

## Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
<b>Assets</b>			
Cash and due from banks .....	¥ 2,651,118	¥ 1,833,043	\$ 13,727,576
Call Loans and bills bought .....	6,119	—	—
Monetary claims bought .....	5,706	—	—
Trading account securities .....	942	541	4,056
Money held in trust .....	8,268	9,854	73,796
Securities .....	2,501,019	2,617,250	19,600,464
Loans and bills discounted .....	5,758,096	5,991,297	44,868,547
Foreign exchanges .....	34,244	10,045	75,230
Lease receivables and investment assets .....	60,191	60,554	453,489
Other assets .....	78,824	74,120	555,088
Property and equipment .....	66,191	65,013	486,883
Intangible assets .....	9,236	8,053	60,310
Net defined benefit asset .....	10,813	16,963	127,039
Deferred tax assets .....	1,488	13,003	97,381
Customers' liabilities for acceptances and guarantees .....	8,764	8,527	63,862
Allowance for loan losses .....	(52,485)	(45,967)	(344,251)
Total assets .....	<u>¥11,148,539</u>	<u>¥10,662,300</u>	<u>\$ 79,849,475</u>
<b>Liabilities</b>			
Deposits .....	¥ 8,168,591	¥ 8,244,257	\$ 61,740,864
Call money and bills sold .....	70,496	28,708	215,000
Payables under repurchase agreements .....	8,153	86,565	648,284
Payables under securities lending transactions .....	732,995	723,449	5,417,883
Borrowed money .....	1,500,795	926,993	6,942,207
Foreign exchanges .....	534	338	2,533
Bonds payable .....	50,000	50,000	374,447
Borrowed money from trust account .....	12,056	12,988	97,267
Other liabilities .....	57,106	55,774	417,695
Provision for directors' bonuses .....	59	56	426
Net defined benefit liability .....	362	358	2,682
Provision for directors' retirement benefits .....	204	167	1,252
Provision for reimbursement of deposits .....	367	264	1,977
Provision for point loyalty programs .....	155	—	—
Provision for contingent loss .....	900	926	6,937
Reserves under special laws .....	0	0	5
Deferred tax liabilities .....	359	—	—
Deferred tax liabilities for land revaluation .....	7,377	7,112	53,266
Acceptances and guarantees .....	8,764	8,527	63,862
Total liabilities .....	<u>10,619,283</u>	<u>10,146,489</u>	<u>75,986,594</u>
<b>Net assets</b>			
Capital stock .....	48,652	48,652	364,354
Capital surplus .....	29,581	29,581	221,537
Retained earnings .....	407,300	429,438	3,216,047
Treasury shares .....	(7,352)	(9,233)	(69,148)
Total shareholders' equity .....	<u>478,181</u>	<u>498,439</u>	<u>3,732,791</u>
Valuation difference on available-for-sale securities .....	33,379	(2,920)	(21,873)
Deferred gains or losses on hedges .....	(137)	250	1,878
Revaluation reserve for land .....	13,415	13,022	97,523
Remeasurements of defined benefit plans .....	4,417	7,018	52,561
Total accumulated other comprehensive income .....	<u>51,074</u>	<u>17,370</u>	<u>130,090</u>
Total net assets .....	<u>529,256</u>	<u>515,810</u>	<u>3,862,881</u>
Total liabilities and net assets .....	<u>¥11,148,539</u>	<u>¥10,662,300</u>	<u>\$ 79,849,475</u>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
<b>Income</b>			
Interest income:			
Interest on loans and discounts .....	¥ 53,281	¥ 58,544	\$ 438,436
Interest and dividends on securities .....	18,765	26,381	197,569
Other interest income .....	1,822	2,150	16,103
Trust fees .....	52	36	275
Fees and commissions .....	21,544	22,763	170,473
Other ordinary income .....	38,399	37,385	279,974
Other income .....	18,825	30,926	231,605
Total income .....	<u>152,690</u>	<u>178,187</u>	<u>1,334,439</u>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits .....	465	2,769	20,737
Interest on call money and borrowing .....	108	2,259	16,917
Other interest expenses .....	1,294	10,592	79,328
Fees and commissions payments .....	8,222	8,357	62,591
Other ordinary expenses .....	32,459	59,603	446,364
General and administrative expenses .....	55,503	51,549	386,053
Other expenses .....	14,852	4,154	31,113
Total expenses .....	<u>112,907</u>	<u>139,286</u>	<u>1,043,107</u>
Profit before income taxes .....	39,783	38,901	291,331
Income taxes:			
Current .....	8,062	8,426	63,102
Deferred .....	5,284	2,542	19,037
Profit .....	<u>26,436</u>	<u>27,933</u>	<u>209,191</u>
Profit attributable to owners of parent .....	<u>¥ 26,436</u>	<u>¥ 27,933</u>	<u>\$ 209,191</u>

### Per share amounts

	Yen	U.S. dollars
Profit – primary .....	¥ 63.33	\$ 0.51

Diluted earnings per share of common stock for the fiscal year ended March 31, 2023 and 2022 are omitted as there are no dilutive shares.

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
Profit	¥ 26,436	¥ 27,933	\$ 209,191
Other comprehensive income			
Valuation difference on available-for-sale securities .....	(38,371)	(36,479)	(273,195)
Deferred gains or losses on hedges .....	93	388	2,910
Foreign currency translation adjustment .....	98	—	—
Remeasurements of defined benefit plans .....	2,029	2,601	19,482
Share of other comprehensive income of entities accounted for by the equity method .....	209	179	1,341
Total other comprehensive income .....	<u>(35,940)</u>	<u>(33,310)</u>	<u>(249,461)</u>
Comprehensive income	<u>(9,504)</u>	<u>(5,377)</u>	<u>(40,269)</u>
(Details)			
Comprehensive income attributable to owners of parent .....	<u>¥ (9,504)</u>	<u>¥ (5,377)</u>	<u>\$ (40,269)</u>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2021 .....	¥48,652	¥29,581	¥391,382	¥(8,838)	¥460,778
Cumulative effects of changes in accounting policies .....	—	—	(38)	—	(38)
Restated balance .....	48,652	29,581	391,344	(8,838)	460,740
Changes of items during the year .....					
Dividends of surplus .....	—	—	(5,886)	—	(5,886)
Profit attributable to owners of parent .....	—	—	26,436	—	26,436
Purchase of treasury shares .....	—	—	—	(3,500)	(3,500)
Disposal of treasury shares .....	—	—	(55)	147	92
Retirement of treasury shares .....	—	—	(4,838)	4,838	—
Reversal of revaluation reserve for land .....	—	—	299	—	299
Net changes of items other than shareholders' equity .....	—	—	—	—	—
Total changes of items during the year .....	—	—	15,955	1,486	17,441
Balance as of March 31, 2022 .....	¥48,652	¥29,581	¥407,300	¥(7,352)	¥478,181

	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	
Balance as of March 31, 2021 .....	¥ 71,541	¥(231)	¥13,715	¥(98)	¥2,387	¥ 87,314	¥—	¥548,093
Cumulative effects of changes in accounting policies ..	—	0	—	—	—	0	—	(37)
Restated balance .....	71,541	(231)	13,715	(98)	2,387	87,315	—	548,055
Changes of items during the year .....								
Dividends of surplus .....	—	—	—	—	—	—	—	(5,886)
Profit attributable to owners of parent .....	—	—	—	—	—	—	—	26,436
Purchase of treasury shares .....	—	—	—	—	—	—	—	(3,500)
Disposal of treasury shares .....	—	—	—	—	—	—	—	92
Retirement of treasury shares .....	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land .....	—	—	—	—	—	—	—	299
Net changes of items other than shareholders' equity ..	(38,161)	93	(299)	98	2,029	(36,240)	—	(36,240)
Total changes of items during the year .....	(38,161)	93	(299)	98	2,029	(36,240)	—	(18,799)
Balance as of March 31, 2022 .....	¥ 33,379	¥(137)	¥13,415	¥ —	¥4,417	¥ 51,074	¥—	¥529,256

The accompanying notes are an integral part of these statements.

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2022 .....	¥48,652	¥29,581	¥407,300	¥(7,352)	¥478,181
Cumulative effects of changes in accounting policies .....	—	—	—	—	—
Restated balance .....	48,652	29,581	407,300	(7,352)	478,181
Changes of items during the year .....					
Dividends of surplus .....	—	—	(6,161)	—	(6,161)
Profit attributable to owners of parent .....	—	—	27,933	—	27,933
Purchase of treasury shares .....	—	—	—	(2,000)	(2,000)
Disposal of treasury shares .....	—	—	(25)	119	94
Retirement of treasury shares .....	—	—	—	—	—
Reversal of revaluation reserve for land .....	—	—	393	—	393
Net changes of items other than shareholders' equity .....	—	—	—	—	—
Total changes of items during the year .....	—	—	22,138	(1,880)	20,257
Balance as of March 31, 2023 .....	¥48,652	¥29,581	¥429,438	¥(9,233)	¥498,439

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance as of March 31, 2022 .....	¥ 33,379	¥(137)	¥13,415	¥—	¥4,417	¥ 51,074	¥529,256
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	—	—
Restated balance .....	33,379	(137)	13,415	—	4,417	51,074	529,256
Changes of items during the year .....							
Dividends of surplus .....	—	—	—	—	—	—	(6,161)
Profit attributable to owners of parent .....	—	—	—	—	—	—	27,933
Purchase of treasury shares .....	—	—	—	—	—	—	(2,000)
Disposal of treasury shares .....	—	—	—	—	—	—	94
Retirement of treasury shares .....	—	—	—	—	—	—	—
Reversal of revaluation reserve for land .....	—	—	—	—	—	—	393
Net changes of items other than shareholders' equity .....	(36,300)	388	(393)	—	2,601	(33,703)	(33,703)
Total changes of items during the year .....	(36,300)	388	(393)	—	2,601	(33,703)	(13,445)
Balance as of March 31, 2023 .....	¥ (2,920)	¥ 250	¥13,022	¥—	¥7,018	¥ 17,370	¥515,810

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2022 .....	\$364,354	\$221,537	\$3,050,251	\$(55,062)	\$3,581,080
Cumulative effects of changes in accounting policies .....	—	—	—	—	—
Restated balance .....	<u>364,354</u>	<u>221,537</u>	<u>3,050,251</u>	<u>(55,062)</u>	<u>3,581,080</u>
Changes of items during the year .....					
Dividends of surplus .....	—	—	(46,146)	—	(46,146)
Profit attributable to owners of parent .....	—	—	209,191	—	209,191
Purchase of treasury shares .....	—	—	—	(14,983)	(14,983)
Disposal of treasury shares .....	—	—	(193)	898	704
Retirement of treasury shares .....	—	—	—	—	—
Reversal of revaluation reserve for land .....	—	—	2,944	—	2,944
Net changes of items other than shareholders' equity .....	—	—	—	—	—
Total changes of items during the year .....	—	—	165,795	(14,085)	151,710
Balance as of March 31, 2023 .....	<u>\$364,354</u>	<u>\$221,537</u>	<u>\$3,216,047</u>	<u>\$(69,148)</u>	<u>\$3,732,791</u>

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance as of March 31, 2022 .....	\$ 249,980	\$ (1,031)	\$ 100,467	\$—	\$33,078	\$ 382,495	\$3,963,576
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	—	—
Restated balance .....	<u>249,980</u>	<u>(1,031)</u>	<u>100,467</u>	<u>—</u>	<u>33,078</u>	<u>382,495</u>	<u>3,963,576</u>
Changes of items during the year .....							
Dividends of surplus .....	—	—	—	—	—	—	(46,146)
Profit attributable to owners of parent .....	—	—	—	—	—	—	209,191
Purchase of treasury shares .....	—	—	—	—	—	—	(14,983)
Disposal of treasury shares .....	—	—	—	—	—	—	704
Retirement of treasury shares .....	—	—	—	—	—	—	—
Reversal of revaluation reserve for land .....	—	—	—	—	—	—	2,944
Net changes of items other than shareholders' equity .....	(271,853)	2,910	(2,944)	—	19,482	(252,405)	(252,405)
Total changes of items during the year .....	<u>(271,853)</u>	<u>2,910</u>	<u>(2,944)</u>	<u>—</u>	<u>19,482</u>	<u>(252,405)</u>	<u>(100,694)</u>
Balance as of March 31, 2023 .....	<u>\$ (21,873)</u>	<u>\$ 1,878</u>	<u>\$ 97,523</u>	<u>\$—</u>	<u>\$52,561</u>	<u>\$ 130,090</u>	<u>\$3,862,881</u>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2022	2023	2023
<b>Cash flows from operating activities</b>			
Profit before income taxes .....	¥ 39,783	¥ 38,901	\$ 291,331
Depreciation .....	6,863	6,572	49,224
Impairment loss .....	1,382	409	3,069
Share of loss (profit) of entities accounted by the equity method .....	(146)	(221)	(1,661)
Increase (decrease) in allowance for loan losses .....	(10,543)	(6,517)	(48,806)
Increase (decrease) in provision for directors' bonuses .....	2	(2)	(16)
Decrease (increase) in net defined benefit asset .....	(4,181)	(6,150)	(46,058)
Increase (decrease) in net defined benefit liability .....	(5)	(4)	(30)
Increase (decrease) in provision for directors' retirement benefits .....	(40)	(36)	(276)
Increase (decrease) in provision for reimbursement of deposits .....	(165)	(103)	(777)
Increase (decrease) in provision for point loyalty programs .....	11	—	—
Increase (decrease) in provision for contingent loss .....	0	25	193
Interest and dividend income .....	(73,869)	(87,076)	(652,109)
Interest expenses .....	1,868	15,620	116,984
Loss (gain) related to securities .....	(9,616)	1,772	13,277
Loss (gain) on money held in trust .....	(6)	11	84
Foreign exchange losses (gains) .....	(1,510)	(2,554)	(19,134)
Loss (gain) on disposal of non-current assets .....	(2,055)	(994)	(7,448)
Net decrease (increase) in trading account securities .....	(118)	400	3,001
Net decrease (increase) in loans and bills discounted .....	(69,248)	(233,200)	(1,746,430)
Net increase (decrease) in deposits .....	217,672	85,504	640,336
Net increase (decrease) in negotiable certificates of deposit .....	41,583	(9,838)	(73,677)
Net increase (decrease) in borrowed money (excluding subordinated borrowings) .....	209,714	(573,802)	(4,297,182)
Net decrease (increase) in due from banks (excluding deposits placed with Bank of Japan) .....	(1,834)	523	3,918
Net decrease (increase) in call loans .....	(6,203)	6,119	45,828
Net increase (decrease) in call money .....	36,570	36,623	274,275
Net increase (decrease) in payables under securities lending transactions .....	63,970	(9,545)	(71,488)
Net decrease (increase) in foreign exchanges - assets .....	(19,296)	24,199	181,225
Net increase (decrease) in foreign exchanges - liabilities .....	372	(196)	(1,470)
Net decrease (increase) in lease receivables and investment assets .....	(662)	(363)	(2,719)
Net increase(decrease) in borrowed money from trust account .....	3,102	931	6,976
Interest and dividend received .....	79,092	90,335	676,521
Interest paid .....	(1,897)	(14,451)	(108,230)
Other - net .....	(26,764)	(13,296)	(99,579)
Subtotal .....	473,822	(650,404)	(4,870,851)
Income taxes paid .....	(14,233)	(5,761)	(43,146)
Net cash provided by (used in) operating activities .....	459,588	(656,166)	(4,913,998)
<b>Cash flows from investing activities</b>			
Purchases of securities .....	(909,311)	(823,174)	(6,164,714)
Proceeds from sales of securities .....	570,154	519,392	3,889,702
Proceeds from redemption of securities .....	210,372	151,062	1,131,300
Increase in money held in trust .....	—	(1,600)	(11,982)
Decrease in money held in trust .....	2,999	14	107
Purchases of property and equipment .....	(3,157)	(3,775)	(28,276)
Purchases of intangible assets .....	(2,820)	(2,031)	(15,217)
Proceeds from sales of property and equipment .....	3,954	2,356	17,645
Proceeds from business transfer .....	—	4,437	33,230
Net cash provided by (used in) investing activities .....	(127,807)	(153,319)	(1,148,204)
<b>Cash flows from financing activities</b>			
Issuance of subordinated bonds .....	10,000	10,000	74,889
Redemption of subordinated bonds .....	(10,000)	(10,000)	(74,889)
Cash dividends paid .....	(5,872)	(6,159)	(46,128)
Purchases of treasury shares .....	(3,500)	(2,000)	(14,983)
Proceeds from sales of treasury shares .....	92	94	704
Net cash provided by (used in) financing activities .....	(9,281)	(8,066)	(60,407)
Effect of exchange rate change on cash and cash equivalents .....	103	—	—
Net increase (decrease) in cash and cash equivalents .....	322,602	(817,552)	(6,122,610)
Cash and cash equivalents at beginning of the year .....	2,324,903	2,647,506	19,827,053
Cash and cash equivalents at end of the year .....	¥2,647,506	¥1,829,954	\$13,704,442

The accompanying notes are an integral part of these statements.



## Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### a. Basis of Presentation

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

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

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act for the convenience of readers outside Japan. Certain prior year amounts have been reclassified to comply with the current year presentation.

#### b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2023 is 6.

The remaining unconsolidated subsidiaries have been excluded from the scope of consolidation because, judging from their assets, ordinary profit, net income or loss (amounts corresponding to the Bank's equity interest), retained earnings (amounts corresponding to the Bank's equity interest) and accumulated other comprehensive income (amounts corresponding to the Bank's equity interest), they do not have a material effect on the accompanying consolidated financial statements.

As of March 31, 2023, the Bank has 2 unconsolidated subsidiaries, which are accounted by the equity method, and 1 affiliate, which is accounted by the equity method.

In reference to the consolidated subsidiaries' closing dates, six companies close accounts at the end of March.

#### c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the fiscal year end with its related cost of sales being determined mainly by the moving average method.

#### d. Securities

Securities are classified into four categories: trading, held-to-maturity bonds, equity of unconsolidated subsidiaries and affiliates or securities available for sale. Trading securities are carried at market value and held-to-maturity bonds are carried at amortized cost. Equity of unconsolidated subsidiaries and affiliates are stated at cost and accounted by the equity method, respectively. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of net assets.

Stocks and others without a quoted market price are stated at acquisition cost and determined by the moving average method.

Securities comprising the trust asset in money held in trust which is solely managed primarily for the purpose of securities operations are stated at market value.

Regarding foreign currency-denominated available-for-sale debt securities, translation differences arising from changes fair value are treated as valuation differences, and the remainder is treated as foreign exchange gains or losses.

#### e. Derivatives

Derivatives are stated at market value.

#### f. Non-current assets

##### (1) Property and equipment

Depreciation of Property and equipment of the Bank are computed by the straight line method.

The estimated useful lives principally applied are as follows.

Buildings	6 to 50 years
Equipment and furniture	3 to 20 years

Depreciation of Property and equipment of the consolidated subsidiaries are principally computed by the straight line method based on the estimated useful lives of the respective assets.

##### (2) Intangible assets

Intangible assets are depreciated using the straight line method. Software used internally is depreciated over its estimated useful life (mainly five years).

##### (3) Leased assets

Leased assets in "Property and equipment" subject to finance lease transactions other than those under which the title of the leased equipment is transferred to the lessee are depreciated using the straight line method assuming that the lease period is equal to the useful life. If a guarantee for residual value is prescribed by the lease contract, the residual value is equal to such guaranteed residual value; otherwise, the residual value is zero.

#### g. Foreign Currency Translation

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

#### h. Allowance for loan losses

An allowance for loan losses is provided in accordance with the internal guidelines regarding write-offs and allowance for loan losses.

- For loans to debtors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to debtors that are effectively in similar conditions, the allowance is provided at the amount of loan balance less the amount recoverable from the disposal of collateral and/or guarantees.
- For loans to debtors that are not yet legally or substantially bankrupt but are likely to go bankrupt (the "potentially bankrupt debtors"), the allowance is provided at the amount deemed necessary against the credit balance less the amount recoverable from the disposal of collateral and/or guarantees. (the "uncovered amount").
  - For loans to large loan balance debtors with credit exceeding a certain amount, the allowance is provided at the amount calculated by the method whereby the amount of the allowance is set at the uncovered account plus the amount reasonably estimated recoverable from the cash flows ("cash flow deduction method").
  - For loans to other debtors, the allowance is provided at the amount of losses expected to be incurred from the uncovered amount over the next three years. The amount of expected losses is determined by calculating the long-term average of the ratio of loan losses observed over three years in the past, with the addition of the adjustment based on the recent loan-loss ratio and other necessary adjustments.
- For loans to debtors requiring careful management in the future, such as those with restructured loans (the "debtors requiring caution"), the allowance is provided at the amount deemed necessary against the loan balance.

A For loans to large loan balance debtors with credit exceeding a certain amount, the allowance is provided at the amount calculated by the method whereby the amount of the allowance is set at the difference between the sum of the reasonably estimated cash flows, discounted by the original contractual interest rate and the book value of the loan (the "DCF method").

B For loans to other debtors, the allowance is provided at the amount of losses expected to be incurred over the next three years. The amount of expected loss is determined by calculating the long-term average of the ratio of loan losses observed over three years in the past, with the addition of the adjustment based on the recent loan-loss ratio and other necessary adjustments.

4) For loans to debtors other than those in 1) to 3) above, the allowance is provided at the amount of losses expected to be incurred over the next year. The amount of expected loss is determined by calculating the long-term average of the ratio of loan losses observed over one year in the past, with the addition of the adjustment based on the recent loan-loss ratio and other necessary adjustments.

(Note)

Classification for the ratio of expected loss

The ratio of expected loss is calculated based on the ratio of loan losses, which is based on actual loan losses over a set period of time, and is classified into the following four categories: one category for normal debtors, two categories as described below for debtors requiring caution, and one category for potentially bankrupt debtors.

- The debtors requiring caution include those for whom all or part of the loans are substandard loans (loans past due for 3 months or more, or restructured loans) (the "substandard debtors") as well as those who modified contractual terms of loans, but are not considered substandard debtors because their loans are not regarded as restructured loans due to business improvement plans, etc.

- Loans to other debtors requiring caution

All credit is subject to self-assessment of assets by marketing related departments in accordance with the internal guidelines for the self-assessment of assets, and the results of the self-assessment are audited by the department in charge of asset auditing that is independent of the marketing-related departments.

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

#### **i. Provision for directors' bonuses**

A provision is provided for the payments of bonuses to directors and the Board of Corporate Auditors Members at the amount of the estimated bonus payments corresponding to the end of the fiscal year.

#### **j. Accounting method for retirement benefits**

In calculating retirement benefit obligation, the Bank uses the benefit formula basis for the purpose of attributing expected retirement benefit payment to the period up to the end of the fiscal year. In addition, the accounting method for actuarial gain and loss is as follows:

Actuarial gain and loss

Actuarial gain and loss are amortized from the year following the occurrence primarily by the straight line method over a fixed period (mainly 10 years) that is shorter than the average remaining service years of the eligible employees.

Certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses by the simplified method, whereby retirement benefit obligation is recognized at the amount that would be paid if eligible employees retired at the end of the fiscal year.

#### **k. Provision for directors' retirement benefits**

To prepare for the payment of retirement benefits to directors and the Board of Corporate Auditors Members, a reserve is provided at the amount deemed to have accrued at the end of the fiscal year (the estimated amount payable on the balance sheet date based on the bylaws) out of the estimated amount payable as retirement benefits to directors and the Board of Corporate Auditors Members.

#### **l. Provision for reimbursement of deposits**

A provision for reimbursement of deposits accounts is provided for the repayment of dormant deposits which are no longer recorded as liabilities, based on the estimated reimbursement losses that may be incurred should the deposits be withdrawn.

#### **m. Provision for point loyalty programs**

A provision for point loyalty programs is provided for the future usage of points granted to credit card members at the amount estimated to be used in the future periods.

#### **n. Provision for Contingent Loss**

A provision for contingent loss is provided for the payment of charges related to the responsibility-sharing system to Credit Guarantee Corporations at the amount expected to be paid based on the past payment experience.

#### **o. Reserves under Special Laws**

Reserves under the special laws represents a reserve for financial products transaction liabilities and is provided for compensation for losses from securities-related accidents in the amount computed in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet ordinance.

#### **p. Income Taxes**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

#### **q. Earnings Per Share**

Earnings per share was computed based on the profit available for distribution to shareholders and the number of shares of common stock outstanding during the fiscal year.

#### **r. Hedge Accounting**

##### **Hedge Accounting for Interest Rate Risks**

The Bank adopted the "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (Practical Guidance No.24 by the Japanese Institute of Certified Public Accountants (JICPA) Industry-specific Special Committee, March 17, 2022;"Industry-specific Special Committee Practical Guidance No.24").

Under the Industry-specific Special Committee Practical Guidance No.24, the Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities.

Hedge effectiveness is assessed for each designated group of hedged items (such as deposits) and the corresponding group of hedging instruments (such as interest rate swaps). Both of the hedged items and hedging instruments are grouped based on their durations and compared for the testing of effectiveness.

In addition to the above, the Bank applies exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis.

##### **Hedge Accounting for Foreign Exchange Risks**

For foreign exchange risks arising from financial assets and



liabilities denominated in foreign currencies, the Bank adopted the "Accounting and Auditing Treatment of Accounting for Foreign Currency Denominated Transactions, etc. in the Banking Industry" (Practical Guidance No.25 by the JICPA Industry-specific Special Committee, October 8, 2020;"Industry-specific Special Committee Practical Guidance No.25"). Under the Industry-specific Special Committee Practical Guidance No.25, the Bank applies the deferred method of hedge accounting.

The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge's inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedging instruments that are designated to hedge foreign exchange risk of the foreign currency-denominated receivables and payables exceeds that of the hedged foreign currency-denominated receivables and payables.

In addition, for available-for-sale securities (except for bonds) denominated in foreign currencies, the Bank applies the fair value hedge accounting for a portfolio hedge on the conditions that the issues of foreign currency denominated securities are designated as hedged items in advance and that the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the amount of acquisition cost of the hedged items denominated in foreign currencies.

**s. Recognition for Income and Expenses**

Income and expenses associated with finance lease transactions are recognized when lease fees are receivable and payable.

**t. Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows consist of cash and deposit with the Bank of Japan which are included in "Cash and due from banks" on the consolidated balance sheets.

**(Significant accounting estimates)**

Of the items for which amounts based on accounting estimates were recorded in the consolidated financial statements for the fiscal year ended March 31, 2023, the following items may have a material impact on the consolidated financial statements for the fiscal year ended March 31, 2024.

**Allowance for loan losses**

- (1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022 and 2023.

Allowance for loan losses as of March 31, 2022	¥52,485 million
Allowance for loan losses as of March 31, 2023	¥45,967 million U.S.\$344,251 thousand

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

**1) Calculation method**

The calculation method for allowance for loan losses is presented in Notes to Consolidated Financial Statements 1. Summary of Significant Accounting Policies h.

**2) Major assumptions**

Major assumption is the "outlook for debtors' future business performance used to determine the debtor classification." The "outlook for debtors' future business performance used to determine the debtor classification" is established through the individual evaluation of each debtor's earning generating ability, after taking into account the impact of the COVID-19 pandemic. The Bank considers that loan losses due to the impact of

the COVID-19 pandemic will not escalate significantly, due to the economic countermeasures implemented by the Japanese government and local government bodies, as well as the cash flow support provided by financial institutions, etc. We also consider that the situation is beginning to converge, as COVID-19 is expected to be reclassified as a Class 5 infection which imposes no special restrictions in May.

However, there are still debtors whose financial results have been significantly affected by COVID-19, as well as debtors whose future financial results may be affected by the infection. Among them, Reasonable estimates of future cash flows are used in the DCF method and the cash flow deduction method.

Reasonable estimates of future cash flows:

- The estimated amount recoverable in case of a radical and feasible business improvement plan or the like and this amount can be reasonably estimated
- The estimated amount recoverable with reference to factors such as past repayments

- 3) Impact on the consolidated financial statements for the next fiscal year ended March 31, 2023.

If the assumptions used for calculating the original estimates change due to factors such as changes in the business performance of individual debtors, then this may have a significant impact on allowance for loan losses in the consolidated financial statements for the fiscal year ended March 31, 2023.

**(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)**

The Group has adopted Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) effective April 1, 2022.

The Group has adopted new accounting policies set forth in Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed under Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact of the adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement on the consolidated financial statements for the fiscal year ended March 31, 2023.

In accordance with Paragraph 27-3 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the notes to the 5. "Financial Instruments" section on items such as a breakdown by level of the fair value of financial instruments do not include notes on investment trusts for the previous fiscal year.

## 2. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, truncating amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements may not always add up to the sum of the respective account balances. “—” is used to denote nil and “0” is used to denote rounding down to zero.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥133.53 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2023, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

## 3. Loans and Bills Discounted

- (1) Loans based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Loans refer to the following items listed on the consolidated balance sheets: corporate bonds shown under “Securities” (limited to bonds for which all or part of the redemption of principal and the payment of interest are guaranteed, and the issuance of the corporate bond takes place via private offering of the securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act); loans and bills discounted; foreign exchanges; items recorded in each account under “Other assets” such as accrued interest, suspense payments and customers’ liabilities for acceptances and guarantees; available-for-sale securities indicated in the notes in case of loan of securities (limited to those under a loan-for-use or lease agreement).

	Millions of yen		Thousands of U.S. Dollars
	2022	2023	2023
Loans to bankrupt and substantially bankrupt debtors.....	¥ 28,094	¥ 25,504	\$190,999
Loans with collection risk.....	48,397	41,706	312,341
Loans past due for 3 months or more.....	1,522	3,645	27,303
Restructured loans.....	49,341	45,122	337,920
Total.....	¥127,356	¥115,979	\$868,565

Loans to bankrupt and substantially bankrupt debtors refer to loans held by debtors who have fallen into bankruptcy due to having initiated bankruptcy procedures, reorganization procedures, or filed applications to begin rehabilitation procedures, and other similar loans.

Loans with collection risk refer to loans that are not classified as Loans to bankrupt and substantially bankrupt debtors and in which the debtor has not yet fallen into bankruptcy, but their financial situation and business performance have worsened such that there is a high risk that the principal will not be redeemed, and interest will not be received according to contractual terms of loan.

Loans past due for 3 months or more refer to loans and bills discounted that are not classified as either loans to bankrupt and substantially bankrupt debtors or Loans with collection risk, and for which the repayment of principal or interest has been delayed by three months or more from the day after the agreed-upon payment date.

Restructured loans refer to loans and bills discounted that are not classified as loans to bankrupt and substantially bankrupt debtors, loans with collection risk, or loans past due for 3 months or more, and for which the terms of the loan have been restructured to the benefit of the debtor with the goal of reorganizing the debtor’s management or supporting the debtor by means such as the reduction or waiving of interest, the deferment of interest payments, the deferment of principal repayment, and debt forgiveness.

The loan amounts above show the amounts before the deduction of the allowance for loan losses.

- (2) Bills discounted are accounted for as financial transactions in accordance with Industry-specific Special Committee Practical Guidance No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2022 and 2023 were ¥22,750 million and ¥23,195 million (U.S.\$173,708 thousand), respectively.

## 4. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts that require the Bank to extend credit to customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount relating to these contracts within the limits was ¥1,399,156 million, ¥1,348,997 million (U.S.\$10,102,581 thousand), respectively at March 31, 2022 and 2023. ¥1,325,888 million, ¥1,275,270 million (U.S. \$9,550,439 thousand), respectively, at March 31, 2022 and 2023 out of these unused balances were for the contracts of which original contractual term are one year or less, or unconditionally cancelable at any time.

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 the Bank can refuse customers’ loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers’ creditworthiness). At the inception of contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers’ business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

## 5. Financial Instruments

- (1) The financial instruments and related disclosures
- a. Policy for financial instruments*
- The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank’s

derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct ALM within the Bank.

There are the Bank's consolidated subsidiaries that engage in leasing business or securities business.

Also leasing operation is conducted by a consolidated subsidiary.

#### ***b. Nature and extent of risks arising from financial instruments***

Financial assets held by the Group comprise mainly loans to clients, which are exposed to credit risk. The Group's financial assets also include securities such as stocks and bonds, which are exposed to credit risk of the issuing entities as well as the risk of market price fluctuations.

Assets and liabilities in the forms of loans, bonds and deposits are exposed to interest rate risk, which is partially hedged by interest rate swap transactions. Likewise foreign currency denominated loans and bonds involve foreign currency exchange fluctuation risk, which is mitigated by making it a rule to match the currency of investment and financing, or hedged by the use of currency swap transactions.

Call money and borrowed money, etc. are exposed to cash flow risk, involving inability to settle payments on due dates as a result of the unavailability of market under certain circumstances.

The Bank conducts derivative transactions including interest rate swaps and currency-swaps in an effort to accommodate clients' financial needs, and as part of the Bank's ALM effort. Besides, the Bank engages in proprietary derivative trading with the purpose to earn short-term spread, subject to risk management including the setting of certain position limits and maximum allowable losses, in an effort to prevent losses in excess of certain threshold.

The Bank applies hedge accounting. The Bank confirms that for hedges of interest rate to which exceptional treatment of interest rate swap is applied, the conditions for exceptional treatment are met and that for hedges of the foreign currency exchange fluctuation risk, foreign currency position exceeds the hedged instruments.

#### ***c. Risk management for financial instruments***

The Bank has formulated the Basic Policy of Risk Management and ancillary rules concerning risks, along with the following structure to enforce adequate risk management.

##### ***1) Credit risk management***

The Bank has established its credit management structure based on the internal rules concerning credit risks, including the Credit Guideline and the Basic Rules for Credit Risk Management.

Provision of loans and other credit facilities involves credit risk management such as individual credit review, post-origination credit control including the utilization of Debtor Rating System and self assessment, handling of problem loans and monitoring of the credit concentration in particular sectors in loan portfolios.

Credit risks associated with securities investment and market transactions are managed by capturing fair value and credit rating.

Primary credit risk management tools such as credit rating system, self-assessment of the Bank's asset, write-off /reserve provisioning, are developed and examined by Risk Management Department which is independent of the business promotion division and the screening division, and checked by Inspection & Audit Department, for the purpose of proper check and balance. Executive Committee and the Board of Directors are updated on the latest risk situation regularly and as appropriate.

##### ***2) Market risk management***

Risk management structure is in place, based on the internal rules concerning market risks including the Basic Rules of Market Risk Management.

For market transactions, the department in charge of market transactions is structured in such a way that they check each other: the Treasury & Securities Department serves as the front office department in charge of transactions, whereas the Financial Markets & International Department serves as the middle-office and back-office department in charge of risk management and administrative processing.

In addition, the Bank establishes the risk tolerance and the risk management criteria, conducts monitoring, and reports the monitored information to the ALM & Profit Management Committee via the Risk Management Department.

The principal financial instruments that expose the Bank to market risk include loans, deposits, securities and derivative transactions. In order to monitor the degree of market risk exposure of these financial instruments and financial obligations, the Bank employs the VaR technique as a uniform indicator tool.

It applies the historical-simulation method to the computation of VaR. Its VaR model uses a 99.9% confidence level and a 5-years observation period, with various holding periods depending on the holding purposes.

The total amount of value at risk (VaR) for the Bank as of March 31, 2022 and 2023 was ¥116,951 million ¥130,825 million (U.S. \$ 979,742thousand), respectively.

The Bank conducts back tests by comparing the VaR derived from its measuring model and actual gains or losses, in order to confirm that its measuring model captures the market risk with sufficient adequacy. It should be noted that the VaR represents the amount of market risk under the condition of a certain event probability which was statistically calculated based on historical market fluctuations; therefore the model may not be able to capture sufficiently the risk associated with financial instruments in market turmoil that exceeds historical levels of market fluctuations.

##### ***3) Liquidity risk management***

Risk management structure is in place, based on the internal rules concerning liquidity risks including the Basic Rules of Liquidity Risk Management.

With respect to liquidity risk, the ALM & Profit Management Committee, which is convened each month, takes every precaution by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors. With respect to cash flow risk, the Bank determines the department in charge of cash flow management, which rigorously manages cash flow periodically (e.g., daily, weekly, monthly) including its overseas bases.

We have also prepared a Contingency Plan to prepare against emergencies, and are taking every precaution including developing systems that enable us to respond appropriately to a wide range of scenarios.

#### ***d. Supplementary explanations on fair value of financial instruments***

Fair value of financial instruments is measured based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2022 and 2023 as well as the differences between these values are described below.

Stocks and others without a quoted market price and Investments in limited partnerships are not included in the following table (see Note1). In addition, Cash and due from banks and Payables under securities lending transaction are omitted since these instruments are mainly settled in the short term and the fair values approximate the book values.

	Millions of yen		
	2022		
	Carrying Value	Market Value	Differences
1. Securities			
Held-to-maturity bonds .....	¥ 2,378	¥ 2,403	¥ 25
Available-for-sale .....	2,494,353	2,494,353	—
2. Loans and bills discounted .....	5,758,096		
Allowance for loan losses .....	(47,773)		
	5,710,322	5,747,716	37,393
Total assets .....	¥8,207,054	¥8,244,473	¥37,418
1. Deposits .....	¥7,959,333	¥7,959,363	¥ 29
2. Negotiable certificates of deposit .....	209,258	209,258	0
3. Borrowed money .....	1,500,795	1,500,795	—
Total liabilities .....	¥9,669,387	¥9,669,416	¥ 29
Derivative transaction			
Derivatives to which hedge accounting is not applied .....	¥ 258	¥ 258	¥ —
Derivatives to which hedge accounting is applied .....	(12,031)	(12,031)	—
Total derivatives .....	¥ (11,773)	¥ (11,773)	¥ —
	Millions of yen		
	2023		
	Carrying Value	Market Value	Differences
1. Securities			
Held-to-maturity bonds .....	¥ 1,814	¥ 1,830	¥ 15
Available-for-sale .....	2,582,596	2,582,596	—
2. Loans and bills discounted .....	5,991,297		
Allowance for loan losses .....	(41,556)		
	5,949,741	5,970,135	20,394
Total assets .....	¥8,534,151	¥8,554,562	¥20,410
1. Deposits .....	¥8,044,837	¥8,044,853	¥ 15
2. Negotiable certificates of deposit .....	199,419	199,419	0
3. Borrowed money .....	926,993	926,993	—
Total liabilities .....	¥9,171,250	¥9,171,266	¥ 15
Derivative transaction			
Derivatives to which hedge accounting is not applied .....	¥ (196)	¥ (196)	¥ —
Derivatives to which hedge accounting is applied .....	(5,462)	(5,462)	—
Total derivatives .....	¥ (5,658)	¥ (5,658)	¥ —

	Thousands of U.S. dollars		
	2023		
	Carrying Value	Market Value	Differences
1. Securities			
Held-to-maturity bonds .....	\$ 13,589	\$ 13,706	\$ 117
Available-for-sale .....	19,340,943	19,340,943	—
2. Loans and bills discounted .....	44,868,547		
Allowance for loan losses .....	(311,211)		
	<u>44,557,335</u>	<u>44,710,070</u>	<u>152,734</u>
Total assets	<u>\$63,911,869</u>	<u>\$64,064,721</u>	<u>\$ 152,852</u>
1. Deposits .....	\$60,247,417	\$60,247,536	\$ 118
2. Negotiable certificates of deposit .....	1,493,446	1,493,445	0
3. Borrowed money .....	6,942,207	6,942,207	—
Total liabilities .....	<u>\$68,683,071</u>	<u>\$68,683,189</u>	<u>\$ 117</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied .....	\$ (1,468)	\$ (1,468)	\$ —
Derivatives to which hedge accounting is applied .....	(40,906)	(40,906)	—
Total derivatives .....	<u>\$ (42,375)</u>	<u>\$ (42,375)</u>	<u>\$ —</u>

(Note 1)

Stocks and others without a quoted market price and Investments in partnerships and others

The following are the consolidated balance sheet amounts of Stocks and others without a quoted market price, and Investments in limited partnerships. These amounts are not included Available-for-sale in fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	Non-listed stocks .....	¥3,401	¥ 3,871
Investments in limited partnerships .....	885	28,967	216,935

Non-listed stocks are not subject to disclosure of the fair value in accordance with Article 5 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 31, 2020).

Investments in limited partnerships are not subject to disclosure of the fair value in accordance with Article 27 of Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, June 17, 2021)

As a result, certain investments in limited partnerships have been reclassified out of the scope of fair value disclosure effective from the fiscal year ended March 31, 2023.

(Note 2)

Redemption schedules for monetary claims and securities with maturity after the fiscal year-end

	Millions of yen					
	2022					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Securities .....	¥ 135,763	¥ 244,646	¥180,769	¥262,383	¥ 609,201	¥ 757,316
Held-to-maturity securities .....	785	1,091	480	20	—	—
National government bonds .....	—	—	—	—	—	—
Local government bonds .....	—	—	—	—	—	—
Corporate bonds .....	785	1,091	480	20	—	—
Others .....	—	—	—	—	—	—
Available-for-sale securities with maturity .....	134,977	243,554	180,288	262,362	609,201	757,316
National government bonds .....	23,000	2,000	—	—	174,000	540,000
Local government bonds .....	72,735	149,051	131,499	173,568	231,785	5,519
Corporate bonds .....	24,707	31,060	14,782	7,190	118,138	—
Others .....	14,534	61,442	34,006	81,604	85,277	211,797
Loans and bills discounted .....	1,351,629	949,371	700,626	502,382	524,831	1,622,458
Total .....	<u>¥1,487,392</u>	<u>¥1,194,017</u>	<u>¥881,396</u>	<u>¥764,766</u>	<u>¥1,134,032</u>	<u>¥2,379,775</u>



Millions of yen						
2023						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Securities .....	¥ 146,490	¥ 208,904	¥ 243,734	¥289,892	¥ 691,290	¥ 764,082
Held-to-maturity securities .....	667	867	279	—	—	—
National government bonds .....	—	—	—	—	—	—
Local government bonds .....	—	—	—	—	—	—
Corporate bonds .....	667	867	279	—	—	—
Others .....	—	—	—	—	—	—
Available-for-sale securities with maturity .....	145,823	208,036	243,454	289,892	691,290	764,082
National government bonds .....	2,000	—	—	15,000	319,000	420,000
Local government bonds .....	87,581	133,222	156,552	193,435	196,877	4,536
Corporate bonds .....	19,246	25,697	16,700	3,711	128,894	1,800
Others .....	36,994	49,115	70,201	77,745	46,517	337,745
Loans and bills discounted .....	1,432,657	978,668	763,895	526,499	539,791	1,652,569
Total .....	<u>¥1,579,148</u>	<u>¥1,187,572</u>	<u>¥1,007,630</u>	<u>¥816,391</u>	<u>¥1,231,082</u>	<u>¥2,416,651</u>

Thousands of U.S. dollars						
2023						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Securities .....	\$ 1,097,061	\$ 1,564,473	\$ 1,825,315	\$ 2,170,989	\$ 5,177,042	\$ 5,722,175
Held-to-maturity securities .....	4,997	6,498	2,093	—	—	—
National government bonds .....	—	—	—	—	—	—
Local government bonds .....	—	—	—	—	—	—
Corporate bonds .....	4,997	6,498	2,093	—	—	—
Others .....	—	—	—	—	—	—
Available-for-sale securities with maturity .....	1,092,064	1,557,974	1,823,222	2,170,989	5,177,042	5,722,175
National government bonds .....	14,977	—	—	112,334	2,388,976	3,145,360
Local government bonds .....	655,896	997,697	1,172,415	1,448,628	1,474,408	33,971
Corporate bonds .....	144,139	192,450	125,072	27,791	965,286	13,480
Others .....	277,051	367,826	525,734	582,234	348,370	2,529,362
Loans and bills discounted .....	10,729,108	7,329,203	5,720,779	3,942,927	4,042,475	12,376,016
Total .....	<u>\$11,826,169</u>	<u>\$8,893,676</u>	<u>\$7,546,094</u>	<u>\$6,113,917</u>	<u>\$9,219,517</u>	<u>\$18,098,191</u>

(Note)

Loans and bills in the above tables exclude loans and bills whose redemption amounts are impossible to estimate (¥76,457 million and ¥67,183 million (U.S.\$503,133 thousand) in 2022 and 2023, respectively), such as credit extended to debtors that are legally bankrupt, those that are effectively in similar conditions, or those that are not yet legally or substantially bankrupt but are likely to be bankrupt, as well as loans and bills with no maturity date (¥30,338million and ¥30,031 million (U.S.\$ 224,903 thousand) in 2022 and 2023, respectively).

(Note 3)

Repayment schedules for deposits and other interest-bearing debt after the fiscal year-end

Millions of yen						
2022						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit .....	¥7,520,810	¥403,611	¥ 26,983	¥2,093	¥5,834	¥ —
Negotiable certificates of deposit .....	209,228	30	—	—	—	—
Borrowed money .....	1,067,195	257,800	175,800	—	—	—
Total .....	<u>¥8,797,234</u>	<u>¥661,441</u>	<u>¥ 202,783</u>	<u>¥2,093</u>	<u>¥5,834</u>	<u>¥ —</u>

Millions of yen						
2023						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit .....	¥7,634,455	¥378,237	¥ 23,093	¥2,865	¥6,186	¥ —
Negotiable certificates of deposit .....	199,369	50	—	—	—	—
Borrowed money .....	283,893	343,700	299,400	—	—	—
Total .....	<u>¥8,117,718</u>	<u>¥721,987</u>	<u>¥322,493</u>	<u>¥2,865</u>	<u>¥6,186</u>	<u>¥ —</u>

Thousands of U.S. dollars						
2023						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit .....	\$57,174,086	\$2,832,600	\$ 172,944	\$21,458	\$46,328	\$ —
Negotiable certificates of deposit .....	1,493,071	374	—	—	—	—
Borrowed money .....	2,126,061	2,573,953	2,242,192	—	—	—
Total .....	<u>\$60,793,219</u>	<u>\$5,406,928</u>	<u>\$2,415,137</u>	<u>\$21,458</u>	<u>\$46,328</u>	<u>\$ —</u>

(Note)

The amount of demand deposit, which is a part of deposit, is included in the figure for “Due in 1 year or less.”

(3) Matters regarding to breakdown of fair value of financial instruments by level

Fair values of financial instruments are classified into the following three levels on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Fair values of Level 1: Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs

Fair values of Level 2: Fair values measured by inputs other than inputs included within Level 1 among observable valuation inputs

Fair values of Level 3: Fair values measured by unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are classified into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

(1) Financial instruments record at fair value in the consolidated balance sheet

Millions of yen				
2022				
	Level 1	Level 2	Level 3	total
<b>Securities</b>				
<b>Other securities</b>				
National government bonds .....	¥ 788,507	¥ —	¥ —	¥ 788,507
Local government bonds .....	—	764,237	—	764,237
Corporate bonds .....	—	155,841	39,392	195,234
Stocks .....	193,391	—	—	193,391
Others .....	65,105	275,506	—	340,612
<b>Derivative Transactions</b>				
Interest Rate Related Transactions .....	—	313	—	313
Foreign Exchange Related Transactions .....	—	5,743	—	5,743
Others .....	—	—	139	139
<b>Total Assets .....</b>	<u>¥1,047,005</u>	<u>¥ 1,201,643</u>	<u>¥39,532</u>	<u>¥2,288,180</u>
<b>Derivative Transactions</b>				
Interest Rate Related Transactions .....	¥ —	¥ 32	¥ —	¥ 32
Foreign Exchange Related Transactions .....	—	17,798	—	17,798
Others .....	—	—	139	139
<b>Total Liabilities .....</b>	<u>¥ —</u>	<u>¥ 17,830</u>	<u>¥ 139</u>	<u>¥ 17,969</u>

Investment trust and others applying the transitional measures set forth in Article 5, Item 6 of “Cabinet Office Ordinance for Partial Revision of the Ordinance on the Terminology, Forms, and Preparation Methods of the financial statements” (Cabinet Office Ordinance No. 9 March 6, 2020) are not included in above table. The relevant investment trust and others in the consolidated balance sheet is ¥212,369 million.

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	total
Securities				
Other securities				
National government bonds .....	¥ 783,825	¥ —	¥ —	¥ 783,825
Local government bonds .....	—	768,313	—	768,313
Corporate bonds .....	—	158,059	35,071	193,130
Stocks .....	197,932	—	—	197,932
Others .....	67,521	571,872	—	639,394
Derivative Transactions				
Interest Rate Related Transactions .....	—	419	—	419
Foreign Exchange Related Transactions .....	—	7,050	—	7,050
Others .....	—	—	165	165
Total Assets .....	<u>¥1,049,279</u>	<u>¥1,505,715</u>	<u>¥35,236</u>	<u>¥2,590,231</u>
Derivative Transactions				
Interest Rate Related Transactions .....	¥ —	¥ 145	¥ —	¥ 145
Foreign Exchange Related Transactions .....	—	12,982	—	12,982
Others .....	—	—	165	165
Total Liabilities .....	<u>¥ —</u>	<u>¥ 13,128</u>	<u>¥ 165</u>	<u>¥ 13,293</u>

	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	total
Securities				
Other securities				
National government bonds .....	\$5,870,030	\$ —	\$ —	\$ 5,870,030
Local government bonds .....	—	5,753,861	—	5,753,861
Corporate bonds .....	—	1,183,699	262,645	1,446,345
Stocks .....	1,482,309	—	—	1,482,309
Others .....	505,667	4,282,730	—	4,788,397
Derivative Transactions				
Interest Rate Related Transactions .....	—	3,142	—	3,142
Foreign Exchange Related Transactions .....	—	52,798	—	52,798
Others .....	—	—	1,239	1,239
Total Assets .....	<u>\$7,858,007</u>	<u>\$11,276,232</u>	<u>\$263,884</u>	<u>\$19,398,123</u>
Derivative Transactions				
Interest Rate Related Transactions .....	\$ —	\$ 1,090	\$ —	\$ 1,090
Foreign Exchange Related Transactions .....	—	97,226	—	97,226
Others .....	—	—	1,239	1,239
Total Liabilities .....	<u>\$ —</u>	<u>\$ 98,316</u>	<u>\$ 1,239</u>	<u>\$ 99,556</u>

## (2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	total
Securities				
Held-to-maturity bonds				
Corporate bonds .....	¥ —	¥ —	¥ 2,403	¥ 2,403
Loans .....	—	—	5,747,716	5,747,716
Total Assets .....	¥ —	¥ —	¥5,750,119	¥5,750,119
Deposit	¥ —	¥7,959,363	¥ —	¥7,959,363
Negotiable Certificates of Deposits .....	—	209,258	—	209,258
Borrowed Money .....	—	1,498,595	2,200	1,500,795
Total Liabilities .....	¥ —	¥9,667,216	¥ 2,200	¥9,669,416
	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	total
Securities				
Held-to-maturity bonds				
Corporate bonds .....	¥ —	¥ —	¥ 1,830	¥ 1,830
Loans .....	—	—	5,970,135	5,970,135
Total Assets .....	¥ —	¥ —	¥5,971,965	¥5,971,965
Deposit	¥ —	¥8,044,853	¥ —	¥8,044,853
Negotiable Certificates of Deposits .....	—	199,419	—	199,419
Borrowed Money .....	—	924,693	2,300	926,993
Total Liabilities .....	¥ —	¥9,168,966	¥ 2,300	¥9,171,266
	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	total
Securities				
Held-to-maturity bonds				
Corporate bonds .....	\$ —	\$ —	\$ 13,706	\$ 13,706
Loans .....	—	—	44,710,070	44,710,070
Total Assets .....	\$ —	\$ —	\$44,723,777	\$44,723,777
Deposit	\$ —	\$60,247,536	\$ —	\$60,247,536
Negotiable Certificates of Deposits .....	—	1,493,445	—	1,493,445
Borrowed Money .....	—	6,924,983	17,224	6,942,207
Total Liabilities .....	\$ —	\$68,665,965	\$ 17,224	\$68,683,189

(Note1)

Explanation of valuation techniques and valuation inputs used in fair value measurements

#### **Assets**

##### *1) Securities*

Fair values of securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 which includes mainly stocks and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are classified as Level 2, which includes mainly local government bonds and corporate bonds. For investment trusts for which no market trading prices exist, unit prices are used as fair value and classified as Level 2 fair value if there are no material restrictions for which market participants would demand compensation for risk with respect to cancellation or repurchase requests.

Privately-placed bonds with the Bank's guarantee are stated at the fair value, measured by discounting the expected cash flows estimated to reflect the issuing entity's credit risk as of the closing date, using the market interest rate. Privately-placed bonds with the Bank's guarantee are classified as Level 3.

##### *2) Loans and bills discount*

Interest rates of variable interest rate loans reflect market interest rate at short intervals, and thus their fair values are stated at book value because of their proximity to fair value, unless there are significant changes to the debtors' credit conditions. Fixed interest rate loans are stated at their fair value as measured by discounting their cash flows, of which those with OTC interest rate are stated at fair value as measured by discounting their scheduled cash flow using the interest rate that would be applicable to similar new loans and is determined by category and by term. Loans not with OTC interest rate are stated at fair value as measured for each credit rating group by discounting their future cash flow estimated to reflect the credit risk of each such group, using the market interest rate. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

In addition, loans to debtors that are bankrupt or potentially bankrupt are stated at book values that are deemed to approximate their fair values on the consolidated balance sheets as of the consolidated closing date, minus the current amount of estimated loan losses, which are estimated based upon the current values of estimated future cash flows, collateral, guarantees, or estimated collectible amounts.

Loans undated due to their specific attributes, such as a loan amount being limited within the value of collateral assets, are stated at book value which is deemed to approximate their fair value in consideration of factors including estimated payment periods and interest rate conditions.

The fair values concerned are classified as Level 3.

#### **Liabilities**

##### *1) Deposits and 2) Negotiable certificates of deposits*

For demand deposits, fair value is deemed to be the amount payable on demand as of the consolidated closing date (book value).

For time deposits and negotiable certificates of deposits, fair value is measured by discounting future cash flows, using interest rates applicable to new deposits and the market interest rate, respectively.

For these deposits with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

Those fair values are classified as Level 2.

##### *3) Borrowed Money*

The carrying amount of borrowed money with variable interest rates approximates fair value because the market rates are promptly reflected in the variable interest rate and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts.

For borrowed money with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two. The fair values of borrowed money are classified as Level 2 if the effect of unobservable inputs is insignificant.

##### *4) Derivative Transactions*

Derivative transactions that can be measured at unadjusted quoted prices in active markets are classified as Level 1, which includes such transactions as bonds futures and interest rate futures. However, since most derivative transactions are over-the-counter transactions and there are no quoted market prices, market values are measured using valuation techniques such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs which are used in those valuation techniques are interest rates, exchange rates, volatility and others. In addition, price adjustments based on credit risk of counterparty and credit risk of majority-owned consolidated subsidiaries and other consolidated subsidiaries themselves and price adjustments for unsecured funding are made. When unobservable inputs are not used or impact of unobservable inputs are not material, transactions are classified as Level 2, which includes such transactions as plain vanilla interest rate swaps and foreign exchange forwards. When significant unobservable inputs are used, transactions are classified as Level 3, which includes Weather Derivatives etc.



(Note2) Information about fair values of Level 3 from financial instruments carried on the consolidated balance sheets at fair value  
(1) Quantitative information on significant unobservable inputs

As of March 31, 2022	Principal valuation technique	Significant unobservable valuation input	Range of valuation input	Weighted average
Securities				
Available-for-sale securities with maturity				
Corporate bonds				
private placement bonds	present value method	default rate	0.0%-40.6%	1.9%
As of March 31, 2023				
Securities				
Available-for-sale securities with maturity				
Corporate bonds				
private placement bonds	present value method	default rate	0.0%-23.1%	1.7%

(2) Adjustment table reconciling the balances at the beginning and end of the fiscal year, and valuation gain or loss recognized in the gain or loss for the fiscal year ended March 31, 2022 and 2023

Millions of yen								
2022								
Gains (losses) for the period/ other comprehensive income								
	Balance at the beginning of the fiscal year	Recorded to gains (losses) for the period	Recorded to other comprehensive income	Net amount of purchase, sale, issue, and settlement	Transfer to fair values of Level 3	Transfer from fair values of Level 3	Balance at the end of the fiscal year	Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the period
Securities								
Available-for-sale securities with maturity								
Corporate bonds								
private placement bonds	¥44,956	¥ —	¥54	¥(5,618)	¥ —	¥ —	¥39,392	¥ —

Millions of yen								
2023								
Gains (losses) for the period/ other comprehensive income								
	Balance at the beginning of the fiscal year	Recorded to gains (losses) for the period	Recorded to other comprehensive income	Net amount of purchase, sale, issue, and settlement	Transfer to fair values of Level 3	Transfer from fair values of Level 3	Balance at the end of the fiscal year	Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the period
Securities								
Available-for-sale securities with maturity								
Corporate bonds								
private placement bonds	¥39,392	¥ —	¥13	¥(4,335)	¥ —	¥ —	¥35,071	¥ —

Thousands of U.S. dollars

		2023							
		Gains (losses) for the period/ other comprehensive income							
	Balance at the beginning of the fiscal year	Recorded to gains (losses) for the period	Recorded to other comprehensive income	Net amount of purchase, sale, issue, and settlement	Transfer to fair values of Level 3	Transfer from fair values of Level 3	Balance at the end of the fiscal year	Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the period	
Securities									
Available-for-sale securities with maturity									
Corporate bonds									
	private placement bonds	\$295,009	\$ —	\$100	\$(32,464)	\$ —	\$ —	\$262,645	\$ —

(3) Explanation of the fair value valuation process

The Bank has established policies and procedures regarding the measurements of fair value, and each transaction department measures fair value in accordance with these policies and procedures.

For the fair values and the level classification, the validity of the valuation techniques and valuation inputs used in fair value measurement are verified.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used.

In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of valuation techniques and valuation inputs and comparison with the fair values of similar financial instruments.

(4) Explanation of the effects on fair values when significant unobservable inputs are changed

The default rate indicates the likelihood of a default event occurring, and is an estimate measured based on the actual default rate of our customers. A significant increase (decrease) in the default rate would generally be accompanied by a decrease (increase) in the fair value.

## 6. Securities

### (1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2022 and 2023 and other related information were as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposits classified as Cash and due from banks. The same definition was applied in the following tables (a) to (e).

#### (a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation gain included in income for the year .....	¥(7)	¥8	\$60

#### (b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2022 and 2023 were summarized as follows.

		Millions of yen		
		2022		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds .....	¥ —	¥ —	¥—
	Local government bonds .....	—	—	—
	Corporate bonds .....	2,348	2,373	25
	Other securities .....	—	—	—
	Sub total .....	¥2,348	¥2,373	¥25
Securities of which market value does not exceed carrying value	National government bonds .....	¥ —	¥ —	¥—
	Local government bonds .....	—	—	—
	Corporate bonds .....	30	29	(0)
	Other securities .....	—	—	—
	Sub total .....	¥ 30	¥ 29	¥(0)
Total .....		¥2,378	¥2,403	¥25

		Millions of yen		
		2023		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds .....	¥ —	¥ —	¥—
	Local government bonds .....	—	—	—
	Corporate bonds .....	1,805	1,821	15
	Other securities .....	—	—	—
	Sub total .....	¥1,805	¥1,821	¥15
Securities of which market value does not exceed carrying value	National government bonds .....	¥ —	¥ —	¥—
	Local government bonds .....	—	—	—
	Corporate bonds .....	9	8	(0)
	Other securities .....	—	—	—
	Sub total .....	¥ 9	¥ 8	¥(0)
Total .....		¥1,814	¥1,830	¥15

		Thousands of U.S. dollars		
		2023		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds .....	\$ —	\$ —	\$ —
	Local government bonds .....	—	—	—
	Corporate bonds .....	13,522	13,639	117
	Other securities .....	—	—	—
	Sub total .....	\$13,522	\$13,639	\$117
Securities of which market value does not exceed carrying value	National government bonds .....	\$ —	\$ —	\$ —
	Local government bonds .....	—	—	—
	Corporate bonds .....	67	67	(0)
	Other securities .....	—	—	—
	Sub total .....	\$ 67	\$ 67	\$ (0)
Total .....		\$13,589	\$13,706	\$117

(c) Available for sale securities

		Millions of yen		
		2022		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks .....	¥ 152,878	¥ 80,503	¥ 72,375
	Bonds .....	606,204	602,813	3,391
	National government bonds .....	78,302	77,640	662
	Local government bonds .....	466,372	464,132	2,240
	Corporate bonds .....	61,529	61,040	489
	Other securities .....	133,812	123,610	10,201
	Foreign bonds .....	64,790	64,335	455
	Other securities .....	69,021	59,275	9,746
	Sub total .....	¥ 892,896	¥ 806,927	¥ 85,968
Securities of which market value does not exceed cost	Stocks .....	¥ 40,512	¥ 44,695	¥ (4,182)
	Bonds .....	1,141,774	1,158,968	(17,193)
	National government bonds .....	710,205	724,050	(13,845)
	Local government bonds .....	297,865	300,024	(2,159)
	Corporate bonds .....	133,704	134,893	(1,188)
	Other securities .....	419,169	437,514	(18,345)
	Foreign bonds .....	275,821	289,407	(13,585)
	Other securities .....	143,347	148,107	(4,759)
	Sub total .....	¥1,601,457	¥1,641,178	¥ (39,721)
Total .....	¥2,494,353	¥2,448,106	¥ 46,247	

		Millions of yen		
		2023		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks .....	¥ 133,283	¥ 74,274	¥ 59,009
	Bonds .....	442,731	440,077	2,653
	National government bonds .....	77,312	76,633	678
	Local government bonds .....	309,104	307,602	1,501
	Corporate bonds .....	56,314	55,841	473
	Other securities .....	183,717	175,438	8,279
	Foreign bonds .....	131,307	130,390	917
	Other securities .....	52,409	45,048	7,361
	Sub total .....	¥ 759,732	¥ 689,790	¥ 69,941
Securities of which market value does not exceed cost	Stocks .....	¥ 64,648	¥ 68,727	¥ (4,078)
	Bonds .....	1,302,537	1,339,928	(37,391)
	National government bonds .....	706,512	735,072	(28,559)
	Local government bonds .....	459,208	464,601	(5,392)
	Corporate bonds .....	136,815	140,255	(3,439)
	Other securities .....	482,281	516,979	(34,698)
	Foreign bonds .....	250,734	256,666	(5,931)
	Other securities .....	231,547	260,313	(28,766)
	Sub total .....	¥1,849,467	¥1,925,636	¥ (76,168)
Total .....	¥2,609,200	¥2,615,426	¥ (6,226)	

		Thousands of U.S. dollars		
		2023		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks .....	\$ 998,156	\$ 556,239	\$ 441,916
	Bonds .....	3,315,594	3,295,720	19,874
	National government bonds .....	578,988	573,904	5,084
	Local government bonds .....	2,314,868	2,303,624	11,244
	Corporate bonds .....	421,737	418,191	3,545
	Other securities .....	1,375,851	1,313,849	62,001
	Foreign bonds .....	983,358	976,486	6,872
	Other securities .....	392,492	337,363	55,128
	Sub total .....	<u>\$ 5,689,602</u>	<u>\$ 5,165,810</u>	<u>\$ 523,792</u>
Securities of which market value does not exceed cost	Stocks .....	\$ 484,152	\$ 514,697	\$ (30,544)
	Bonds .....	9,754,642	10,034,665	(280,023)
	National government bonds .....	5,291,041	5,504,921	(213,880)
	Local government bonds .....	3,438,992	3,479,378	(40,385)
	Corporate bonds .....	1,024,607	1,050,364	(25,757)
	Other securities .....	3,611,785	3,871,637	(259,852)
	Foreign bonds .....	1,877,739	1,922,161	(44,422)
	Other securities .....	1,734,046	1,949,475	(215,429)
	Sub total .....	<u>\$13,850,580</u>	<u>\$14,421,000</u>	<u>\$(570,420)</u>
Total .....	<u>\$19,540,182</u>	<u>\$19,586,810</u>	<u>\$ (46,628)</u>	

(d) Available-for-sale securities sold

		Millions of yen		
		2022		
		Proceeds from sales	Gains	Losses
Stocks .....		¥ 56,454	¥10,865	¥3,035
Bonds .....		144,720	201	569
National government bonds .....		143,602	201	569
Local government bonds .....		—	—	—
Corporate bonds .....		1,118	0	—
Other securities .....		303,681	8,021	5,767
Foreign bonds .....		192,078	4	4713
Other securities .....		111,603	8,017	1,054
Total .....		<u>¥504,856</u>	<u>¥19,088</u>	<u>¥9,372</u>

		Millions of yen		
		2023		
		Proceeds from sales	Gains	Losses
Stocks .....		¥142,667	¥26,736	¥1,265
Bonds .....		18,670	0	1,749
National government bonds .....		18,112	—	1,749
Local government bonds .....		—	—	—
Corporate bonds .....		558	0	—
Other securities .....		345,218	5,061	29,851
Foreign bonds .....		241,897	—	29,720
Other securities .....		103,320	5,061	130
Total .....		<u>¥506,556</u>	<u>¥31,798</u>	<u>¥32,866</u>



	Thousands of U.S. dollars		
	2023		
	Proceeds from sales	Gains	Losses
Stocks .....	\$1,068,432	\$200,231	\$ 9,477
Bonds .....	139,826	3	13,102
National government bonds .....	135,643	—	13,102
Local government bonds .....	—	—	—
Corporate bonds .....	4,182	3	—
Other securities .....	2,585,322	37,902	223,554
Foreign bonds .....	1,811,557	—	222,576
Other securities .....	773,765	37,902	977
Total .....	<u>\$3,793,581</u>	<u>\$238,138</u>	<u>\$246,134</u>

**(e) Guarantee obligations for bonds in private placement**

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of the Financial Instruments and Exchange Act) included in Corporate Bonds were ¥41,551 million and ¥36,652 million (U.S.\$274,485 thousand) as of March 31, 2022 and 2023, respectively.

## 7. Money Held in Trust

### Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Consolidated Balance Sheet Amount .....	¥3,368	¥3,354	\$25,118
Unrealized Gains Included in the Consolidated Statements of Income .....	—	—	—

Money Held in Trust for Holding Purposes..... Nil (as of March, 2022 and 2023)

### Money Held in Trust for Other Purposes

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Consolidated Balance Sheet Amount .....	¥4,900	¥6,500	\$48,678
Cost .....	4,900	6,500	48,678
Differences .....	—	—	—
Gains .....	—	—	—
Losses .....	—	—	—

## 8. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2022 and 2023 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation Difference .....	¥46,069	¥(6,404)	\$(47,963)
Available-for-sale Securities .....	46,069	(6,404)	(47,963)
Money Held in Trust for Other Purpose .....	—	—	—
Deferred Tax Assets .....	—	2,045	15,320
Deferred Tax Liabilities .....	13,947	—	—
Valuation Difference, Net of Taxes .....	32,121	(4,358)	(32,642)
Amount Attributable to Non-controlling interests .....	—	—	—
Net Unrealized Gains on Available-for-sale Securities Owned by Affiliates, which is Attributable to the Parent .....	1,258	1,437	10,768
Valuation Difference on Available-for-sale Securities .....	33,379	(2,920)	(21,873)

## 9. Derivative Financial Instruments Transactions

### (1) Derivatives to which hedge accounting is not applied

With respects to the derivatives to which hedge accounting is not applied, contract amount or notional amount set out in the contract, fair value, valuation gain or loss and calculation method of such fair value, by class of underlying asset at the end of the year are as described below. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

As of March 31,	2022				2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate futures:								
Written .....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased .....	—	—	—	—	—	—	—	—
Total .....	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars

As of March 31,	2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate futures:				
Written .....	\$ —	\$ —	\$ —	\$ —
Purchased .....	—	—	—	—
Total .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Millions of yen

As of March 31,	2022				2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:								
Receipt fixed								
payments floating ..	¥32,079	¥28,129	¥216	¥216	¥29,033	¥28,903	¥(63)	¥(63)
Receipt floating								
payments fixed .....	32,079	28,129	64	64	29,033	28,903	337	337
Total .....	<u>¥64,159</u>	<u>¥56,259</u>	<u>¥281</u>	<u>¥281</u>	<u>¥58,066</u>	<u>¥57,806</u>	<u>¥274</u>	<u>¥274</u>

Thousands of U.S. dollars

As of March 31,	2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:				
Receipt fixed				
payments floating .....	\$217,428	\$216,455	\$ (474)	\$ (474)
Receipt floating				
payments fixed .....	217,428	216,455	2,527	2,527
Total .....	<u>\$434,857</u>	<u>\$432,910</u>	<u>\$2,052</u>	<u>\$2,052</u>

Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

(b) Foreign Exchange Related Transactions

For the years ended March 31,	2022				2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
currency futures								
Written .....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased .....	—	—	—	—	—	—	—	—
Total .....	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars

For the year ended March 31,	2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
currency futures				
Written .....	\$ —	\$ —	\$ —	\$ —
Purchased .....	—	—	—	—
Total .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of March 31,	Millions of yen							
	2022				2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps .....	¥153,202	¥140,308	¥207	¥377	¥120,986	¥109,499	¥169	¥185

As of March 31,	Thousands of U.S. dollars			
	2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps .....	\$906,060	\$820,034	\$1,271	\$1,388

For the years ended March 31,	Millions of yen							
	2022				2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written .....	¥5,711	¥—	¥(285)	¥(285)	¥5,171	¥—	¥(10)	¥(10)
Purchased .....	3,659	—	229	229	4,243	—	1	1
Total .....	¥9,370	¥—	¥(55)	¥(55)	¥9,414	¥—	¥(8)	¥(8)
Currency options:								
Written .....	¥201,071	¥172,993	¥(3,272)	¥4,504	¥287,241	¥248,453	¥(4,320)	¥904
Purchased .....	201,071	172,993	3,097	(2,518)	287,241	248,453	3,689	1,329
Total .....	¥402,143	¥345,986	¥(174)	¥1,985	¥574,482	¥496,906	¥(631)	¥2,233

For the year ended March 31,	Thousands of U.S. dollars			
	2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written .....	\$38,727	\$—	\$(77)	\$(77)
Purchased .....	31,776	—	11	11
Total .....	\$70,503	\$—	\$(65)	\$(65)
Currency options:				
Written .....	\$2,151,134	\$1,860,654	\$(32,358)	\$6,772
Purchased .....	2,151,134	1,860,654	27,631	9,957
Total .....	\$4,302,269	\$3,721,309	\$(4,727)	\$16,729

Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of incomes.

(c) Other

For the years ended March 31,	Millions of yen							
	2022				2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Weather derivative, etc.								
Written .....	¥12,790	¥—	¥(139)	¥—	¥14,645	¥—	¥(165)	¥—
Purchased .....	12,790	—	139	—	14,645	—	165	—
Total .....	¥25,580	¥—	¥—	¥—	¥29,290	¥—	¥—	¥—

For the year ended March 31,	Thousands of U.S. dollars			
	2023			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Weather derivative, etc.				
Written .....	\$109,675	\$—	\$(1,239)	\$—
Purchased .....	109,675	—	1,239	—
Total .....	\$219,351	\$—	\$—	\$—

- (d) Equity Related Transactions ..... Nil  
(e) Bond Related Transactions ..... Nil  
(f) Commodity Related Transactions ... Nil  
(g) Credit Derivatives ..... Nil

(2) Derivatives to which hedge accounting is applied

With respects to the derivatives to which hedge accounting is applied, contract amount or notional amount set out in the contract and the fair value at the end of the year along with the calculation method of such fair value, by class of underlying asset and by method of hedge accounting, are as follows. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

As of March 31,		Hedged items	Millions of yen					
			2022			2023		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps: .....	—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Interest rate futures: .....	—	—	—	—	—	—	—
	Interest rate options: .....	—	—	—	—	—	—	—
	Others .....	—	—	—	—	—	—	—
	Total .....		¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

As of March 31,		Hedged items	Thousands of U.S. dollars		
			2023		
			Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps: .....	—	\$ —	\$ —	\$ —
	Interest rate futures: .....	—	—	—	—
	Interest rate options: .....	—	—	—	—
	Others .....	—	—	—	—
	Total .....		\$ —	\$ —	\$ —

As of March 31,		Hedged items	Millions of yen					
			2022			2023		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps: Loan		¥25,210	¥17,865		¥26,104	¥21,812	
	Receipt fixed payments floating .....		—	—	*note	—	—	*note
	Receipt floating payments fixed .....		25,210	17,865		26,104	21,812	
	Total .....		¥ —	¥ —		¥ —	¥ —	

(Note) As the swaps that qualify for exceptional treatment for interest rate swaps are treated as one combined with hedged loans, fair value of the former is included in that of the latter in the "Financial Instruments".

As of March 31,		Hedged items	Thousands of U.S. dollars		
			2023		
			Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps: Loan		\$195,495	\$163,354	
	Receipt fixed payments floating .....		—	—	*note
	Receipt floating payments fixed .....		195,495	163,354	
	Total .....		\$ —	\$ —	

The Bank mainly treats them under the deferred method of hedge accounting based on Industry-specific Special Committee Practical Guidance No.24.

(b) Foreign Exchange Related Transactions

As of March 31,		Hedged items	Millions of yen					
			2022			2023		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps: .....	Call loans, Loans, Bonds and Foreign exchange	¥140,748	¥61,195	¥(11,302)	¥287,089	¥206,971	¥(5,848)
	Forward exchange contracts: .....		14,462	—	(729)	7,423	—	385
Deferred method:	Currency swap: .....	—	—	—	—	—	—	—
	Forward exchange contracts: .....	—	—	—	—	—	—	—
	Total .....		¥ —	¥ —	¥(12,031)	¥ —	¥ —	¥(5,462)

		Thousands of U.S. dollars		
		2023		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps: ..... Call loans, Loans, Forward exchange Bonds and Foreign contracts: ..... exchange	\$2,150,000	\$1,550,000	\$(43,796)
		55,591	—	2,889)
Deferred method:	Currency swap: ..... —	—	—	—
	Forward exchange contracts:..... —	—	—	—
	Total .....	\$ —	\$ —	\$(40,906)

The Bank mainly applies the deferred method of hedge accounting based on Industry-specific Special Committee Practical Guidance No.25.

- (c) Equity Related Transactions ..... Nil  
(d) Bond Related Transactions ..... Nil  
(e) Equity Related Transactions ..... Nil (as of March 31, 2022)  
(f) Bond Related Transactions ..... Nil (as of March 31, 2022)

## 10. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥(44,981)	¥(53,865)	\$(403,398)
Amounts of recycling	(10,228)	1,392	10,426
Before tax effect adjustment	(55,210)	(52,473)	(392,971)
Tax effects	16,839	15,993	119,776
Net unrealized gains (losses) on securities, net of tax	(38,371)	(36,479)	(273,195)
Deferred hedge gains (losses):			
Items recognized during the year	(659)	(5,956)	(44,607)
Amounts of recycling	794	6,515	48,795
Before tax effect adjustment	134	559	4,187
Tax effects	(40)	(170)	(1,277)
Deferred hedge gains (losses)	93	388	2,910
Foreign currency translation adjustments:			
Items recognized during the year	—	—	—
Amounts of recycling	98	—	—
Before tax effect adjustment	98	—	—
Tax effects	—	—	—
Foreign currency translation adjustments	98	—	—
Remeasurements of defined benefit plans			
Items recognized during the year	2,742	4,519	33,847
Amounts of recycling	178	(776)	(5,815)
Before tax effect adjustment	2,920	3,743	28,032
Tax effects	(890)	(1,141)	(8,549)
Remeasurements of defined benefit plans	2,029	2,601	19,482
Share of other comprehensive income of entities and affiliates accounted by the equity method			
Items recognized during the year	209	179	1,341
Amounts of recycling	—	—	—
Before tax effect adjustment	209	179	1,341
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted by the equity method	209	179	1,341
Total other comprehensive income	¥(35,940)	¥(33,310)	\$(249,461)

## 11. Property and equipment

Depreciation was computed using the declining-balance method. Property and equipment as of March 31, 2022 and 2023 were expressed at net of the following accumulated depreciation.

Millions of yen		Thousands of U.S. dollars
2022	2023	2023
¥66,640	¥66,735	\$499,778

Deferred gain on real estate deductible for tax purposes amounted to ¥3,809 million and ¥3,572 million (U.S.\$26,751 thousand) on March 31, 2022 and 2023, respectively.

## 12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Securities .....	¥1,737,212	¥1,659,535	\$12,428,186
Loan .....	891,357	280,310	2,099,232
Other .....	1,000	1,000	7,488
Total.....	¥2,629,570	¥1,940,846	\$14,534,907

Liabilities related to the above pledged assets as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deposits .....	¥ 222,999	¥224,231	\$1,679,256
Payables under repurchase agreements .....	8,153	86,565	648,284
Payables under securities lending transactions .....	732,995	723,449	5,417,883
Borrowed money .....	1,498,595	924,693	6,924,983
Other .....	181	130	978

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2022 and 2023.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Other .....	¥41,732	¥33,385	\$250,020

Guarantee deposits of ¥1,440 and ¥1,346 million (U.S.\$10,082 thousand) were included in Other Assets as of March 31, 2022 and 2023, respectively.

## 13. Revaluation Reserve for Land

Pursuant to the Law concerning Land Revaluation, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included in Net Assets, net of income taxes.

Date of the revaluation: March 31, 1998

Revaluation method stipulated in paragraph 3, Article 3 of the Law concerning Land Revaluation Calculated by applying reasonable adjustments to the roadside values such as adjustments for the shape of the land, based on Item 4, Article 2 of the Enforcement Ordinance of the Law concerning Land Revaluation (Enforcement Ordinance No. 119, effective March 31, 1998).

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥15,996 million and ¥15,746million (U.S.\$117,928 thousand) as of March 31, 2022 and 2023, respectively



## 14. Retirement Benefits

### Retirement benefit plans

Retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank and its domestic consolidated subsidiaries have established defined benefit plans comprising a retirement lump-sum payment plan and defined benefit welfare pension plan (funded type), as well as defined contribution plan namely defined contribution pension plan. In addition, premium retirement benefits may be payable in certain circumstance at an employees' retirement. The Bank has a retirement benefit trust in place.

The changes in the retirement benefit obligation during the year ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at the beginning of the year	¥90,325	¥87,230	\$653,264
Service cost	2,075	1,929	14,449
Interest cost	468	623	4,669
Actuarial loss	(2,721)	(4,275)	(32,016)
Retirement benefits paid	(2,918)	(3,108)	(23,279)
Prior service cost	—	—	—
Other	—	—	—
Balance at the end of the year	¥87,230	¥82,399	\$617,086

(Note)

Consolidated subsidiaries use simplified method in calculating retirement benefit obligations.

The changes in plan assets during the year ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at the beginning of the year	¥96,588	¥97,681	\$731,532
Expected return on plan assets	2,248	2,275	17,044
Actuarial loss	20	244	1,830
Contributions by the Bank	917	905	6,783
Retirement benefits paid	(2,094)	(2,102)	(15,747)
Other	—	—	—
Balance at the end of the year	¥97,681	¥99,004	\$741,442

Reconciliation of ending balances of retirement benefit obligations and plan assets, and net defined liability and net defined asset recorded on the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Funded retirement benefit obligation	¥ 87,230	¥ 82,399	\$ 617,086
Plan assets at fair value	(97,681)	(99,004)	(741,442)
	(10,451)	(16,605)	(124,356)
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	(10,451)	(16,605)	(124,356)
Net defined liability	362	358	2,682
Net defined asset	(10,813)	(16,963)	(127,039)
Net liability (asset) for retirement benefits in the balance sheets	¥(10,451)	¥(16,605)	\$(124,356)

Components of retirement benefit expense for the year ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service cost	¥ 2,075	¥ 1,929	\$ 14,449
Interest cost	468	623	4,669
Expected return on plan assets	(2,248)	(2,275)	(17,044)
Amortization of actuarial loss	178	(776)	(5,815)
Amortization of prior service costs	—	—	—
Other	21	19	145
Retirement benefit expense associated with defined benefit plans	¥ 495	¥ (480)	\$ (3,595)

(Note)

Retirement benefit expense at consolidated subsidiaries using the simplified method is collectively included in "Service cost."

Remeasurements of defined benefit plans on other comprehensive income (before tax effect adjustment) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Prior service cost .....	¥ —	¥ —	\$ —
Actuarial gain .....	2,920	3,743	28,032
Other .....	—	—	—
Total .....	<u>¥2,920</u>	<u>¥3,743</u>	<u>\$28,032</u>

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized prior service cost .....	¥ —	¥ —	\$ —
Unrecognized actuarial loss .....	(6,355)	(10,098)	(75,627)
Other .....	—	—	—
Total .....	<u>¥(6,355)</u>	<u>¥(10,098)</u>	<u>\$(75,627)</u>

The fair value of plan assets, by major classification, as a percentage of total plan assets as of March 31, 2022 and 2023 were as follows:

	2022	2023
Bonds .....	18.4%	18.3%
Stock .....	46.2%	46.1%
Life insurance company general accounts .....	17.9%	17.9%
Cash and due from banks .....	0.3%	9.7%
Other .....	17.2%	8.0%
Total .....	<u>100.0%</u>	<u>100.0%</u>

(Note)

Total plan assets included retirement benefit trust of 36.6% and 36.2% as of March 31, 2022 and 2023, respectively, which were set for corporate pension plans and retirement lump-sum payment plan.

The expected long-term return on plan assets has been estimated based on the current and anticipated allocation of plan assets and the current and expected long-term return on various assets which are the components of plan assets.

The assumptions used in accounting for the above plans were as follows:

	2022	2023
1) Discount rates		
Welfare pension plan .....	0.7%	1.1%
Retirement lump-sum payment plan .....	0.4%	0.7%
2) Expected long-term return on plan assets		
Welfare pension fund .....	2.5%	2.5%
Retirement benefit trust .....	1.8~2.5%	1.8~2.5%
3) Other assumptions		
Expected rate of salary raises .....	3.9%	3.9%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries as of March 31, 2022 and 2023 is ¥10 million and ¥9 million (U.S.\$73 thousand), respectively.

## 15. Cash and Cash Equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to the cash and cash equivalents as of March 31, 2022 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and Due from Banks .....	¥2,651,118	¥1,833,043	\$13,727,576
Interest-bearing Deposits included in Due from Banks (excluding Due from BO) .....	(3,612)	(3,089)	(23,132)
Cash and Cash Equivalents .....	¥2,647,506	¥1,829,954	\$13,704,442

\*2 Major components of assets and liabilities related to sale of businesses with cash and cash equivalents exchanged as consideration

Fiscal year ended March 31, 2022  
Not applicable.

Fiscal year ended March 31, 2023

Major components of a decrease in assets and liabilities, etc., resulting from the transfer, through an absorption-type split, of the Bank's credit card membership business to The Gungin Card Co., Ltd., an unconsolidated subsidiary accounted for by the equity method, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	
Assets (including Monetary claims bought of ¥5,706 (\$42,732))	¥ 5,763	\$ 43,166
Liabilities	(1,374)	(10,292)
Gain on sale of businesses	47	357
Sale price of businesses	4,437	33,230
Cash and cash equivalents	—	—
Difference: Proceeds from sale of businesses	4,437	33,230

## 16. Lease Transactions

### a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2022 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
With one year	¥ 91	¥ 97	\$ 729
Over one year	366	301	2,254
Total	¥458	¥398	\$2,984

### b. Lessor

Leased investment asset at March 31, 2022 and 2023 were summarized as follows :

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Lease receivables .....	¥44,769	¥44,914	\$336,362
Estimated residual value .....	8,517	9,080	68,004
Interest income .....	(5,130)	(5,238)	(39,227)
Total .....	¥48,156	¥48,757	\$365,140

The lease receivable amount at March 31, 2022 and 2023, and the amount of lease fees receivable on investment assets, which is scheduled to be collected after the fiscal year-end, were summarized as follows:

	Lease receivables	Lease investment assets
	Millions of yen	Millions of yen
	2022	2022
within 1 year	¥3,383	¥13,845
over 1 year and within 2 years .....	2,794	11,109
over 2 years and within 3 years .....	2,149	8,207
over 3 years and within 4 years .....	1,383	5,573
over 4 years and within 5 years .....	643	3,128
over 5 years .....	881	2,905

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2023	2023	2023	2023
within 1 year	¥3,449	\$25,833	¥13,830	\$103,575
over 1 year and within 2 years	2,801	20,977	10,883	81,505
over 2 years and within 3 years	1,998	14,964	8,144	60,992
over 3 years and within 4 years	1,226	9,182	5,624	42,121
over 4 years and within 5 years	608	4,553	3,322	24,884
over 5 years	818	6,127	3,109	23,283

## 17. Income Taxes

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

Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

Deferred tax assets and liabilities as of March 31, 2022 and 2023 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Allowance for loan losses	¥ 13,859	¥10,819	\$ 81,026
Net defined benefit liability	5,075	5,067	37,951
Valuation difference on available-for-sale securities	—	2,165	16,219
Devaluation loss on securities	541	583	4,372
Depreciation	573	475	3,564
Other	6,199	5,859	43,879
Subtotal	26,249	24,971	187,014
Valuation allowance	(5,114)	(4,428)	(33,168)
Total: Deferred tax assets	21,135	20,543	153,845
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(13,947)	(120)	(898)
Retirement benefit trust	(2,842)	(3,339)	(25,010)
Other	(3,216)	(4,080)	(30,556)
Total: Deferred tax liabilities	(20,006)	(7,539)	(56,464)
Net: Deferred tax assets (liabilities)	¥ 1,128	¥13,003	\$ 97,381

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2022 and 2023 is as follows:

	2022	2023
Japanese statutory tax rate	30.5%	30.5%
(Adjustment)		
Items permanently non-deductible, including entertainment expenses	0.1	0.2
Items permanently excluded from profit, including dividend income	(1.0)	(1.1)
Increase(decrease)in valuation allowance	3.9	(1.8)
Other	0.0	0.4
Ratio of income taxes after tax effective accounting	33.5%	28.2%

## 18. Business Combinations

Transaction under common control

Outline of transaction

(1) Name of the subject business and the business description

Name of business: The Bank's credit card membership business

Business description: Credit card membership services for individuals under the JCB and VISA brands

(2) Date of combination

April 1, 2022

(3) Legal form of business combination

An absorption-type split with the Bank as the splitting company and The Gungin Card Co., Ltd., an unconsolidated subsidiary accounted for by the equity method, as the successor company.

(4) Company name after the combination

No change in name

(5) Other Related Matters

The Group is engaged in the credit card membership business through the Bank and The Gungin Card Co., Ltd. The absorption-type split is intended to improve the efficiency of the Group's operations, and by having a company specializing in credit card services provide services to customers, the Group aims to further improve its services with expertise, make decisions more quickly, and respond more flexibly to the market environment.

2 Outline of Accounting Treatment

The business combination was treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

## 19. Segment Information

### a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2022 and 2023 is summarized as follows:

Year ended or as of March 31, 2022	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers .....	¥ 115,578	¥28,814	¥ 144,392	¥ 5,804	¥ 150,197	¥ —	¥ 150,197
Internal units .....	1,159	365	1,525	1,267	2,792	(2,792)	—
	116,738	29,179	145,917	7,071	152,989	(2,792)	150,197
Segment profit .....	34,549	576	35,125	4,038	39,163	(51)	39,111
Segment assets .....	11,135,325	83,211	11,218,536	43,329	11,261,865	(113,326)	11,148,539
Segment liabilities .....	10,634,401	68,467	10,702,869	18,174	10,721,044	(101,760)	10,619,283
Others							
Depreciation	5,973	694	6,668	92	6,761	102	6,863
Interest and dividend income	74,126	14	74,141	19	74,161	(291)	73,869
Interest expenses	1,858	276	2,135	0	2,136	(267)	1,868
Equity in earnings of unconsolidated subsidiaries and associated companies	171	—	171	—	171	(24)	146
Extraordinary profit	2,493	—	2,493	—	2,493	—	2,493
Gains on disposal of noncurrent assets	(2,493)	—	(2,493)	—	(2,493)	—	(2,493)
Extraordinary loss	1,820	—	1,820	0	1,821	—	1,821
Losses on disposal of noncurrent assets	(438)	—	(438)	(0)	(438)	—	(438)
Impairment losses on of fixed assets	(1,382)	—	(1,382)	—	(1,382)	—	(1,382)
Tax	11,739	299	12,038	1,309	13,347	(0)	13,347
Investment of unconsolidated subsidiaries and associated companies	221	—	221	—	221	—	221
Increase of property and equipment and intangible assets	4,902	764	5,667	108	5,775	202	5,978

Year ended or as of March 31, 2023	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers .....	¥ 142,513	¥29,386	¥ 171,899	¥ 4,690	¥ 176,589	¥ —	¥ 176,589
Internal units .....	972	359	1,332	1,312	2,645	(2,645)	—
	143,485	29,745	173,231	6,003	179,235	(2,645)	176,589
Segment profit .....	33,810	1,649	35,459	2,920	38,380	(63)	38,316
Segment assets .....	10,644,132	83,109	10,727,241	45,597	10,772,838	(110,538)	10,662,300
Segment liabilities .....	10,159,706	67,250	10,226,957	18,494	10,245,451	(98,961)	10,146,489
Others							
Depreciation	5,711	691	6,402	66	6,469	103	6,572
Interest and dividend income	87,331	18	87,350	19	87,370	(293)	87,076
Interest expenses	15,611	278	15,890	0	15,890	(269)	15,620
Equity in earnings of unconsolidated subsidiaries and associated companies	246	—	246	—	246	(24)	221
Extraordinary profit	1,597	—	1,597	—	1,597	—	1,597
Gains on disposal of noncurrent assets	(1,597)	—	(1,597)	—	(1,597)	—	(1,597)
Extraordinary loss	1,012	—	1,012	0	1,013	—	1,013
Losses on disposal of noncurrent assets	(603)	—	(603)	(0)	(603)	—	(603)
Impairment losses on of fixed assets	(409)	—	(409)	—	(409)	—	(409)
Tax	9,566	433	9,999	972	10,972	(3)	10,968
Investment of unconsolidated subsidiaries and associated companies	595	—	595	—	595	—	595
Increase of property and equipment and intangible assets	4,799	832	5,631	67	5,698	109	5,807

Year ended or as of March 31, 2023	Thousands of U.S. dollars						Adjustment	Consolidated
	Banking	Lease	Sub total	Others	Total			
Ordinary income generated from businesses with								
External customers .....	\$ 1,067,273	\$ 220,071	\$ 1,287,345	\$ 35,129	\$ 1,322,474	\$ —	\$ 1,322,474	
Internal units .....	7,284	2,694	9,978	9,830	19,809	(19,809)	—	
	1,074,557	222,765	1,297,323	44,960	1,342,283	(19,809)	1,322,474	
Segment profit .....	253,203	12,351	265,555	21,875	287,430	(477)	286,953	
Segment assets .....	79,713,415	622,399	80,335,814	341,475	80,677,290	(827,814)	79,849,475	
Segment liabilities .....	76,085,574	503,635	76,589,209	138,505	76,727,714	(741,120)	75,986,594	
Others								
Depreciation	42,769	5,178	47,948	498	48,446	777	49,224	
Interest and dividend income	654,024	137	654,161	149	654,310	(2,201)	652,109	
Interest expenses	116,911	2,088	119,000	1	119,001	(2,017)	116,984	
Equity in earnings of unconsolidated subsidiaries and associated companies	1,846	—	1,846	—	1,846	(184)	1,661	
Extraordinary profit	11,964	—	11,964	—	11,964	—	11,964	
Gains on disposal of noncurrent assets	(11,964)	—	(11,964)	—	(11,964)	—	(11,964)	
Extraordinary loss	7,585	—	7,585	0	7,586	—	7,586	
Losses on disposal of noncurrent assets	(4,516)	—	(4,516)	(0)	(4,517)	—	(4,517)	
Impairment losses on of fixed assets	(3,069)	—	(3,069)	—	(3,069)	—	(3,069)	
Tax	71,642	3,243	74,885	7,283	82,169	(29)	82,140	
Investment of unconsolidated subsidiaries and associated companies	4,461	—	4,461	—	4,461	—	4,461	
Increase of property and equipment and intangible assets	35,940	6,232	42,172	503	42,676	816	43,493	

(Notes)

- Total income is presented in lieu of sales of companies in other industries.
- "Others" include business segments not included in the reportable segments, such as the delivery of goods, etc., the maintenance of ATMs and operations of securities and guarantees.
- Adjustments are as follows:
  - Adjustment for segment profit of ¥(63) million (U.S.\$(477) thousand) was elimination of intersegment transactions.
  - Adjustment for segment assets of ¥(110,538) million (U.S.\$(827,814)thousand) was elimination of intersegment transactions.
  - Adjustment for segment liabilities of ¥(98,961) million (U.S.\$(741,120)thousand) was elimination of intersegment transactions.
  - Adjustment for depreciation of ¥103 million (U.S.\$777 thousand) was elimination of intersegment transactions and the depreciation related to lease investment assets classified as "property and equipment" and "intangible assets" on a consolidated basis.
  - Adjustment for interest and dividend income of ¥(293) million (U.S.\$(2,201)thousand), adjustment for interest expenses of ¥(269) million (U.S.\$(2,017)thousand), adjustment for equity in earnings of unconsolidated subsidiaries and associated companies of ¥(24) million (U.S.\$(184) thousand) and adjustment for tax of ¥(3) million (U.S.\$(29)thousand) were elimination of intersegment transactions.
  - Adjustment for increase of tangible fixed asset and intangible fixed asset of ¥109 million (U.S.\$816 thousand) were transferred from lease investment assets.
- Segment profit was adjusted with reference to ordinary profit as stated in the consolidated statements of income.

#### b. Segment information about services

Year ended or as of March 31, 2022	Millions of yen					Total
	Lending	Investment	Lease	Others		
Ordinary income generated from businesses with external customers	¥ 54,531	¥ 37,853	¥ 28,814	¥ 28,998	¥ 150,197	
Year ended or as of March 31, 2023	Millions of yen					Total
Ordinary income generated from businesses with external customers	¥ 60,160	¥ 58,179	¥ 29,386	¥ 28,863	¥ 176,589	
Year ended or as of March 31, 2023	Thousands of U.S. dollars					Total
Ordinary income generated from businesses with external customers	\$ 450,540	\$ 435,707	\$ 220,071	\$ 216,155	\$ 1,322,474	

#### c. Segment information about geographical area

##### 1. Ordinary income

The domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income, thus information has not been disclosed.

##### 2. Tangible fixed assets

The domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet, thus information has not been disclosed.

#### d. Segment information about major customers

Ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statements of income, thus information has not been disclosed.



## 20. Related parties

Transactions between the Bank and its executives or major (individual) shareholders, etc. in the year ended March 31, 2022 were as follows:

Type	Name	Description of business or occupation	Voting rights ownership ratio	Relationship with related party	Transaction detail	Transaction amount		Account name	Balance at the end of the year
						Millions of yen	Thousands of dollars		
Executive	Akihiko Fukai	President of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	¥12	\$100	—	—

(Note)

Capital contribution in kind of monetary remuneration claims based on the restricted stock remuneration plan.

Transactions between the Bank and its executives or major (individual) shareholders, etc. in the year ended March 31, 2023 were as follows:

Type	Name	Description of business or occupation	Voting rights ownership ratio	Relationship with related party	Transaction detail	Transaction amount		Account name	Balance at the end of the year
						Millions of yen	Thousands of dollars		
Executive	Nobuyuki Horie	Chairman of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	¥11	\$82	—	—
Executive	Akihiko Fukai	President of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	15	112	—	—

(Note)

Capital contribution in kind of monetary remuneration claims based on the restricted stock remuneration plan and Performance Share remuneration.

## 21. Earnings per Share

	Yen		U.S. Dollars
	2022	2023	2023
Net Assets per Share of Common Stock	¥1,288.78	¥1,268.77	\$9.50
Earnings per Share of Common Stock	63.33	68.19	0.51

### 1. Basis on calculating Net Assets per share was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Consolidated Net Assets	¥529,256	¥515,810	\$3,862,881
Consolidated Net Assets Attributable to Common Shareholders	529,256	515,810	3,862,881

  

	Thousands of Stocks	
	2022	2023
Number of Shares of Common Stock. Used for Calculating Net Assets per Share	410,663	406,543

2. Basis of calculating Earnings per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31,2022	Net income	Weighted average stocks		EPS
Earnings available to Common Shareholders	¥26,436	417,417	¥63.33	\$0.51
	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31,2023	Net income	Weighted average stocks		EPS
Earnings available to Common Shareholders	¥27,933	409,628	¥68.19	\$0.51

3. Diluted earnings per share of common stock for the fiscal year ended March 31, 2022 and 2023 are omitted as there are no dilutive shares, etc.

## 22. Changes in Net Assets

a. Information on type and number of shares issued and treasury shares

Type and number of shares issued and treasury shares in the year ended March 31, 2022 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock .....	435,888	—	10,000	425,888
Total .....	435,888	—	10,000	425,888
Treasury shares				
Common stock .....	15,548	9,936	10,260	15,224
Total .....	15,548	9,936	10,260	15,224

Type and number of shares issued and treasury shares in the year ended March 31, 2023 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock .....	425,888	—	—	425,888
Total .....	425,888	—	—	425,888
Treasury shares				
Common stock .....	15,224	4,368	248	19,344
Total .....	15,224	4,368	248	19,344

b. Information on dividends

The following dividends were paid in the year ended March 31, 2022:

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of shareholders held on June 24, 2021	Common stock	¥2,942	¥7.0	March 31, 2021	June 25, 2021
Directors' meeting held on November 8, 2021	Common stock	¥2,944	¥7.0	September 30, 2021	November 30, 2021

The following dividends were paid in the year ended March 31, 2023:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of shareholders held on June 24, 2022	Common stock	¥2,874	\$21,528	¥7.0	\$0.05	March 31, 2022	June 27, 2022
Directors' meeting held on November 9, 2022	Common stock	¥3,287	\$24,618	¥8.0	\$0.06	September 30, 2022	November 30, 2022

Dividends whose record date is attributable to the year ended March 31, 2022 but which are effective after March 31, 2022

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen			Yen			
Annual meeting of shareholders held on June 24, 2022	Common stock	¥2,874		Retained earnings	¥7.0		March 31, 2022	June 27, 2022

Dividends whose record date is attributable to the year ended March 31, 2023 but which are effective after March 31, 2023

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 27, 2023	Common stock	¥4,065	\$30,445	Retained earnings	¥10.0	\$0.07	March 31, 2023	June 28, 2023

## 23. Stock Options

Not applicable.

## 24. Corporate bonds

Corporate bonds include subordinated corporate bonds in the amount of ¥50,000 million and ¥50,000 million (U.S.\$374,447 thousand) as of March 31, 2022 and 2023, respectively.

## 25. Subsequent events

### Purchase of treasury shares

The Bank decided at the Board of Directors meeting held on May 10, 2023 on matters pertaining to the purchase of treasury shares in accordance with Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the said Act, and carried out transactions as follows.

#### 1 Reason for purchase of treasury shares

To improve shareholder returns through the execution of flexible capital policies and improvement of capital efficiency

#### 2 Details of the purchase

- (1) Type of shares to be purchased: common stock
- (2) Total number of shares to be purchased: 9,925,700 shares
- (3) Total amount of shares to be purchased: ¥4,999 million
- (4) Purchase period: May 12 to July 31, 2023
- (5) Purchase method: Market purchase on the Tokyo Stock Exchange  
(Purchase through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and market purchase under discretionary account trading agreements for share repurchases)



## Independent Auditor's Report

The Board of Directors  
The Gunma Bank, Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of The Gunma Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

### Basis for Opinion

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

### Key Audit Matters

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

Determination of the debtor classification for the purpose of determining the allowance for loan losses, and the allowance for loan losses using the discounted cash flow method ("the DCF method") and the cash flow deduction method	
Description of Key Audit Matter	Auditor's Response
The Group is engaged in the banking business primarily in Gunma Prefecture which is its main business base, of which the lending business is its core business activity.	In considering the appropriateness of the determination of the debtor classification and the appropriateness of the allowance for loan losses using the DCF method and the cash

The collectability of loans recorded by the Group is affected by changes in economic trends in local areas, changes in the price of real estate and stock prices, the status of the COVID-19, and the business circumstances of debtors. As a result, there is a possibility of default by debtors. As such, the Group calculates the amount of expected losses on default and records it as an allowance for loan losses.

The allowance for loan losses included in the consolidated balance sheet at the end of the fiscal year ended March 31, 2023 was ¥45,967 million. Information such as a detailed description of the calculation method for the allowance for loan losses is presented in Section h “Allowance for loan losses” and (Significant accounting estimates) of Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements.

The allowance for loan losses is calculated in accordance with the Group's predetermined guidelines for self-assessment and write-offs and allowances. The calculation process includes the determination of the debtor classification which is determined by assessing the relevant debtor's ability to repay loans based on its repayment status, financial position, business performance, and future prospects of debtors, and the provisioning of the allowance for loan losses using the DCF method and the cash flow deduction method.

(1) Determination of the debtor classification

In determining the debtor classification, the Group sets forth the outlook for debtors' future business performance as a significant assumption. In particular, when assessing the appropriate classification of a debtor whose repayment status, financial position, or business performance is deteriorating, factors such as the reasonableness and feasibility of the business improvement plan, which embodies the prospects for improvement in the future, are important in making the relevant judgments. The reasonableness and feasibility

flow deduction method, we mainly performed the following audit procedures:

(1) Assessment of internal controls

- We assessed the Group's internal controls over the Group's debtor classification process. The controls tested included but were not limited to those controls over the accuracy and completeness of the schedules used in determining the debtor classification and controls over the underlying credit rating data. Also, we assessed the Group's internal controls over the process of estimating the future cash flows used in the DCF method and the cash flow deduction method.

(2) Determination of the debtor classification

- We selected a sample of debtors by taking into account the type of business, the repayment status, financial position, the degree of deterioration in their business performance and potential credit risk estimated from external disclosure information. We also considered monetary impact of the changes in debtor's classification on the amount recorded in the allowance for loan losses.
- We performed analysis using a self-assessment data analytics tool (a tool that assists in the selection of debtors subject to inspection in an audit of self-assessment of loans with a focus on the location of credit risk by visualizing debtor and loan balance data from perspectives such as region, type of business, and debtor's financial position) in order to identify risk scenarios in which credit risk is expected to be high and to select debtors for which there are concerns about deterioration in the outlook for their future business performance, and selected additional debtors to which risk scenarios set in consideration of the results of such analysis apply.
- In order to evaluate sampled debtors' recent repayment status, financial position, business performance and the impact of the COVID-19, we inspected a set of materials related to the Group's self-assessment, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of substantial financial position, financial statements, and

<p>of the business improvement plans are affected by changes in the business environment surrounding the debtor, including the impact of the COVID-19, and the success or failure of the debtor's business strategy. Therefore, they are highly uncertain and highly dependent on management judgement.</p> <p>(2) Allowance using the DCF method and the cash flow deduction method</p> <p>The Group records an allowance for loan losses using the DCF method and the cash flow deduction method for debtors that are classified as either debtors requiring caution or potentially bankrupt debtors and that, in addition, are large loan balance debtors for which substantial deterioration in their business performance would have a significant impact on the Group's profit or loss. The allowance for loan losses using the DCF method and the cash flow deduction method is determined based on an estimate of future cash flows and, in particular, the repayment schedule based on the business improvement plans included in the estimate of future cash flows is based on management's evaluation of the reasonableness and feasibility of business improvement plans. Therefore, estimating the future cash flows is highly uncertain and dependent on management judgement.</p> <p>Accordingly, in view of the significance of the potential impact on the consolidated financial statements, we have identified the appropriateness of the determination of the debtor classification for the purpose of determining the allowance for loans losses, particularly with respect to debtors displaying a deterioration in repayment status, financial position or business performance, and the appropriateness of the allowance for loan losses using the DCF method and the cash flow deduction method as a Key Audit Matter.</p>	<p>the trial balance. In addition, we made inquiries of the department in charge of the loans as necessary to confirm our understanding, compared financial analysis with that of other companies in the same industry, examined related materials such as tax reports, and examined the consistency between the aforementioned materials and external publications such as external ratings and IR information.</p> <ul style="list-style-type: none"> <li>• In order to examine the reasonableness and feasibility of business improvement plans that embody the future outlook for the repayment status, financial position, and business performance of the debtors, we analyzed the trends from past results of the major profit and loss items such as sales, cost of sales, selling, general and administrative expenses of the debtors, evaluated the precision of the Group's past estimate based on the extent to which the debtors had historically achieved their previous business improvement plans, and evaluated the impact of the COVID-19 on business performance of the debtors. Further, as necessary, we held discussions with the department in charge of loans and made comparisons with relevant market and industry information, such as performance trends of other companies in the same industry and analyst reports for the industry.</li> </ul> <p>(3) The allowance for loan losses using the DCF method and the cash flow deduction method</p> <ul style="list-style-type: none"> <li>• In order to examine the accuracy and completeness of the scope of application of the DCF method and the cash flow deduction method in accordance with the Group's predetermined guidelines, we reformed the selection of debtors subject to these methods from the list of debtors as of the end of the fiscal year ended March 31, 2023.</li> <li>• In order to evaluate the repayment schedule included in the estimate of the future cash flows for the debtors to which the DCF method or the cash flow deduction method are applied, we agreed it with the repayment schedule of the business improvement plan, or compared it with the actual repayment amount.</li> </ul>
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### **Other Information**

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

### **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements**

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

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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



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

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

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

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



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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

September 22, 2023

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Toshihiro Morishige  
Designated Engagement Partner  
Certified Public Accountant

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Teruaki Kawaguchi  
Designated Engagement Partner  
Certified Public Accountant