¥ 4,353,608
Borrowed money	–	297,752	23,306	321,059
Bonds payable	–	19,894	–	19,894
Total liabilities	¥ –	¥ 4,671,254	¥ 23,306	¥ 4,694,561

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	¥ –	¥ –	¥ 3,340,838	¥ 3,340,838
Total assets	¥ –	¥ –	¥ 3,340,838	¥ 3,340,838
Deposits	¥ –	¥ 4,089,451	¥ –	¥ 4,089,451
Borrowed money	–	642,919	26,718	669,638
Bonds payable	–	29,877	–	29,877
Total liabilities	¥ –	¥ 4,762,249	¥ 26,718	¥ 4,788,968

	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity debt securities				
Others	$ –	$ 148,004	$ –	$ 148,004
Loans and bills discounted	–	–	27,063,177	27,063,177
Total assets	$ –	$ 148,004	$ 27,063,177	$ 27,211,181
Deposits	$ –	$ 32,603,970	$ –	$ 32,603,970
Borrowed money	–	2,229,856	174,541	2,404,397
Bonds payable	–	148,986	–	148,986
Total liabilities	$ –	$ 34,982,812	$ 174,541	$ 35,157,353

Note 1. Valuation techniques and inputs used in measuring fair values

Financial assets:

Securities

When quoted unadjusted prices in active markets are available, fair values are categorized as Level 1. This includes mainly national government bonds and listed equity securities.

When quoted prices are not considered to be in active markets, fair values are categorized as Level 2. In addition, for investment trusts that do not have market prices, if there are no material restrictions on cancellation or repurchase requests to such an extent that market participants would require compensation for the risk, the net asset values are considered as the fair values, and the fair values are categorized as Level 2.

The fair value of privately placed bonds is calculated by discounting the estimated future cash flows at the risk-free rate plus the credit spread or the like, and categorized as Level 3.

For some other securities without published quoted prices, quoted prices obtained from an external business operator (broker, etc.) are considered as the fair values, and the fair values are categorized as Level 2 or Level 3 based on the inputs used.

Loans and bills discounted

The fair value of loans and bills discounted is calculated by discounting the estimated future cash flows at the risk-free rate plus the credit spread or the like, and fair value may be calculated by discounting at the interest rate that would be charged if a new loan were made, or fair value may be calculated by considering the value calculated by an option price calculation model, etc., depending on the nature of such loans, and the fair values are categorized as Level 3.

For loans to borrowers in legal bankruptcy, or de facto bankruptcy, or who are at risk of bankruptcy, a reserve for possible loan losses is estimated based on the present value of the estimated future cash flows or the amount expected to be collected from collaterals and/or guarantees. Thus, the fair value of such loans approximates the carrying amount of the receivables minus the corresponding reserve for possible loan losses on the consolidated balance sheets at the closing date. Therefore, such carrying amounts are deemed to be the fair value of such loans and categorized as Level 3.

Financial liabilities:

Deposits

The fair value of demand deposits is deemed the carrying amount on the consolidated balance sheet date. The fair value of time deposits and negotiable certificates of deposit is determined by discounting future cash flows by the term to maturity at the rate used for a new deposit. Therefore, the fair values are categorized as Level 2.

Borrowed money

The fair value of borrowed money is calculated mainly by discounting the future cash flows of principal and interest of the borrowed money by the interest rate that would be applicable to similar borrowings over a certain period of time.

When fair values are measured using unobservable inputs, the fair values are categorized as Level 3; otherwise, the fair values are categorized as Level 2.

Bonds payable

The fair value of bonds payable issued by the Bank is categorized as Level 2 as having a market price.

Derivative transactions

Derivative transactions are over-the-counter transactions, and since there is no published quoted market price, fair values are calculated using the present value technique according to the type of transaction and the period to maturity. The main inputs used in the valuation technique are interest rates and exchange rates. When unobservable inputs are not used or its effect is immaterial, the fair values are categorized as Level 2. This includes foreign currency forward contracts. When fair values are measured using significant unobservable inputs, the fair values are categorized as Level 3.

Note 2. Description of the fair value of Level 3 financial instruments carried on the consolidated balance sheet at fair values

Quantitative information on significant unobservable inputs:

2023

Category	Valuation methodology	Significant unobservable inputs	Input range	Weighted average of inputs
Securities: Available-for-sale securities				
Privately placed bonds	Present value technique	Discount rate	0.00% – 15.20%	0.11%

Category	Valuation methodology	Significant unobservable inputs	Input range	Weighted average of inputs
		2022		
Securities: Available-for-sale securities				
Privately placed bonds	Present value technique	Discount rate	0.00% – 5.95%	0.15%

Reconciliation from beginning balance to ending balance of available-for-sale securities and net unrealized gains (losses) recognized in the consolidated statements of income:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance	¥ 38,929	¥ 39,499	$ 291,545
Recorded to:			
Gains (losses) for the period *1	(8)	(6)	(63)
Other comprehensive income *2	(53)	(240)	(401)
Net amount of purchases, sales, issuance and settlements	4,584	(322)	34,333
Transfer to Level 3	–	–	–
Transfer from Level 3	–	–	–
Ending balance	¥ 43,452	¥ 38,929	$ 325,414

Notes:

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

*(*2) Included in "Net change in unrealized losses on available-for-sale securities" in "Other comprehensive income" in the consolidated statements of comprehensive income.*

Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet among the amounts recognized to gains (losses) are nil for the years ended March 31, 2023 and 2022.

Description of the fair value valuation process:

The Bank has established policies and procedures for the determination of fair value in the middle division, and each trading division determines fair value in accordance with these policies and procedures. The Bank verifies the validity of the valuation techniques and inputs used to determine fair value and the appropriateness of the level classification of the fair value.

Description of the effect on fair value when significant unobservable inputs are changed:

Discount rate

The discount rate is an adjustment to market interest rates, such as risk-free rates, and consists primarily of a risk premium, which is the amount of compensation required by market participants for the uncertainty of the cash flows of financial instruments arising from credit risk. In general, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.

4. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
National government bonds	¥ 118,264	¥ 115,961	$ 885,679
Local government bonds	143,858	157,808	1,077,350
Bonds and debentures	225,466	251,059	1,688,508
Equity securities	115,172	132,498	862,518
Other securities	273,962	167,290	2,051,692
	¥ 876,724	¥ 824,618	$ 6,565,747

Securities are classified as trading, held-to-maturity or available-for-sale securities. Such classification determines the respective accounting method to be applied as stipulated under the accounting standard for financial instruments. Securities in the accompanying consolidated balance sheets include marketable securities traded on stock exchanges.

At March 31, 2023, the carrying value and fair value of held-to-maturity debt securities were ¥20,000 million ($149,779 thousand) and ¥19,763 million ($148,004 thousand), respectively. At March 31, 2022, there were no held-to-maturity debt securities. No held-to-maturity debt securities were sold during the year ended March 31, 2023.

Gross unrealized gains and losses on available-for-sale securities with fair values at March 31, 2023 and 2022 are summarized as follows.

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair values at March 31, 2023:				
Equity securities	¥ 41,499	¥ 72,008	¥ (396)	¥ 113,111
Bonds:				
National government bonds	122,697	254	(4,687)	118,264
Local government bonds	145,877	12	(2,031)	143,858
Bonds and debentures	227,777	46	(2,357)	225,466
Others	242,577	517	(13,754)	229,341
	¥ 780,429	¥ 72,840	¥ (23,227)	¥ 830,042
Available-for-sale securities with fair values at March 31, 2022:				
Equity securities	¥ 45,256	¥ 85,910	¥ (869)	¥ 130,297
Bonds:				
National government bonds	117,954	3	(1,996)	115,961
Local government bonds	158,636	52	(880)	157,808
Bonds and debentures	251,902	167	(1,010)	251,059
Others	160,560	283	(10,559)	150,284
	¥ 734,311	¥ 86,417	¥ (15,317)	¥ 805,411

	Thousands of U.S. dollars			
Available-for-sale securities with fair values at March 31, 2023:				
Equity securities	$ 310,786	$ 539,268	$ (2,970)	$ 847,084
Bonds:				
National government bonds	918,879	1,906	(35,106)	885,679
Local government bonds	1,092,470	96	(15,217)	1,077,350
Bonds and debentures	1,705,813	351	(17,656)	1,688,508
Others	1,816,653	3,877	(103,003)	1,717,527
	$ 5,844,601	$ 545,498	$ (173,952)	$ 6,216,148

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized gains	¥ 49,668	¥ 71,100	$ 371,966
Deferred tax liabilities	(14,744)	(21,342)	(110,422)
Noncontrolling interest portion	–	(1)	–
Net unrealized gains in net assets	¥ 34,923	¥ 49,756	$ 261,544

During the years ended March 31, 2023 and 2022, the Group sold available-for-sale securities and recorded gains of ¥5,899 million ($44,178 thousand) and ¥7,786 million, respectively, and losses of ¥5,057 million ($37,875 thousand) and ¥1,675 million, respectively, in the accompanying consolidated statements of income.

At March 31, 2023 and 2022, the Group recorded losses on write-downs of available-for-sale securities with fair values due to other-than-temporary declines in value amounting to ¥27 million ($203 thousand) and ¥79 million, respectively.

5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bills discounted	¥ 20,330	¥ 19,186	$ 152,256
Loans on bills	75,030	73,055	561,899
Loans on deeds	3,240,673	2,978,832	24,269,254
Overdrafts	276,413	254,428	2,070,046
Others	13,841	13,069	103,658
	¥ 3,626,289	¥ 3,338,572	$ 27,157,113

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Group has rights to sell or pledge (repledge) bankers' acceptances, commercial bills, documentary bills and foreign bills bought without restrictions. The total face value of these bills amounted to ¥20,900 million ($156,522 thousand) and ¥19,576 million at March 31, 2023 and 2022, respectively.

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims are recorded in the following accounts: the bonds (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)) included in "securities," loans and bills discounted, foreign exchange, accrued interest and suspense payments included in "other assets," customers' liabilities for acceptances and guarantees, and when lending of securities as described in the notes is carried out, the securities (limited to loans for use and lease contracts) in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Legal bankruptcy and de facto bankruptcy	¥ 6,925	¥ 5,001	$ 51,862
Bankruptcy risk	69,354	60,314	519,390
Under observation:			
Loans past due three months or more	333	181	2,496
Restructured loans	12,181	9,867	91,227
Subtotal	88,794	75,364	664,975
Normal	3,592,580	3,311,934	26,904,666
Total	¥ 3,681,374	¥ 3,387,299	$ 27,569,641

"Legal bankruptcy and de facto bankruptcy" are claims against borrowers who have fallen into bankruptcy due to reasons such as the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, and the petition for the commencement of rehabilitation proceedings, and claims equivalent thereto.
"Bankruptcy risk" are loans to borrowers who are not currently in bankruptcy, but experiencing difficult financial situations and operating conditions and with a high possibility that the principal and interest cannot be collected according to the contract, excluding "legal bankruptcy and de facto bankruptcy."

"Loans past due three months or more" are loans for which the payment of the principal and/or interest is past due three months or more from the day following the contractual payment date, excluding "legal bankruptcy and de facto bankruptcy" and "bankruptcy risk."

"Restructured loans" are loans for which the Bank had restructured the terms and conditions in favor of borrowers in financial difficulties through measures such as the reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments and debt forgiveness in order to support the financial recovery of such borrowers. These exclude "legal bankruptcy and de facto bankruptcy," "bankruptcy risk" and "loans past due three months or more."

"Normal" are claims to borrowers not having particular problems regarding their financial situations and operating conditions, and excluding claims classified as "legal bankruptcy and de facto bankruptcy," "bankruptcy risk," "loans past due three months or more" and "restructured loans."

The above claim amounts are before deducting the reserve for possible loan losses.

(Changes in the presentation method)

In accordance with the “Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act” (Cabinet Office Ordinance No. 3, January 24, 2020), which came into effect on March 31, 2022, the classifications of “risk monitored loans” under the Banking Act are presented in accordance with the classifications of disclosed claims under the Act on Emergency Measures for the Revitalization of the Financial Functions.

6. Tangible Fixed Assets

At March 31, 2023 and 2022, major classifications of assets were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		2023	
Land	¥	24,616	¥	24,116	$	184,350
Buildings and structures		8,855		8,806		66,317
Equipment		3,301		3,212		24,723
Construction in progress		203		704		1,523
Tangible fixed assets	¥	36,976	¥	36,839	$	276,913

At March 31, 2023 and 2022, accumulated depreciation for tangible fixed assets amounted to ¥33,408 million ($250,198 thousand) and ¥32,906 million, respectively.

Pursuant to the Act on Revaluation of Land, effective March 31, 1998, the Bank elected a one-time revaluation to restate the cost of land used for the banking business at values reassessed, reflecting adjustments for geographical shape and other factors in accordance with municipal property tax bases. According to the Act, the amount equivalent to the tax effect on the excess of reassessed values over the original book values is to be recorded as “deferred tax liabilities for revaluation,” and the remainder of the excess, net of the tax effect, is to be recorded as “land revaluation excess” under accumulated other comprehensive income of net assets in the consolidated balance sheets. At March 31, 2023 and 2022, the differences in the carrying values of land used for the banking business after revaluation over market values amounted to ¥4,072 million ($30,496 thousand) and ¥4,039 million, respectively.

As permitted by Japanese GAAP, deferred capital gains on the sale of real property are deducted from the original acquisition costs of property which is newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2023 and 2022, ¥2,991 million ($22,402 thousand) and ¥2,991 million, respectively, were directly deducted from the acquisition costs of such land.

7. Pledged Assets

The carrying amounts of assets pledged as collateral and the related collateralized debt at March 31, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets pledged:			
Securities	¥ 174,859	¥ 231,601	$ 1,309,513
Loans and bills discounted	427,068	691,523	3,198,299
Other assets	20	20	153
Related collateralized debts:			
Deposits	¥ 21,845	¥ 21,347	$ 163,603
Payables under securities lending transactions	76,200	29,931	570,662
Borrowed money	277,569	642,692	2,078,705

8. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Demand deposits	¥ 3,121,836	¥ 2,935,156	$ 23,379,288
Time deposits	1,114,093	1,039,966	8,343,394
Other deposits	45,789	52,294	342,912
Subtotal	4,281,718	4,027,417	32,065,594
Negotiable certificates of deposit	71,850	61,999	538,081
	¥ 4,353,568	¥ 4,089,416	$ 32,603,675

9. Borrowed Money and Finance Lease Obligations

Borrowed money consisted principally of borrowings from financial institutions due through December 2028 with average interest rates of 0.09% and 0.01% per annum at March 31, 2023 and 2022, respectively. There were no financial lease obligations outstanding at March 31, 2023. At March 31, 2023 and 2022, borrowed money included subordinated borrowings with covenants that performance of obligation is subsequent to other obligations in the amount of ¥20,000 million ($149,778 thousand) and nil, respectively.

At March 31, 2023, the annual maturities of borrowed money were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 78,280	$ 586,237
2025	16,043	120,148
2026	4,235	31,722
2027	202,028	1,512,981
2028	480	3,595
2029 and thereafter	20,000	149,778
	¥ 321,067	$ 2,404,461

10. Bonds

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

	Millions of yen		Thousands of U.S. dollars			
	2023	2022	2023	Interest rate	Collateral	Due
2nd Unsecured bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements)	¥ –	¥ 10,000	$ 74,890	0.48% October 18, 2017 to October 17, 2022 0.37% +6-month JPY LIBOR After October 18, 2022	–	October 18, 2027
3rd Unsecured bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements)	¥ 10,000	¥ 10,000	$ 74,890	0.40% October 12, 2018 to October 11, 2023 0.24% +6-month JPY LIBOR After October 12, 2023	–	October 12, 2028

4th Unsecured bonds with early redemption clauses (with special contracts for exemption at the time of de facto bankruptcy and subordination agreements) (Green bond)	¥ 10,000	¥ 10,000	$ 74,890	0.44% December 13, 2019 to December 12, 2024 0.45% +6-month JPY LIBOR After December 13, 2024	–	December 13, 2029

11. Employee Retirement Benefits

The Bank maintains “funded and unfunded defined benefit plans” and “a selection of either a defined contribution plan or prepayment of retirement allowance” for employee retirement benefits. Eligible employees are entitled to receive lump-sum payments or pension payments based on the level of salary and the length of service under the defined benefit (“DB”) corporate pension plans, all of which are funded plans. The Bank has set up retirement benefit trusts for certain plans among the defined benefit corporate pension plans. Eligible employees are entitled to receive lump-sum payments based on the level of salary and the length of service under the lump-sum payment plans, most of which are funded by establishing retirement benefit trusts; however, some are unfunded plans. Some of the Bank’s consolidated subsidiaries participate in a multi-employer pension program under a certain public pension plan as part of the lump-sum retirement benefit plan. Some other consolidated subsidiaries have each adopted only the lump-sum retirement benefit plan. The consolidated subsidiaries use the simplified method in calculating employee retirement defined benefit liability and retirement benefit expenses. Under this method, the amount for severance payments required at the fiscal year end for voluntary termination is deemed the retirement benefit obligation.

(a) Defined benefit plans

(1) Movement in retirement benefit obligations, excluding plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥ 28,853	¥ 29,713	$ 216,083
Service cost	764	782	5,727
Interest cost	86	89	648
Actuarial differences	8	66	62
Retirement benefits paid	(1,780)	(1,798)	(13,333)
Balance at the end of the year	¥ 27,932	¥ 28,853	$ 209,187

(2) Movement in plan assets, excluding plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥ 42,717	¥ 40,452	$ 319,908
Expected return on pension plan assets	452	437	3,392
Actuarial differences	(2,810)	2,709	(21,045)
Contribution paid by employer	216	224	1,619
Retirement benefits paid	(1,145)	(1,107)	(8,580)
Balance at the end of the year	¥ 39,430	¥ 42,717	$ 295,294

(3) Movement in employee retirement benefit liability for plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Employee retirement benefit liability at the beginning of the year	¥ 280	¥ 132	$ 2,102
Increase due to the acquisition of consolidated subsidiary	–	172	–
Retirement benefit expenses	73	54	547
Retirement benefits paid	(54)	(79)	(408)
Employee retirement benefit liability at the end of year	¥ 299	¥ 280	$ 2,241

(4) Reconciliation from retirement benefit obligation and plan assets to retirement benefit (asset) liability recognized in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligation	¥ 27,990	¥ 28,900	$ 209,623
Plan assets	(39,430)	(42,717)	(295,294)
	(11,439)	(13,816)	(85,671)
Unfunded retirement benefit obligation	241	233	1,806
Net retirement benefit (asset) liability	¥ (11,198)	¥ (13,583)	$ (83,865)
Employee retirement benefit liability	¥ 2,899	¥ 2,311	$ 21,717
Employee retirement benefit assets	(14,098)	(15,894)	(105,582)
Net retirement benefit (asset) liability	¥ (11,198)	¥ (13,583)	$ (83,865)

(5) Net periodic retirement benefit expense and its breakdown:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 764	¥ 782	$ 5,727
Interest cost	86	89	648
Expected return on plan assets	(452)	(437)	(3,392)
Amortization of actuarial differences	(778)	33	(5,832)
Amortization of past service cost	(144)	(144)	(1,086)
Retirement benefit expenses for plans applying the simplified method	73	54	547
Others	2	5	20
Net periodic retirement benefit expense of defined benefit plans	¥ (449)	¥ 381	$ (3,368)

(6) Retirement benefit adjustments in other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Past service cost	¥ (144)	¥ (144)	$ (1,086)
Actuarial differences	(3,597)	2,676	(26,939)
Total	¥ (3,742)	¥ 2,531	$ (28,025)

(7) Retirement benefit adjustments in accumulated other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized past service cost	¥ 289	¥ 434	$ 2,171
Unrecognized actuarial differences	1,507	5,104	11,291
Total	¥ 1,797	¥ 5,539	$ 13,462

(8) Plan assets

(i) Plan assets comprise:

	2023	2022
Debt securities	32%	33%
Equity securities	34%	34%
Cash and deposits	8%	10%
General accounts	26%	23%
Total *	100%	100%

Note: As of March 31, 2023 and 2022, assets in retirement benefit trusts set up for the defined benefit pension plans and lump-sum retirement benefit plans represented 42% and 46% of total plan assets, respectively.

(ii) Determination of long-term expected rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the Group considers the current and target asset allocations as well as the current and expected long-term rates of return on various asset categories comprising plan assets.

(9) Actuarial assumptions at the end of the year:

	2023	2022
Discount rate	0.3%	0.3%
Long-term expected rate of return on plan assets	1.5%	1.5%

Note: The Bank maintains a point system for defined benefit corporate pension plans and lump-sum payment plans. Points are calculated based on past salaries.

(b) Defined contribution plans

The required contribution of the Bank and its consolidated subsidiaries to defined contribution plans amounted to ¥214 million ($1,605 thousand) and ¥209 million for the years ended March 31, 2023 and 2022, respectively.

12. Acceptances and Guarantees

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

Guarantees are provided on certain privately placed bonds included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥43,497 million ($325,749 thousand) and ¥38,915 million at March 31, 2023 and 2022, respectively.

13. Net Assets

At both March 31, 2023 and 2022, there were 50 million shares of common stock without par value authorized, and 17,355,487 and 17,655,487 shares of common stock issued, respectively. At March 31, 2023 and 2022, the Group held 79 thousand and 133 thousand shares of treasury stock, respectively.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate 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.

Capital surplus consists principally of additional paid-in capital. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as appropriation of retained earnings shall be appropriated as legal earnings reserve until the total amount of additional paid-in capital and legal earnings reserve equals 100% of common stock. The legal earnings reserve has been included in the retained earnings in the accompanying consolidated balance sheets. Under the Act, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders’ meeting. The additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends.

At both March 31, 2023 and 2022, the legal earnings reserve amounted to ¥8,029 million ($60,136 thousand).

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

14. Stock Options

(a) Expenses for stock options, etc.

The Bank recorded stock option expenses of ¥25 million ($194 thousand) and ¥26 million in "General and administrative expenses" for the years ended March 31, 2023 and 2022, respectively.

(b) Outline of stock options

i) Outline of stock options:

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Resolution date	July 29, 2014	July 29, 2015	July 27, 2016	July 26, 2017
Position and number of grantees	13 directors of the Bank excluding outside directors	13 directors of the Bank excluding outside directors	12 directors of the Bank excluding outside directors	12 directors of the Bank excluding outside directors
Number of options granted *(*1)*	10,980 common shares of the Bank	8,870 common shares of the Bank	12,280 common shares of the Bank	9,620 common shares of the Bank
Grant date	August 13, 2014	August 13, 2015	August 12, 2016	August 10, 2017
Conditions for vesting	Not defined	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined	Not defined
Exercise period	August 14, 2014 to August 13, 2064	August 14, 2015 to August 13, 2065	August 13, 2016 to August 12, 2066	August 11, 2017 to August 10, 2067
Number of stock acquisition rights	336 *(*2)*	276 *(*2)*	404 *(*2)*	418 *(*2)*
Type, content and number of shares to be issued upon the exercise of stock acquisition rights	3,360 common shares of the Bank *(*3)*	2,760 common shares of the Bank *(*3)*	4,040 common shares of the Bank *(*3)*	4,180 common shares of the Bank *(*3)*
Amount to be paid upon the exercise of stock acquisition rights	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock	Issue price: ¥3,471 ($25.99) per share *(*4)*	Issue price: ¥4,591 ($34.38) per share *(*4)*	Issue price: ¥2,951 ($22.10) per share *(*4)*	Issue price: ¥3,783 ($28.33) per share *(*4)*
Conditions for exercise of stock acquisition rights	*(*5)*	*(*5)*	*(*5)*	*(*5)*
Criteria for the transfer of stock acquisition rights	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.
Matters related to the issuance of stock acquisition rights in connection with organizational restructuring	*(*6)*	*(*6)*	*(*6)*	*(*6)*

	2018 stock options	2019 stock options	2020 stock options	2021 stock options
Resolution date	June 22, 2018	June 21, 2019	June 26, 2020	June 25, 2021
Position and number of grantees	9 directors of the Bank excluding outside directors	8 directors of the Bank excluding outside directors	9 directors of the Bank excluding directors serving as Audit & Supervisory Committee members and outside directors	9 directors of the Bank excluding directors serving as Audit & Supervisory Committee members and outside directors
Number of options granted *(*1)*	7,660 common shares of the Bank	8,090 common shares of the Bank	13,430 common shares of the Bank	12,240 common shares of the Bank
Grant date	July 9, 2018	July 8, 2019	July 13, 2020	July 12, 2021
Conditions for vesting	Not defined	Not defined	Not defined	Not defined
Requisite service period	Not defined	Not defined	Not defined	Not defined
Exercise period	July 10, 2018 to July 9, 2068	July 9, 2019 to July 8, 2069	July 14, 2020 to July 13, 2070	July 13, 2021 to July 12, 2071
Number of stock acquisition rights	463 *(*2)*	551 *(*2)*	954 *(*2)*	1,224 *(*2)*
Type, content and number of shares to be issued upon the exercise of stock acquisition rights	4,630 common shares of the Bank *(*3)*	5,510 common shares of the Bank *(*3)*	9,540 common shares of the Bank *(*3)*	12,240 common shares of the Bank *(*3)*
Amount to be paid upon the exercise of stock acquisition rights	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock	Issue price: ¥3,514 ($26.32) per share *(*4)*	Issue price: ¥3,040 ($22.77) per share *(*4)*	Issue price: ¥1,981 ($14.84) per share *(*4)*	Issue price: ¥2,135 ($15.99) per share *(*4)*
Conditions for the exercise of stock acquisition rights	*(*5)*	*(*5)*	*(*5)*	*(*5)*
Criteria for the transfer of stock acquisition rights	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.	Approval by the Board of Directors is required.
Matters related to the issuance of stock acquisition rights in connection with organizational restructuring	*(*6)*	*(*6)*	*(*6)*	*(*6)*

Notes:

*(*1) The number of stock options is calculated in terms of the number of shares.*

*(*2) The number of shares to be issued upon the exercise of each stock acquisition right (the "Number of Shares Granted") is 10 shares.*

*(*3) Number of shares subject to stock acquisition rights*

The Number of Shares Granted is adjusted using a certain formula if the Bank conducts a stock split of its common stock (including the allotment of its common stock without consideration, the same shall apply hereinafter for the provisions of the stock split) or a stock consolidation after the date when the stock acquisition rights were allotted (the "Allotment Date"). Any fractional shares less than one share arising from the adjustment shall be rounded down.

The applicable formula is as follows: Number of Shares Granted after adjustment = Number of Shares Granted before adjustment x Ratio of stock split or stock consolidation. In addition, the Bank may make reasonable adjustments to the Number of Shares Granted as appropriate due to a merger, corporate split, etc., after the Allotment Date.

*(*4) The amount to be incorporated into capital stock shall be half of the maximum amount of increase in capital stock calculated pursuant to Article 17(1) of the "Rules of Corporate Accounting," with fractions of less than ¥1 resulting from the calculation rounded up.*

*(*5) Conditions for the exercise of stock acquisition rights*

(1) Holders of stock acquisition rights ("Rights Holder(s)") may exercise their stock acquisition rights from the day following the day when their position as Bank director terminates.

(2) The above (1) is not applicable to a successor who acquires the rights by inheritance.

(3) Rights Holders cannot exercise stock acquisition rights when they abandon the rights.

*(*6) Matters pertaining to the issuance of stock acquisition rights resulting from organizational restructuring*

If the Bank merges (limited to cases in which the Bank becomes a dissolving company), conducts an absorption-type company split or an incorporation-type company split (limited to cases in which the Bank becomes a splitting company) or conducts a share exchange or a share transfer (limited to cases in which the Bank becomes a wholly owned subsidiary) (collectively, the "Organizational Restructuring"), stock acquisition rights of a stock company described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (the "Restructured Company") shall be delivered to the Rights Holders of stock acquisition rights remaining unexercised (the "Remaining Stock Acquisition Rights") immediately prior to the effective date of the Organizational Restructuring (the effective date of an absorption-type merger), the date of establishment of the stock company incorporated in a consolidation-type merger, the effective date of an absorption-type company split, the date of establishment of a stock company incorporated in an incorporation-type company split, the effective date of the share exchange in the case of a share exchange or the date of establishment of the wholly-owning parent company upon a share transfer. However, the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Restructured Company according to the following conditions was stipulated in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

(1) Number of stock acquisition rights of the Restructured Company to be delivered

The same number as the Remaining Stock Acquisition Rights held by the Rights Holders.

(2) Class of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights

Common stock of the Restructured Company

(3) Number of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights

*Shall be determined according to (*3) above after taking into consideration the conditions for the Organizational Restructuring and any other related matters.*

(4) Value of the assets to be contributed upon the exercise of stock acquisition rights

The value of the assets to be contributed upon the exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization as stipulated below by the number of shares of the Restructured Company to be issued upon the exercise of stock acquisition rights determined in accordance with (3) above. The exercise price after reorganization is ¥1 per share of the Restructured Company to be delivered upon the exercise of the issued stock acquisition rights.

(5) Exercise period of stock acquisition rights

Starting from the later of either the first date of the exercise period for the stock acquisition rights as stipulated in the "Exercise period" above or the effective date of the Organizational Restructuring and ending on the expiration date for the exercise of stock acquisition rights as stipulated in the "Exercise period" above.

(6) Matters concerning capital stock and capital surplus to be increased when shares are issued upon the exercise of stock acquisition rights

Shall be determined in accordance with the above "Issue price of shares due to the exercise of stock acquisition rights and amount to be incorporated into capital stock."

(7) Restriction on acquisition of stock acquisition rights by transfer

Acquisition of stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Restructured Company.

(8) Conditions for acquisition of stock acquisition rights

Shall be determined in accordance with the items below.

If any of the below proposals (a, b, c, d or e) is approved by the shareholders' meeting of the Bank (or by the Board of Directors of the Bank if the approval of the shareholders' meeting is not required), the Bank may acquire stock acquisition rights at the date specifically determined by the Board of Directors of the Bank without any compensation therefor.

a. A proposal for the approval of any merger agreement under which the Bank is dissolved
b. A proposal for the approval of any company split agreement or plan in which the Bank will be a splitting company
c. A proposal for the approval of any share exchange agreement or share transfer plan in which the Bank will be a wholly owned subsidiary
d. A proposal for the approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares to be issued by the Bank will be subject to the Bank's approval
e. A proposal for the approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares in the relevant class to be issued upon the exercise of stock acquisition rights will be subject to the Bank's approval or the Bank may acquire all of the shares in the relevant class to be issued upon the exercise of stock acquisition rights following the resolution by the shareholders' meeting of the Bank

(9) Other conditions for the exercise of stock acquisition rights
*Shall be determined in accordance with (*5) above.*

ii) Size and changes in stock options:

The following describes the size of and changes in stock options that existed during the year ended March 31, 2023. The number of stock options is calculated in terms of the number of shares. The Bank abolished the stock-remuneration type stock option plan and introduced a restricted share-based remuneration plan in the year ended March 31, 2023. As a result, there were no stock options as of March 31, 2023.

a) Number of stock options

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Nonvested				
April 1, 2022 – Outstanding	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
March 31, 2023 – Outstanding	–	–	–	–
Vested				
April 1, 2022 – Outstanding	3,360 shares	2,760 shares	4,040 shares	4,180 shares
Vested	–	–	–	–
Exercised	750 shares	640 shares	930 shares	750 shares
Forfeited	2,610 shares	2,120 shares	3,110 shares	3,430 shares
March 31, 2023 – Outstanding	–	–	–	–

	2018 stock options	2019 stock options	2020 stock options	2021 stock options
Nonvested				
April 1, 2022 – Outstanding	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
March 31, 2023 – Outstanding	–	–	–	–
Vested				
April 1, 2022 – Outstanding	4,630 shares	5,510 shares	9,540 shares	12,240 shares
Vested	–	–	–	–
Exercised	1,440 shares	1,660 shares	2,610 shares	4,520 shares
Forfeited	3,190 shares	3,850 shares	6,930 shares	7,720 shares
March 31, 2023 – Outstanding	–	–	–	–

b) Price information

	2014 stock options	2015 stock options	2016 stock options	2017 stock options
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	¥3,095 ($23.18) per share	¥3,095 ($23.18) per share	¥3,095 ($23.18) per share	¥3,095 ($23.18) per share
Fair value at grant date	¥3,470 ($25.99) per share	¥4,590 ($34.37) per share	¥2,950 ($22.09) per share	¥3,782 ($28.32) per share

	2018 stock options	2019 stock options	2020 stock options	2021 stock options
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	¥3,095 ($23.18) per share	¥3,095 ($23.18) per share	¥3,095 ($23.18) per share	¥3,095 ($23.18) per share
Fair value at grant date	¥3,513 ($26.31) per share	¥3,039 ($22.76) per share	¥1,980 ($14.83) per share	¥2,134 ($15.98) per share

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

Valuation technique to estimate fair value of stock options

a) Valuation technique used: Black-Scholes model

b) Major assumptions and estimation method

	2021 stock options
Expected volatility *(*1)*	29.749%
Expected life *(*2)*	6.0 years
Expected dividends *(*3)*	¥70 per share
Risk-free interest rate *(*4)*	(0.121)%

*Notes: (*1) Expected volatility is calculated based on the daily closing prices on each trading day during the period from July 12, 2015 to July 12, 2021.*
*(*2) Expected life is estimated based on the average term of office of directors, etc., who retired during the past 10 years.*
*(*3) Expected dividends are the actual dividends for the year ended March 31, 2021.*
*(*4) Risk-free interest rate is a Japanese government bond yield which corresponds to the expected life.*

iii) Method of estimating the number of stock options vested

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

(c) Outline, size and changes of restricted shares

i) Outline of restricted shares:

	Granted on July 22, 2022 (1)
Position and number of grantees	5 directors of the Bank excluding Directors who are Audit and Supervisory Committee Members and outside Directors
Number of options granted *(*1)*	32,960 common shares of the Bank
Grant date	July 22, 2022
Requisite service period	Rights were forfeited for stock acquisition rights allotted to applicable Directors as stock-remuneration type stock options that were not exercised and restricted share-based remuneration was granted instead
Transfer restriction period	Period from July 22, 2022 to the date of retirement of the allottee from the position of Director of the Bank
Conditions for lifting restrictions	The applicable Director has been a Director of the Bank continuously from the commencement date of the transfer restriction period until the date of the Annual General Meeting of Shareholders of the Bank which comes first after the commencement date of the transfer restriction period
Fair value at grant date	¥3,105 ($23.25)

*(*1) The amounts lifted restrictions were nil at March 31,2023.*

	Granted on July 22, 2022 (2)
Position and number of grantees	8 directors of the Bank excluding Directors who are Audit and Supervisory Committee Members and outside Directors
Number of options granted *(*1)*	7,721 common shares of the Bank
Grant date	July 22, 2022
Requisite service period	Period from the 104th Annual General Meeting of Shareholders of the Bank to the 105th Annual General Meeting of Shareholders scheduled to be held in June 2023
Transfer restriction period	Period from July 22, 2022 to the date of retirement of the allottee from the position of Director of the Bank
Conditions for lifting restrictions	The applicable Director has been a Director of the Bank continuously from the commencement date of the transfer restriction period until the date of the Annual General Meeting of Shareholders of the Bank which comes first after the commencement date of the transfer restriction period
Fair value at grant date	¥3,105 ($23.25)

*(*1) The amounts lifted restrictions were nil at March 31,2023.*

15. Commitments

(a) Loan commitments

Overdraft facilities and loan commitment lines are contracts under which the Bank is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the applicable contract. At March 31, 2023 and 2022, the unused amounts of these contracts amounted to ¥742,178 million ($5,558,140 thousand) and ¥761,518 million, respectively. The unused contract amounts included amounts which originally expire within one year or are revocable by the Bank at any time without any conditions in the amount of ¥718,948 million ($5,384,176 thousand) and ¥737,538 million at March 31, 2023 and 2022, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank to refuse customers' applications for loans or decrease the contract limits for appropriate reasons (e.g., changes in the financial situation and deterioration in the customer's creditworthiness). At the execution of such contracts, the Bank obtains real estate, securities, etc. as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of its customers' business results based on internal rules and may take necessary measures that include reconsidering the terms and conditions of such contracts and/or requiring additional collateral and/or guarantees.

(b) Lease commitments

(Lessee contracts)
The Group leases certain office space and equipment as lessee under long-term noncancellable lease contracts. The aggregate future minimum lease commitments for noncancellable operating leases at March 31, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating leases as lessee:			
Due within one year	¥ 286	¥ 285	$ 2,145
Due after one year	174	171	1,304
	¥ 460	¥ 456	$ 3,449

(Lessor contracts)
A consolidated subsidiary, engaged in leasing operations as lessor, entered into long-term, noncancellable lease contracts with third parties which were categorized as finance leases. At March 31, 2023 and 2022, investments in the leased assets as lessor consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Future minimum lease payments to be received	¥ 32,879	¥ 33,181	$ 246,233
Estimated residual value	5,509	5,494	41,259
Imputed interest	(3,021)	(2,998)	(22,627)
Investments in leased assets	¥ 35,367	¥ 35,676	$ 264,865

The aggregate annual maturities of future minimum lease payments to be received related to lease receivables and investments in leased assets at March 31, 2023 were as follows.

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31,	Lease receivables	Investments in leased assets	Lease receivables	Investments in leased assets
2024	¥ 354	¥ 10,867	$ 2,658	$ 81,384
2025	331	8,504	2,480	63,690
2026	282	6,097	2,113	45,667
2027	154	3,905	1,157	29,247
2028	118	2,083	885	15,601
2029 and thereafter	124	1,421	935	10,644
	¥ 1,365	¥ 32,879	$ 10,228	$ 246,233

At March 31, 2023 and 2022, future lease payments to be received for noncancellable operating leases were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating leases as lessor:			
Due within one year	¥ 220	¥ 164	$ 1,649
Due after one year	357	242	2,676
	¥ 577	¥ 407	$ 4,325

16. Derivative Instruments

At March 31, 2023 and 2022, derivative instruments, other than those to which hedge accounting was applied, were stated at fair value with valuation gains and losses recognized as current earnings in the accompanying consolidated statements of income as follows.

	Millions of yen			
	Notional principal or contract amounts			
	Total	Over one year	Fair value *	Valuation gain (loss)
March 31, 2023:				
Currency swaps	¥ 64,995	¥ –	¥ (800)	¥ (800)
Forward foreign exchange contracts	9,070	–	93	93
March 31, 2022:				
Currency swaps	¥ 58,118	¥ –	¥ (3,882)	¥ (3,882)
Forward foreign exchange contracts	7,154	–	(19)	(19)

	Thousands of U.S. dollars			
March 31, 2023:				
Currency swaps	$ 486,748	$ –	$ (5,993)	$ (5,993)
Forward foreign exchange contracts	67,931	–	700	700

Other derivative instruments at March 31, 2023 and 2022 were as follows.

	Millions of yen			
	Notional principal or contract amounts			
	Total	Over one year	Fair value *	Valuation gain (loss)
March 31, 2023:				
Earthquake derivatives:				
Selling	¥ 1,140	¥ 15	¥ (18)	¥ –
Buying	1,140	15	18	–
March 31, 2022:				
Earthquake derivatives:				
Selling	¥ 2,120	¥ 125	¥ (30)	¥ –
Buying	2,120	125	30	–

	Thousands of U.S. dollars			
March 31, 2023:				
Earthquake derivatives:				
Selling	$ 8,537	$ 112	$ (142)	$ –
Buying	8,537	112	142	–

There were no derivative instruments to which hedge accounting was applied at either March 31, 2023 or 2022.

17. Income Taxes

Income taxes for the years ended March 31, 2023 and 2022 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Income taxes:			
Current	¥ 2,728	¥ 4,278	$ 20,432
Deferred	376	102	2,821
	¥ 3,104	¥ 4,381	$ 23,253

At March 31, 2023 and 2022, income taxes receivable, including enterprise taxes, amounting to ¥682 million ($5,107 thousand) and ¥419 million, respectively, were included in "other assets" in the accompanying consolidated balance sheets.
At March 31, 2023 and 2022, income taxes payable, including enterprise taxes, amounting to ¥773 million ($5,790 thousand) and ¥2,209 million, respectively, were included in "other liabilities" in the accompanying consolidated balance sheets.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Reserve for possible loan losses	¥ 4,266	¥ 3,958	$ 31,953
Employee retirement benefit (asset) liability	(3)	(734)	(29)
Loss on devaluation of stocks and other securities	1,806	1,877	13,530
Reserve for contingent losses	382	322	2,863
Depreciation	1,081	1,241	8,100
Others	2,253	2,686	16,874
Less valuation allowance	(3,103)	(3,422)	(23,242)
Subtotal	6,683	5,930	50,049
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(14,744)	(21,342)	(110,422)
Gain on the transfer of securities to trusts for retirement benefit plan	(2,224)	(2,224)	(16,658)
Others	(1,475)	(1,482)	(11,050)
Subtotal	(18,444)	(25,049)	(138,130)
Net deferred tax assets (liabilities)	¥ (11,761)	¥ (19,118)	$ (88,081)

At March 31, 2023 and 2022, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets	¥ 739	¥ 765	$ 5,537
Deferred tax liabilities	(12,500)	(19,884)	(93,618)

In assessing the realizability of deferred tax assets, the Group's management considers whether some portion, or all of the deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At both March 31, 2023 and 2022, a valuation allowance was provided to reduce deferred tax assets to amounts that management believed would be realizable.

The Group is subject to Japanese national and local income taxes, which in the aggregate resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022. Reconciliation between the Japanese statutory tax rate and the effective tax rate on pretax profit reflected in the accompanying consolidated statements of income for the years ended March 31, 2023 and 2022 was as follows.

	Percentage of pretax profit	
	2023	2022
Japanese statutory tax rate	30.6 %	30.6 %
Increase (decrease) due to:		
Permanently nondeductible expenses	0.4	0.2
Tax exempt income	(2.1)	(1.4)
Local minimum taxes - per capita basis	0.5	0.4
Changes in valuation allowance	(3.0)	(1.5)
Others	0.7	(1.0)
Effective tax rate	27.0 %	27.3 %

18. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2023 and 2022 included the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries and allowances (including bonuses)	¥ 15,157	¥ 15,259	$ 113,510
Retirement benefit expenses	(256)	569	(1,920)

19. Comprehensive Income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net change in unrealized losses on available-for-sale securities:			
Decrease during the year	¥ (22,027)	¥ (2,512)	$ (164,961)
Reclassification adjustments	596	(5,011)	4,470
Pretax amount	(21,430)	(7,524)	(160,491)
Tax effect amount	6,597	2,035	49,411
Net change in unrealized losses on available-for-sale securities, net of tax	(14,832)	(5,488)	(111,080)
Net change in deferred gains on hedging instruments:			
Increase during the year	153	13	1,146
Reclassification adjustments	(153)	(13)	(1,146)
Pretax amount	–	–	–
Tax effect amount	–	–	–
Net change in deferred gains on hedging instruments, net of tax	–	–	–
Land revaluation excess:			
Decrease during the year	(19)	–	(149)
Reclassification adjustments	–	–	–
Pretax amount	(19)	–	(149)
Tax effect amount	–	–	–
Land revaluation excess, net of tax	(19)	–	(149)
Retirement benefit adjustments:			
(Decrease) increase during the year	(2,818)	2,643	(21,107)
Reclassification adjustments	(923)	(111)	(6,918)
Pretax amount	(3,742)	2,531	(28,025)
Tax effect amount	1,145	(774)	8,575
Retirement benefit adjustments, net of tax	(2,597)	1,756	(19,450)
Total other comprehensive income	¥ (17,449)	¥ (3,731)	$ (130,679)

20. Related Party Transactions

During the years ended March 31, 2023 and 2022, the Bank had significant transactions with directors as well as audit and supervisory board members and their immediate family members of the Bank or its significant subsidiaries, and/or the companies in which they held directly or indirectly a majority voting interest.

A summary of the significant related party transactions as of and for the years ended March 31, 2023 and 2022 is as follows.

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		2023	
For the year:						
Number of related parties		2		7		
Amount of loan transactions (average balance)	¥	40	¥	166	$	305
At year end:						
Loans and bills discounted	¥	40	¥	166	$	305

21. Business Combinations

Business combination by acquisition

(a) Outline of the transaction

(1) Name and business of the company acquired

Name: NAIS CO., LTD.
Business: ICT business

(2) Major reason for the business combination

The Bank's 21st Medium-term Management Plan, "Hastening Evolution Toward the Business of Creating Better Futures," has "Leveraging technology" as one of its key strategies. The Bank aims to improve customer convenience and raise work efficiency through NAIS's excellent human resources, ICT technological strength, and its extensive experience.

(3) Date of the business combination
June 21, 2021 (Date of the deemed acquisition: April 1, 2021)

(4) Legal form of the business combination
Acquisition of shares in consideration for cash

(5) Name of the company after the business combination
Unchanged

(6) Ratio of voting rights acquired

Ratio of voting rights immediately before:	4.9%
Ratio of voting rights additionally acquired on the date of business combination:	95.1%
Ratio of voting rights after the acquisition:	100.0%

(7) Basis for determining the acquirer
It is based on the fact that the Bank acquired shares in consideration for cash.

(b) Period for which the acquired company's business results are included in the consolidated statements of income
April 1, 2021 to March 31, 2022

(c) Acquisition cost of the acquired company and details of each class of consideration

Consideration paid for the acquisition	Cash	¥348 million
Acquisition cost		¥348 million

(d) Difference between the cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition
¥14 million

(e) Details of assets acquired and liabilities assumed at the date of the business combination

	Millions of yen
Current assets	¥ 1,590
Non-current assets	425
Total assets	¥ 2,016
Current liabilities	¥ 906
Long-term liabilities	383
Total liabilities	¥ 1,290

(f) Amount and reason of gain on negative goodwill recognized

(1) Amount of gain on negative goodwill
¥362 million

(2) Reason for negative goodwill recognized
Since the net asset value of the acquired company at the time of business combination exceeded the acquisition cost, the difference is recognized as gain on negative goodwill.

Transaction under common control
Acquisition of additional shares of a subsidiary

(a) Outline of the transaction

(1) Name and business of the company under the business combination

Name: Nagoya Card Co., Ltd. (a consolidated subsidiary of the Bank)
Business: Credit card business and assurance business

(2) Date of the business combination
March 30, 2022

(3) Legal form of the business combination
Acquisition of shares from noncontrolling shareholders

(4) Name of company after the business combination
Unchanged

(5) Other matters related to the business combination
The ratio of voting rights of the additionally acquired shares is 46.6%, and Nagoya Card Co., Ltd. became a wholly owned subsidiary of the Bank. The acquisition of the additional shares was made to further strengthen collaboration in order to build a system that can meet the diverse needs of customers.

(b) Outline of accounting treatment
This transaction was accounted for as a transaction with noncontrolling shareholders under common control in accordance with the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(c) Acquisition of additional shares of subsidiaries
Acquisition cost of the acquired company and details of each class of consideration

Consideration paid for the acquisition	Cash	¥592 million
Acquisition cost		¥592 million

(d) Change in capital surplus of the Bank in connection with the transaction with noncontrolling shareholders

(1) Major reason for change in capital surplus
Acquisition of additional shares of a subsidiary

(2) Increase in capital surplus due to the transaction with noncontrolling shareholders
¥10 million

22. Revenue Recognition

Information about the breakdown of revenues from contracts with customers is as described in Note 24, “Segment Information.”

23. Subsequent Events

There are no material subsequent events.

24. Segment Information

(a) General information about reportable segments

The Group defines a reportable segment as a component of the Group for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about the allocation of resources and to assess performance.

The Group engages in financial services, primarily in banking but also in comprehensive finance leasing services and credit card services. The reportable segments of the Group are determined based on the types of financial services as follows.

"Banking" — head office and branches

- Deposits and loans
- Domestic and foreign exchange transactions
- Securities investments
- Trading of trading account securities
- Underwriting and registration of corporate bonds

"Leasing" — Nagoya Lease Co., Ltd., a domestic subsidiary of the Bank

- Comprehensive finance leasing business

"Credit Card" — Nagoya Card Co., Ltd. and Nagoya MC Card Co., Ltd., domestic subsidiaries of the Bank

- Credit card business

(b) Basis of measurement for segment profit, segment assets, segment liabilities and other material items for each reportable segment

The basis of measurement for reportable segment information follows the accounting principles used in the consolidated financial statements as described in Note 2, "Summary of Significant Accounting Policies." Segment profit is based on "ordinary income," which is defined as total income less certain special gains and special losses included in the accompanying consolidated statements of income. Intersegment income is accounted for based on prices of ordinary transactions with independent third parties.

(c) Information about reportable segment profit, segment assets, segment liabilities, other material items by reportable segment and breakdown of revenues

Segment information as of and for the years ended March 31, 2023 and 2022 was as follows.

	Millions of yen					
	2023					
	Reportable segments					
	Banking	Leasing	Credit Card	Total	Other *(*2)*	Total
Trust fees	¥ 58	¥ –	¥ –	¥ 58	¥ –	¥ 58
Service revenues:						
Deposits and loans	5,793	–	–	5,793	–	5,793
Exchange transactions	2,501	–	–	2,501	–	2,501
Securities related services	2,108	–	–	2,108	–	2,108
Agency services	1,384	–	–	1,384	–	1,384
Others	1,287	–	–	1,287	–	1,287
Revenues from other operations:						
Credit card	–	–	1,843	1,843	–	1,843
Others	–	1,092	–	1,092	2,653	3,745
Ordinary income arising from contracts with customers *(*1)*	13,133	1,092	1,843	16,069	2,653	18,722
Other ordinary income *(*1)*	42,635	18,055	273	60,964	77	61,042
External customers	55,769	19,147	2,116	77,034	2,730	79,765
Intersegment	1,254	195	228	1,678	78	1,757
Total ordinary income	57,024	19,343	2,344	78,712	2,809	81,522
Segment profit	10,713	559	735	12,008	477	12,486
Segment assets	5,054,746	55,672	16,688	5,127,108	2,765	5,129,873
Segment liabilities	4,819,892	47,871	12,767	4,880,530	1,173	4,881,704
Other material items:						
Depreciation and amortization *(*3)*	2,062	386	10	2,459	55	2,515
Interest income	37,458	1	49	37,509	0	37,510
Interest expense	5,932	122	1	6,056	1	6,057
Provision for possible loan losses	1,295	71	18	1,386	–	1,386
Increase in tangible and intangible fixed assets	1,496	197	13	1,708	155	1,863

	Millions of yen					
	2022					
	Reportable segments					
	Banking	Leasing	Credit Card	Total	Other *(*2)*	Total
Trust fees	¥ 51	¥ –	¥ –	¥ 51	¥ –	¥ 51
Service revenues:						
Deposits and loans	5,089	–	–	5,089	–	5,089
Exchange transactions	2,710	–	–	2,710	–	2,710
Securities related services	2,433	–	–	2,433	–	2,433
Agency services	1,012	–	–	1,012	–	1,012
Others	1,298	–	–	1,298	–	1,298
Revenues from other operations:						
Credit card	–	–	1,708	1,708	–	1,708
Others	–	1,158	–	1,158	2,332	3,490
Ordinary income arising from contracts with customers *(*1)*	12,594	1,158	1,708	15,462	2,332	17,794
Other ordinary income *(*1)*	41,455	17,993	306	59,754	218	59,972
External customers	54,050	19,151	2,015	75,216	2,550	77,767
Intersegment	1,044	2,147	221	3,412	82	3,495
Total ordinary income	55,094	21,299	2,236	78,629	2,632	81,262
Segment profit	15,188	2,532	513	18,234	222	18,456
Segment assets	5,115,393	54,528	15,924	5,185,847	2,502	5,188,350
Segment liabilities	4,870,663	46,440	12,120	4,929,225	1,186	4,930,411
Other material items:						
Depreciation and amortization *(*3)*	2,125	363	11	2,500	63	2,563
Interest income	33,868	154	80	34,102	0	34,103
Interest expense	954	133	1	1,089	2	1,092
Provision for possible loan losses	2,083	25	159	2,268	–	2,268
Increase in tangible and intangible fixed assets	1,189	161	19	1,369	109	1,479

	Thousands of U.S. dollars					
	2023					
	Reportable segments					
	Banking	Leasing	Credit Card	Total	Other *(*2)*	Total
Trust fees	$ 436	$ –	$ –	$ 436	$ –	$ 436
Service revenues:						
Deposits and loans	43,391	–	–	43,391	–	43,391
Exchange transactions	18,736	–	–	18,736	–	18,736
Securities related services	15,788	–	–	15,788	–	15,788
Agency services	10,367	–	–	10,367	–	10,367
Others	9,641	–	–	9,641	–	9,641
Revenues from other operations:						
Credit card	–	–	13,806	13,806	–	13,806
Others	–	8,178	–	8,178	19,871	28,049
Ordinary income arising from contracts with customers *(*1)*	98,359	8,178	13,806	120,343	19,871	140,214
Other ordinary income *(*1)*	319,298	135,220	2,046	456,564	581	457,145
External customers	417,657	143,398	15,852	576,907	20,452	597,359
Intersegment	9,398	1,462	1,709	12,569	590	13,159
Total ordinary income	427,055	144,860	17,561	589,476	21,042	610,518
Segment profit	80,236	4,188	5,511	89,935	3,577	93,512
Segment assets	37,854,764	416,931	124,980	38,396,675	20,708	38,417,383
Segment liabilities	36,095,952	358,505	95,614	36,550,071	8,788	36,558,859
Other material items:						
Depreciation and amortization *(*3)*	15,449	2,892	76	18,417	418	18,835
Interest income	280,529	10	371	280,910	1	280,911
Interest expense	44,428	918	10	45,356	8	45,364
Provision for possible loan losses	9,704	538	141	10,383	–	10,383
Increase in tangible and intangible fixed assets	11,208	1,480	104	12,792	1,165	13,957

*Notes: *1. "Ordinary income" represents total income less certain special gains included in the accompanying consolidated statements of income.*
**2. The "other" business segment includes principally the clerical outsourcing business.*
**3. Depreciation and amortization include amounts related to information technology investments.*

(d) Reconciliation of the totals of each segment item to the corresponding Group amounts

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Ordinary income:			
Total reportable segments	¥ 78,712	¥ 78,629	$ 589,476
Other	2,809	2,632	21,042
Intersegment elimination	(1,757)	(3,495)	(13,159)
Reversal of provision for possible loan losses	–	(4)	–
	79,765	77,762	597,359
Other gains	9	379	72
Total income on consolidated statements of income	¥ 79,774	¥ 78,142	$ 597,431

Note: "Other gains" includes gain on disposal of fixed assets, gain on step acquisitions and gain on negative goodwill.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Segment profit:			
Total reportable segments	¥ 12,008	¥ 18,234	$ 89,935
Other	477	222	3,577
Intersegment elimination	(991)	(2,735)	(7,424)
	11,495	15,721	86,088
Other gains (losses), net	(12)	338	(93)
Profit before income taxes on consolidated statements of income	¥ 11,482	¥ 16,059	$ 85,995

Note: "Other gains (losses), net" includes gain and loss on disposal of fixed assets, gains on step acquisitions and gains on negative goodwill.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Segment assets:			
Total reportable segments	¥ 5,127,108	¥ 5,185,847	$ 38,396,675
Other	2,765	2,502	20,708
Intersegment elimination	(32,869)	(29,518)	(246,156)
Adjustment of retirement benefit assets	1,241	4,008	9,295
Total assets on consolidated balance sheets	¥ 5,098,245	¥ 5,162,840	$ 38,180,522

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Segment liabilities:			
Total reportable segments	¥ 4,880,530	¥ 4,929,225	$ 36,550,071
Other	1,173	1,186	8,788
Intersegment elimination	(28,782)	(25,431)	(215,550)
Adjustment of retirement benefit liability	(6)	163	(47)
Total liabilities on consolidated balance sheets	¥ 4,852,915	¥ 4,905,143	$ 36,343,262

	Millions of yen			
	2023			
Other material items:	Total reportable segments	Other	Reconciliation	Consolidated
Depreciation and amortization	¥ 2,459	¥ 55	¥ –	¥ 2,515
Interest income	37,509	0	(1,035)	36,474
Interest expense	6,056	1	(64)	5,993
Provision for possible loan losses	1,386	–	–	1,386
Increase in tangible and intangible fixed assets	1,708	155	–	1,863

	Millions of yen			
	2022			
Other material items:	Total reportable segments	Other	Reconciliation	Consolidated
Depreciation and amortization	¥ 2,500	¥ 63	¥ –	¥ 2,563
Interest income	34,102	0	(991)	33,111
Interest expense	1,089	2	(71)	1,020
Provision for possible loan losses	2,268	–	(4)	2,263
Increase in tangible and intangible fixed assets	1,369	109	–	1,479

Other material items:	Thousands of U.S. dollars 2023 Total reportable segments	Other	Reconciliation	Consolidated
Depreciation and amortization	$ 18,417	$ 418	$ –	$ 18,835
Interest income	280,910	1	(7,753)	273,158
Interest expense	45,356	8	(482)	44,882
Provision for possible loan losses	10,383	–	–	10,383
Increase in tangible and intangible fixed assets	12,792	1,165	–	13,957

(e) Related information for enterprise-wide disclosure

(1) Information by service

	Millions of yen Service Loans	Securities investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2023	¥ 26,977	¥ 14,175	¥ 19,147	¥ 19,464	¥ 79,765
For the year ended March 31, 2022	26,034	13,656	19,151	18,924	77,767

	Thousands of U.S. dollars				
Ordinary income from external customers:					
For the year ended March 31, 2023	$ 202,036	$ 106,159	$ 143,398	$ 145,766	$ 597,359

(2) Information by geographical area for the years ended March 31, 2023 and 2022 was omitted since income from operations in Japan accounted for more than 90% of total consolidated income, and tangible fixed assets in Japan were more than 90% of tangible fixed assets on the consolidated balance sheets.

(3) Information by major customer for the years ended March 31, 2023 and 2022 was omitted since no external customers accounted for 10% or more of consolidated income.

(f) Information about impairment loss on fixed assets by reportable segment

None

(g) Information with regard to goodwill by reportable segment

None

(h) Information with regard to gain on negative goodwill by reportable segment

For the year ended March 31, 2023

None

For the year ended March 31, 2022

Significant gain on negative goodwill

A gain on negative goodwill of ¥362 million was recorded for the year ended March 31, 2022 as a result of making NAIS CO., LTD., a consolidated subsidiary through the acquisition of shares. However, the gain on negative goodwill is not allocated to any reportable segment.