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Annual Report

2023

The Hachijuni Bank Annual Report 2023 is a disclosure document (a document explaining the condition of the bank's business and assets) prepared pursuant to Article 21 of the Banking Act. The image on the cover page was partially created using AI.

#### Supplementary Information

We have prepared a supplement regarding information required to be disclosed such as the indicators set out in Article 19-2, paragraph (1) and Article 19-3 of the Regulation for Enforcement of the Banking Act, the status of capital adequacy set out in Financial Services Agency Notice No. 7 of 2014 pursuant to Article 19-2, paragraph (1), item (v)(d) of the Regulation for Enforcement of the Banking Act, and the compensation set out in Financial Services Agency Notice No. 21 of 2012 pursuant to Article 19-2, paragraph (1), item (vi) of the Regulation for Enforcement of the Banking Act. The supplement is available in Japanese on our website.

- Figures in this document have in most cases been rounded down to the nearest whole unit in which they are displayed.
- Domestic operation departments handle yen based transactions for domestic branches, while international operation departments handle foreign currency based transactions for domestic branches and all transactions for overseas branches.

However, yen based transactions with non-residents and special international financial transaction accounts are included under international operation departments.



Lake Suwa from Tateishi Park in Suwa City

## Management Philosophy

Contribute to regional development through a commitment to sound banking principles.

### Beginnings

The Hachijuni Bank was founded in 1931, a time when the economy of Nagano Prefecture was strained by the combination of chronic economic depression and global unrest that persisted after the First World War, to provide stability to regional communities by preserving financial services, which are the lifeblood of the economy. Due to these roots in a challenging time, our fundamental thinking was that if the bank itself did not have a sound and firm business foundation, it would not be able to fulfill its duty of supporting regional communities, and we maintain this policy today.

This commitment to regional communities has remained a part of our bank's DNA for over 90 years since its founding. This unwavering commitment as well as our sustainable aspirations are embodied in our sustainability policy, "Strive to achieve sustainability in both regional communities and corporate value."

The Hachijuni Bank is firmly committed to supporting a future built in cooperation with stakeholders of the regions we serve.

### Editorial Policy

This report has been prepared in order to clearly communicate to stakeholders The Hachijuni Bank's efforts to improve sustainability, as well as to provide clarity on management philosophy and policies. This report also includes selected financial information as well as non-financial information such as ESG and SDG-related information. In preparing this report, we referred to the International Integrated Reporting Framework from the IFRS Foundation and the Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry.

This report is a disclosure document prepared pursuant to Article 21 of the Banking Act. Statements on future business performance included herein do not guarantee future performance, and actual results may differ from the statements contained herein due to factors such as changes in the business environment.



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# Our History, Our Strengths

## Pre-1931

### Supporting Business “From Nagano to the World” as a Pillar of Silk Production Financing

Due to the opening of Japan's ports to international trade in 1859, silkworm raising and raw silk harvesting, which had been done since the Edo period as secondary businesses during the agricultural off-season, developed into an industry that found a foothold in foreign markets and resulted in the acquisition of foreign currency. Silk became a major industry in Nagano Prefecture in the Okaya and Suwa areas as well as other areas such as northern Nagano, the Ina Valley, and Sakudaira. From the Meiji period to the early Showa period, Nagano Prefecture earned the name of “the silk kingdom” as it produced approximately 30% of the raw silk in Japan.

Behind all this development, there were banks that financially supported the growth of the silk production industry. In the 1870s, the National Bank Ordinance was enacted in order to provide industrial promotion funds and to regulate large amounts of government bonds and fiat currency, and the banks established in Nagano Prefecture included the 14th National Bank (Matsumoto), the 19th National Bank (Ueda), the 24th National Bank (Iiyama), the 63rd National Bank (Matsushiro), and the 117th National Bank (Iida).

In the development of the silk production industry, advances of funds for purchasing cocoons and transactions using bills of exchange by silk merchants were a financial necessity. In the silk production industry of Nagano Prefecture, since many of the producers were not wealthy, it was necessary to strengthen ties among silk merchants, make promises of delivery, and obtain financial guarantees. Financial institutions such as the 19th National Bank acted as intermediaries in establishing these relationships and played a large role in the formation of the silk kingdom.



Head office of the 19th National Bank



Head office of the 63rd National Bank (later the head office of The Hachijuni Bank in 1931)

## An Enterprising Spirit

The Hachijuni Bank's constant mission across the years has been to aid in creating the future of Nagano with an enterprising spirit. Here we share the story behind that spirit, which we have maintained since our earliest days.

## 1971

### The Hachijuni Bank's Total Online System: An Innovative New Page in Banking Operations

The Total Online System developed by our bank was highly regarded and attracted great interest from both within and outside of the banking industry as even major city banks had not introduced such systems at the time.

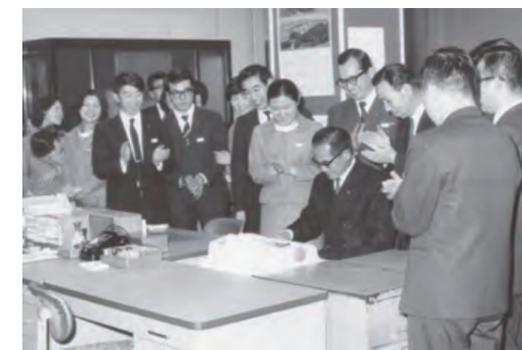
For banks, the ten-year period starting in 1965 is considered to be the first online era, when the processing of single account types, labor-saving measures, and streamlining operations were key issues. In November 1965, due to factors such as an increase in currency exchange operations, we became the first regional bank in Japan to begin processing currency exchanges online.

The transition to online banking operations was usually performed for a single account type, such as ordinary deposits or current accounts, at a time. However, we believed that an organic combination of all account types centered around customer information files (CIFs) was necessary in order to provide improved system functionality and services. With this in mind, we made the leap to a Total Online System that differed from ordinary systems of the time. This bold decision was motivated by several factors; CIFs would make it possible to gain a full understanding of each customer's situation, thereby improving sales efficiency, and system development costs could be reduced since multiple dedicated systems would not be necessary.

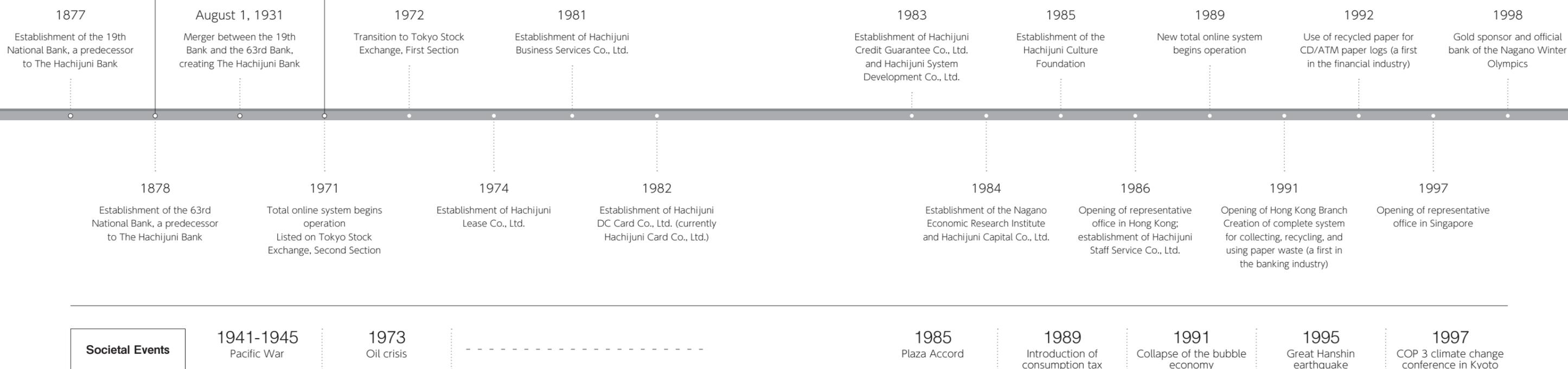
Operation of the Total Online System began in April 1971 with the Nagano and Omachi branches as trial locations.

In 1974, the Bank of the Ryukyus was urgently seeking to introduce an online system ahead of the start of the Expo '75 World's Fair in Okinawa. We provided our Total Online System to the Bank of the Ryukyus with IBM, our partner in developing the system, acting as intermediary. Subsequently the Total Online System was jointly developed by both banks.

This success became the origin of the Judan-kai, a project for creating common core banking systems between The Hachijuni Bank, the Yamagata Bank, the Musashino Bank, Tsukuba Bank, the Awa Bank, the Miyazaki Bank, and the Bank of the Ryukyus.



Employees at Omachi Branch cheering the launch of the new online system



## Our History, Our Strengths

# 1999

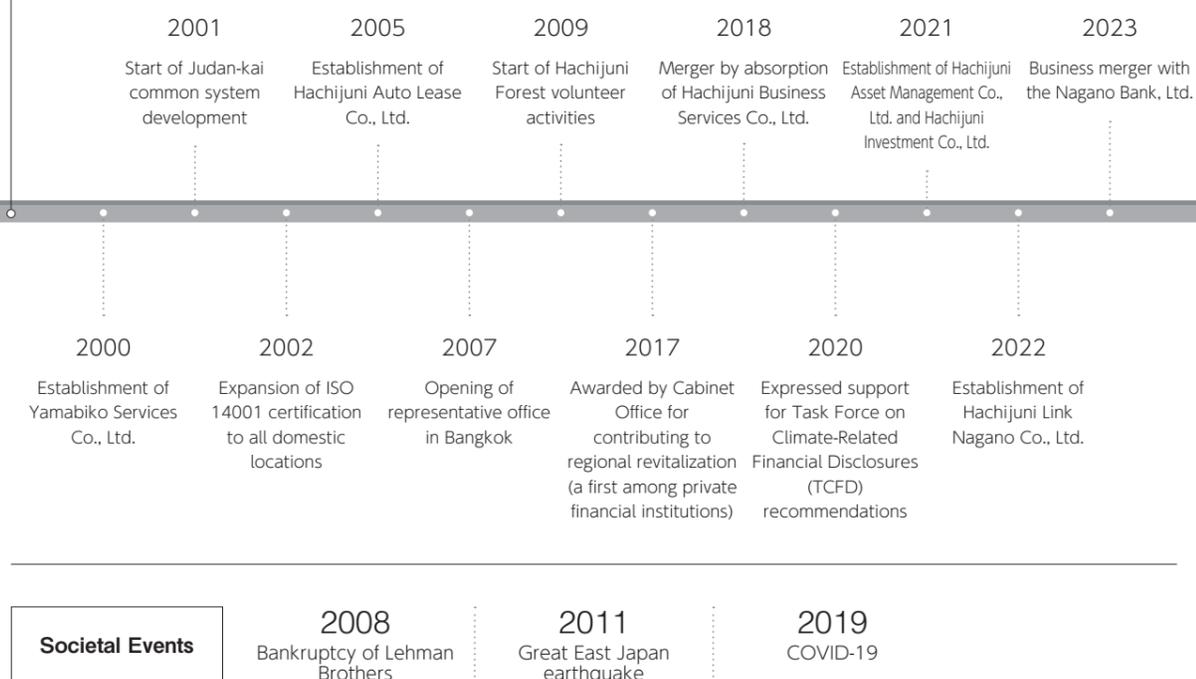
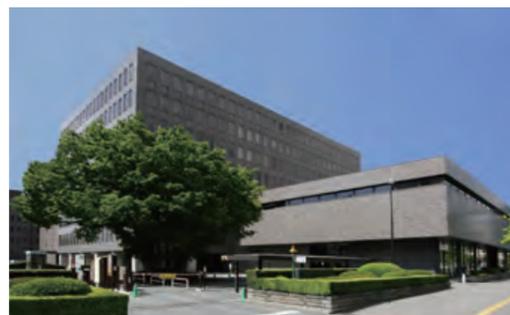
### Protecting the Natural Beauty of Nagano: First Regional Bank to Obtain ISO 14001 Certification

In March, 1999, we became the first regional bank to obtain ISO 14001 certification. ISO 14001 is an international standard for environmental management systems, and we obtained certification for our head office building in Nagano City. The certification demonstrates to both Japan and the world that our head office contributes to preserving the environment. Nagano Prefecture, where our bank is based, is known for having an abundance of natural beauty considered among the best in Japan.

Amid concerns about global warming and other environmental problems, we believe we have an obligation as a leading company in the region to create a recycling-oriented, sustainable society, and we promote environmental preservation activities as a central aspect of our corporate social responsibility.

We introduced environmental accounting from fiscal year 2004 and received attention when we became the first in the banking industry to announce our environmental accounting information in July 2005.

Environmental accounting refers to quantitatively identifying the costs related to environmental preservation activities and the economic results and environmental preservation results generated thereby. By providing concrete figures for each environmental accounting item, our efforts became more clearly recognizable, and we increased our ability to appeal both to related parties in the industry as well as the general public.



### ◆ Market Potential

#### Lifestyle

**No. 1** Prefecture in Japan that people want to move to  
\*\*The Book of Country Living (Inaka Kurashi no Hon), 2023 (published by Takarajimasha)

**No. 1** (for women) and **No. 2** (for men) nationally in healthy life expectancy  
\*\*2020 Average Time Living Independently and Average Life Expectancy (All-Japan Federation of National Health Insurance Organizations)

#### Nature

**No. 1** nationally in number of mountains belonging to the "100 Famous Japanese Mountains" list  
\*Nagano Prefecture Department of Tourism, Mountain and Highland Tourism Section

**No. 3** nationally in forest and grassland area  
\*\*The Book of Country Living (Inaka Kurashi no Hon), 2023 (published by Takarajimasha)

#### Industry

**No. 1** nationally in value of clocks and watches (including movements) shipped  
\*Census of Manufactures, 2020 Confirmed Statistics Table by Commodity

**No. 2** nationally in value of electronic parts, devices, and electronic circuits shipped  
\*Census of Manufactures, 2020 Confirmed Statistics Table by Commodity

#### Tourism

**No. 2** nationally in number of hot spring locations  
\*2020 Hot Spring Usage Status (Ministry of the Environment)

**84** ski resorts  
\*Nagano Prefecture Department of Tourism, Mountain and Highland Tourism Section

#### Agriculture

**No. 1** nationally in amount of wine grapes produced  
\*2019 Regional Fruit Production Trends Survey (Ministry of Agriculture, Forestry and Fisheries)

**No. 2** nationally in number of wineries  
\*Nagano Prefecture Department of Industry and Labor, Sake and Wine Promotion Office



## An Enterprising Spirit

Sustainable management efforts to drive regional sustainability

### ◆ Our Strengths



**Business foundation of unrivaled strength and soundness**

Consolidated capital adequacy ratio  
**18.36%**  
 Market share of loans and deposits in prefecture



**Deep connections with customers built over our 92-year history**

Unrivaled network in the region  
**155** locations



**Diverse and professional human resources**

Certification holders  
 Small and medium business consultants: **57**  
 Securities analysts: **55**  
 Grade 1 financial planners/Certified financial planners: **129**  
 IT coordinators: **34**



**Comprehensive financial services provided by the group as a whole**  
 Top-class environmental management valuation among domestic banks

Financial and non-financial business group  
**15** companies  
 CDP score  
**B**

#### Societal Events

## Masaki Matsushita

President (Representative Director)  
Executive President



## Message from the President

Our duty is to carefully consider how to benefit the regions we serve and to take action toward that goal.

### > The Economy of Nagano Prefecture and Our Efforts in FY2022

In fiscal year 2022, many events that only occur once every several years were held in Nagano Prefecture, such as the display of the ancient Buddha statue at Zenkoji Temple, the Onbashira festival in Suwa, the Oneri festival in Iida, and the rebuilding of the Hotaka Shrine. With the severe restrictions imposed to fight COVID-19 being lifted, people are again filling streets and stores, and the economic situation is recovering mainly driven by the restaurant and tourism industries. The manufacturing industry has also been relatively strong, and despite being affected by exchange rates at times, domestic demand has stabilized and has been mostly favorable.

As for our financial results, net core business income was strong mainly due to an increase in interest income, but securities investments saw losses due to efforts to ensure a sound portfolio and adapt to the sharp rise in interest rates abroad, leading to an overall decrease in profit.

In order to contribute to the success of our stakeholders, we provided strong support and enhanced our systems for customers who use our services, achieved shareholder returns

through dividends and stock buybacks, and made reforms to our personnel system to benefit employees.

Regarding overseas business, we've made efforts to enhance our Singapore Branch as a new sales hub. The Singapore Branch will provide a channel for Nagano companies to expand their excellent technologies and products overseas, mainly in Southeast Asia and India, and it will serve as a base for handling all types of financial transactions. We've also dispatched employees to banks in ASEAN countries to gather information and serve as liaisons to connect customers with local companies and banks. Although maintaining overseas locations requires certain costs, one major goal is for employees to gain experience in order to better serve our customers when they return to Nagano. Moving forward, we intend to continue to steadily build results beginning with our customers in Nagano while paying close attention to the macro environment and customer needs.

### > Becoming a Vital Partner in Regions We Serve

Several years ago, I was shocked to read the responses to a customer survey about our bank conducted by the Financial Services Agency, as many customers said that we were not their first option and that we did not offer good solutions. Even though we hold a high market share of loans, some customers did not see us as a partner that served them well. I knew we could not let the situation continue, and we must provide services that truly benefit

our customers. Even if a bank has a high market share within a prefecture, I believe it will eventually fail if its customers do not depend on it. Based on these beliefs, we formulated our Medium-Term Management Vision in 2021. By building deeper connections with customers, I think we will better understand the problems they face. And if we can offer services to solve problems before customers even become aware of them, they will certainly come to feel

## Message from the President

that we are an essential partner. Regardless of its size, a regional bank that is not relied upon by the regions it serves has no worth.

The purpose of the merger with the Nagano Bank was of course to further contribute to the regions where we operate, but another goal was to learn new things through both banks being exposed to new corporate cultures. Our employees are said to be serious and dedicated, but they can also be conservative and resistant to change. I hope that working with the employees of the Nagano Bank will prove to be mutually stimulating and result in a beneficial fusion of our two cultures.

Given the recent rapid changes in the world as well as the changes that our bank is attempting to make, the attitude of waiting for someone else to do something for you is no longer viable. I expect our employees to give their best and have the mindset that they must think

and act for themselves. From my past experiences I have learned that if you let other people take charge of something that you want to do, it will turn out nothing like what you envisioned. Think for yourself and be persistent in achieving your goals. That is a sure way for both you as an individual and the organization to grow. If you show the will act on the things you want to achieve, the management team here will guide and support you while highlighting any risk. I want employees to pursue the things they feel are needed for themselves and the region, such as expanding SDG-related efforts and gaining expertise and certifications, without reservation.

### > Sustainability as the Core of Our Business Begins with Changing Each Person's Mindset

Sustainability begins with changing the mindsets of employees. I believe the first step is to understand that the sustainable development of our regions and customers is achieved through the actions of each individual person. Those actions add up and create the core of our business.

I can give our new "E-Livre" accounts that do not use paper passbooks as an example. If we set a target for the number of customers who open those accounts, it would be nothing more than a quota for employees to meet. However, if employees have the mindset that they are offering customers a product that helps reduce paper usage and protects our forests, then it is not simply a quota, but something that benefits our customers and regional communities. The act of providing the community with such a product or service becomes a sustainable action that employees are personally engaged in. If employees engage the community while



maintaining this mindset, customers will come to share it, and they will understand how our bank is supporting and working to achieve sustainable regional outcomes.

I have instructed our branches to think for themselves about what is necessary in order to benefit the customers and regions we serve and to put those thoughts into action, but of course it takes time to change the way we think about things. I have made visits to each branch to engage directly with employees about this topic and share my thoughts. It will take time for this approach to take root, but I feel that employees are beginning to understand it.

When we formulated the Medium-Term Management Vision 2021, our outside directors and outside audit and supervisory board members expressed their support for making sustainability the core of our business. Our bank's outside directors and outside audit and supervisory board members are a diverse group. Because they participate in various study groups and branch manager meetings in our organization, we all benefit from their knowledge and experience. Changing our governance system last year to separate executive and managerial functions has also led to discussions that are more in-depth and vigorous. I'm motivated to work toward achieving our vision as a united team going forward.



### > A Story of Increased Corporate Value Connected to the Next Generation

Business that is done by systemizing and digitalizing operations and combining data with AI will evolve greatly moving forward. I think it's fair to say that banks are also facing the limits of existing business models and are currently at a turning point to achieve change. Also, there is some concern that banks will lose their role in processing payments in the near future due to the market entry of companies from other industries. However, our bank has strong system development capabilities, and we are operating in a way that combines knowledge gained from other companies with the systems we have developed. Further investments in this area will be necessary moving forward, and we need to make business decisions with an eye on what's coming next.

I feel it is my mission to strengthen our bank's foundations in Nagano Prefecture, our main area of operation, and I believe it is important to pass the baton, together with a firm financial foundation, on to younger generations and ask them to confront and answer the question of where to go next. Sustainability cannot be achieved without thinking of the next generation.

Speaking with employees at our branches, I hear them say that they worry that rural regions will steadily decline because of an aging population and the loss of industry. When I hear this, I always try to encourage them by saying, "Why see it that way? These issues are also business opportunities!" The pandemic was a very difficult time, but it also

lead to a reevaluation of the attractiveness and prospects of rural regions. Thanks to this, we are now experiencing a "glocal" trend. There's a bright future awaiting us. How bright, it's up to us to try and decide.

Finally, regarding shareholder returns, we have paid our highest dividends ever and completed our planned stock buybacks. Though some parts of our business may not immediately generate returns due to our management philosophy of contributing to the development of regional communities first, we are patiently making efforts in the belief that these businesses will certainly benefit customers in the long term. Put the benefit of the people in the communities we serve first in our thinking, take action, achieve a profit, and return that profit to shareholders. To achieve this ideal cycle, we must do our best to clearly demonstrate our cornerstone role to our communities, our employees, our shareholders, and all other stakeholders, and become a partner they truly depend upon.

## Message from the Vice President



We will succeed in our mission by thinking about why we do things in simple terms.

**Shohei Hidai**

Vice President (Representative Director)  
Executive Deputy President

### > Making the Goals of the Business Merger Visible

Since announcing our business merger with the Nagano Bank in September 2022, the integration project has made steady progress. We will proceed with concrete steps as we aim for full integration in the final stage of the merger in fiscal year 2025.

The primary mission of regional banks such as ours is to benefit the regions we serve. In order to accomplish that mission, I believe my role is to share with all employees the message that we must shift from competition to co-creation through our merger with the Nagano Bank, and also to support progress towards enacting that message on the ground. I always try to communicate in a way that is simple and easy to understand, and I will continue to clearly communicate the what and why while taking care to not lose focus on the mission.

In order to quickly achieve the integration of our two banks, I believe we should think about what can be done to achieve integration and work towards that goal step by step, but our younger generations of employees have already taken the lead and suggested several good and surprising ideas. These include planning social gatherings and creating a booklet that explains each bank's corporate

culture in manga form. These younger generations will be central in supporting the post-merger bank and accelerating the economy of Nagano Prefecture, and the fact that they are taking the initiative to actively work towards this goal fills me with both gratitude and confidence. Although the path to achieving full integration will be difficult, we should make any effort that seems helpful, even if minor.

Regarding financial results and forecasts post-merger, there are many elements that are still in motion at present, but when the timing of the final merger is determined, we will be able to share more specific information with our stakeholders. As business mergers and integrations always entail up-front costs, it will take a little time for significant synergies to be achieved. Our stakeholders may find that frustrating, but we will work as fast as we can, so please give us your continued support as we increase the corporate value of The Hachijuni Bank Group over the mid to long term.

### > What the Medium-Term Management Vision 2021 Aims to Achieve

The strategies set out in the Medium-Term Management Vision 2021 are also being put into action after defining what our purpose is in doing so. On digitalization, we aim to use digitalization to improve services to our customers and intend to make effective use of our data warehouse.\* We will transition from existing customer support methods that depend on our employees' experience to methods that utilize data and AI in conjunction with experience. For example, we can use data analysis to estimate a customer's finances six months from now, and we are aiming to use that analysis to offer financing solutions to customers as early as possible. Our job is to resolve customers' problems, and I believe that offering solutions as early as possible at a speed that exceeds customer expectations is the type of support that customers truly need. New businesses in the future may include businesses that strengthen our banking operations, or we may expand into entirely new areas. Whatever the case, our guiding principle will be that those business must be aligned with customer needs. As always, we will first consider what we can do to benefit the regions and customers we serve and then engage in our business while evaluating sustainability.

Reforms to our personnel system have created a good foundation, but I believe it is important to put our hearts into its operation in order for the system to take root. We will identify system issues and take measures to address them while constantly monitoring the system so that it retains its significance and value for our employees.

Regarding cost reductions, we have worked to improve operational efficiency throughout the organization under the slogan of "stop, reduce, replace" as part of the previous management strategy between 2018 and 2021. Streamlining measures that inconvenience customers are unacceptable, but for administrative processes that are in-house convention only, we will do away with the ones we can. We truly considered the original point of why we do certain things, and I feel we are continuing to do so at present, and I would like our employees to continue this thinking in any situation they may face moving forward.

\*An information system that centrally manages our large amount of transaction data spanning many years

### > Wanting to Help People Is the Driving Force That Moves You and The Hachijuni Bank A Driving Force for Me and The Hachijuni Bank: Helping People

When I was a university student, our baseball team coach told us, "I want all of you to do things in your lives that help people," and taking those words to heart, it has always been important to me since I joined The Hachijuni Bank to do what I can to help our customers. One of my supervisors when I was young once lectured me, saying that wanting to help customers is a vague and useless goal, but it is an attitude that I still maintain today.

In the future as well, whenever I am unsure what to do, I will return to our management philosophy, "Contribute to regional development through a commitment to sound banking principles," and to my fundamental goal of helping people, and I will use those perspectives in thinking about our strategies. Working together with my colleagues and all of our stakeholders in greater unity, I plan to steadily advance towards the development of the communities we serve and support the sustainable growth of our bank.



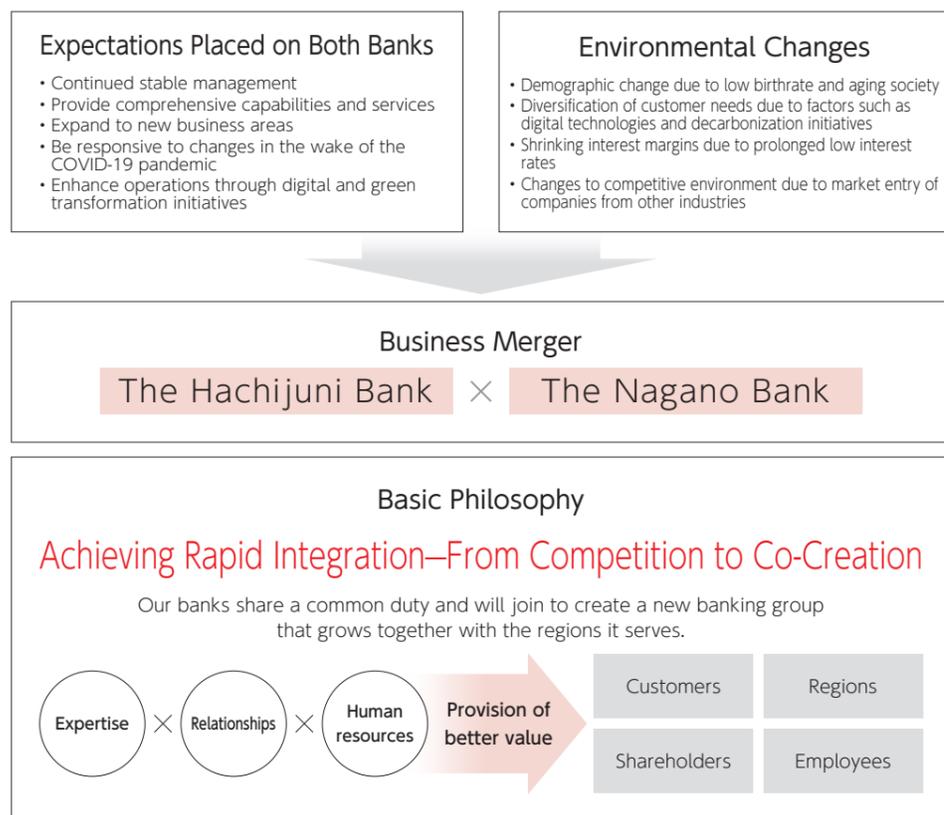
# From Competition to Co-Creation—Business Merger with the Nagano Bank

The Hachijuni Bank and the Nagano Bank formally merged on June 1, 2023, the Nagano Bank becoming a wholly owned subsidiary of The Hachijuni Bank. Both banks are engaged in further discussions and consideration with the primary aim of full integration in fiscal year 2025. As both banks share a duty to maintain and improve our services, we will join hands to become a united bank that grows together with the regions we serve.



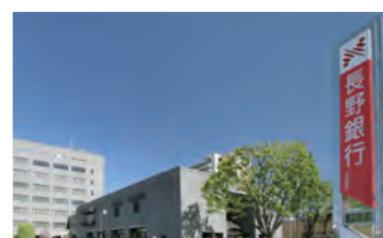
## Background of the Business Merger

Amid an increasingly difficult financial and economic environment, banks are expected to respond to changes in the structure of society, and we were aware that the roles of our two banks in the regions we serve was becoming increasingly important. There were several reasons we decided this business merger was the most appropriate choice. Through cooperation, we felt that we could build a firm business foundation that would reinforce both of our capabilities as financial intermediaries as well as enhance our ability to build sustainable business models, thereby contributing to the success and growth of our stakeholders.



## Overview of the Nagano Bank

<b>Management Philosophy</b>	Give all we have for the happiness and prosperity of our customers, shareholders, and employees.		
Head office address	2-9-38 Nagisa, Matsumoto City, Nagano Prefecture	Number of locations	53 (including one outside Nagano)
Incorporation	November 15, 1950	Employees	621 (as of March 2023)



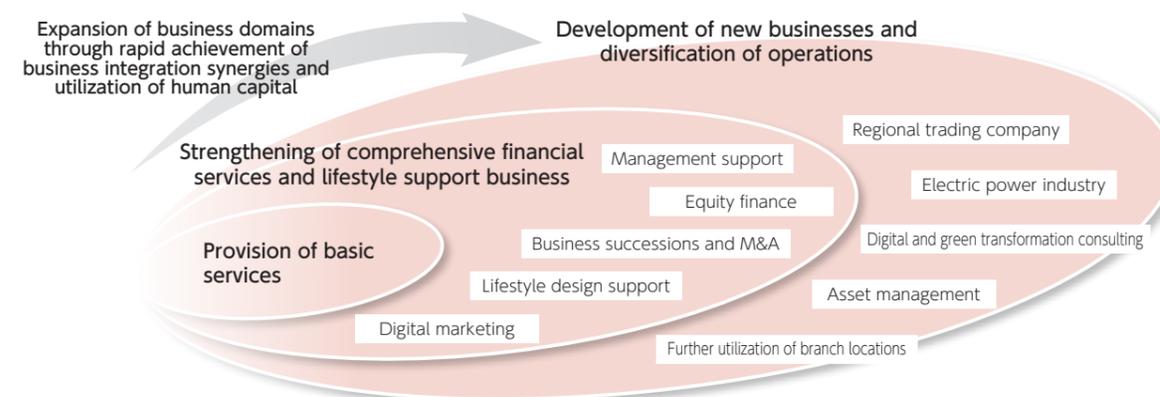
## Business Integration Synergies

### Synergies Expected Due to the Business Integration

- 1 Strengthening of financial services and financial intermediation functions
- 2 Expansion of area of operation
- 3 Strengthening of business foundations
- 4 Utilization of human capital and enhanced corporate culture

Rapid achievement

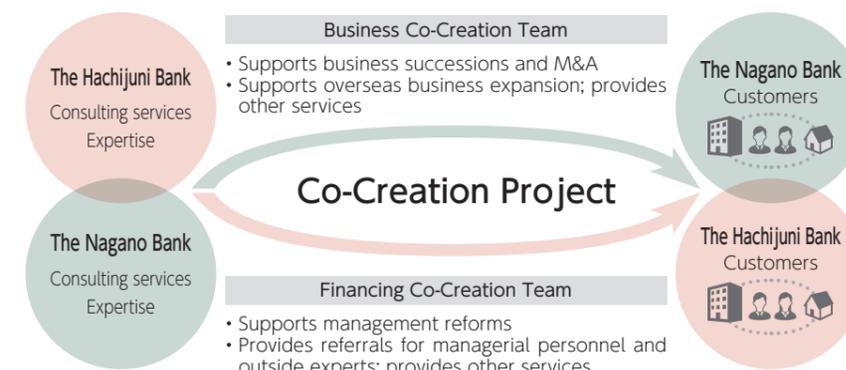
- We will contribute to the further development of regional industries and improved quality of life by utilizing human capital to expand our business domains.
- We will become a banking group that grows together with the regions it serves by improving our financial services and capabilities to strengthen our business foundations.



## Measures to Be Implemented

We will implement a variety of measures to ensure that the effects of the business integration quickly become apparent.

**Co-Creation Project**  
We are commencing a "Co-Creation Project" that will support customers by combining the consulting functions of both banks. We will work to resolve the issues facing our corporate and small business customers by establishing a "Business Co-Creation Team" that supports business successions, M&A, overseas business expansion, and other such projects and a "Financing Co-Creation Team" that provides support for matters such as management reforms and managerial personnel referrals.



- Measures to Be Considered in the Future**
- Waiving fees for the use of each other's ATMs
  - Aligning fees for ATM transfers between the banks using either bank's card
  - Joint holding of/mutual participation in outside training and voluntary training
  - Joint participation in local events and volunteer activities
  - Joint holding of events for employees (sporting events, art exhibits)

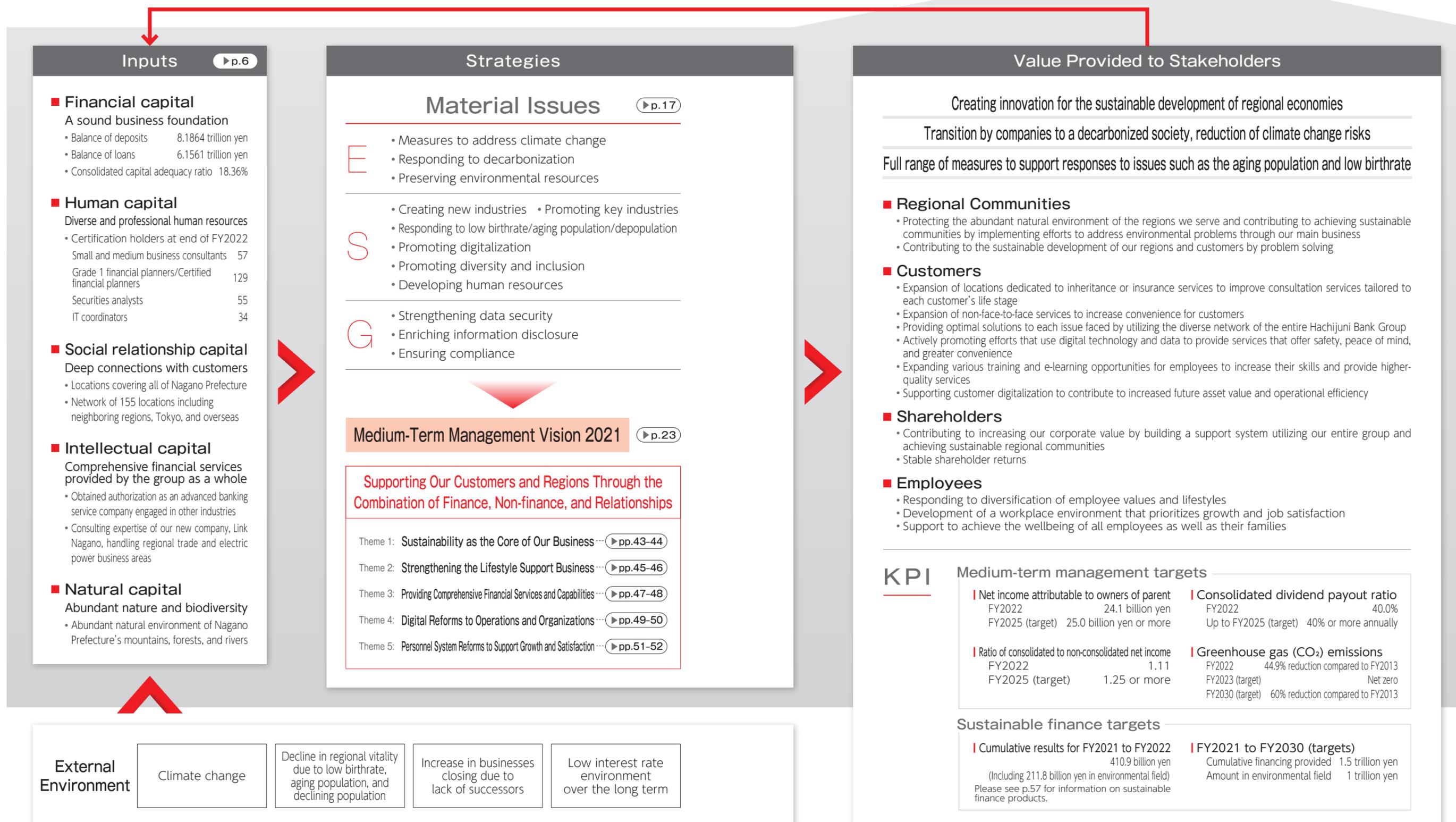
# Our Value Creation Process

Our bank is working to alleviate social issues by optimizing our operational resources and implementing aware business strategies.

We aim to achieve our management philosophy by establishing a cycle that enables continual and sustainable value creation and by creating a virtuous circle with our stakeholders.

## Management Philosophy

Contribute to regional development through a commitment to sound banking principles.



# Achieving Sustainable Management

## Promoting Sustainable Management

In June 2022, our bank established the Sustainability Working Group as an organization under the Sustainability Committee\* in order to create a system that examines risks and opportunities related to sustainability in our management strategies. The Working Group strengthens collaboration among each department of our head office by exchanging information and sharing issues across different departments, and it submits opinions to the Sustainability Committee after considering more effective measures.

In January 2023, we established the Sustainability Council as a special-purpose body within the Management Committee. The Sustainability Council discusses and decides matters relating to general sustainability and matters requiring coordination throughout our bank.

\*The Sustainability Committee discusses our efforts relating to SDGs and ESG and reports important matters to the Sustainability Council or Board of Directors.



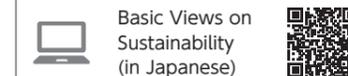
Name	Meeting frequency and main matters discussed
Sustainability Council	<p>Meets at least twice annually in principle (established in January 2023; met three times up to March 2023)</p> <ul style="list-style-type: none"> <li>Creation of "Basic Views on Sustainability" document</li> <li>Enhancement of climate-related risk management based on TCFD recommendations</li> <li>Enrichment of sustainability disclosure</li> </ul>
Sustainability Committee	<p>Meets whenever appropriate (met nine times in FY2022)</p> <ul style="list-style-type: none"> <li>Determination of material issues</li> <li>Status of sustainable finance efforts</li> <li>Our bank's decarbonization roadmap</li> <li>Systems to support customer sustainability and decarbonization efforts</li> <li>Status of efforts by the Sustainability Working Group</li> <li>Participation in external initiatives</li> </ul>
Sustainability Working Group	<p>Meets whenever appropriate (established in June 2022; met five times up to March 2023)</p> <ul style="list-style-type: none"> <li>Determining priority efforts for FY2022</li> <li>Sharing and discussing the status of efforts by subcommittees to address priority efforts</li> <li>Decarbonization measures of our bank and customers</li> </ul>

## Material issues of The Hachijuni Bank

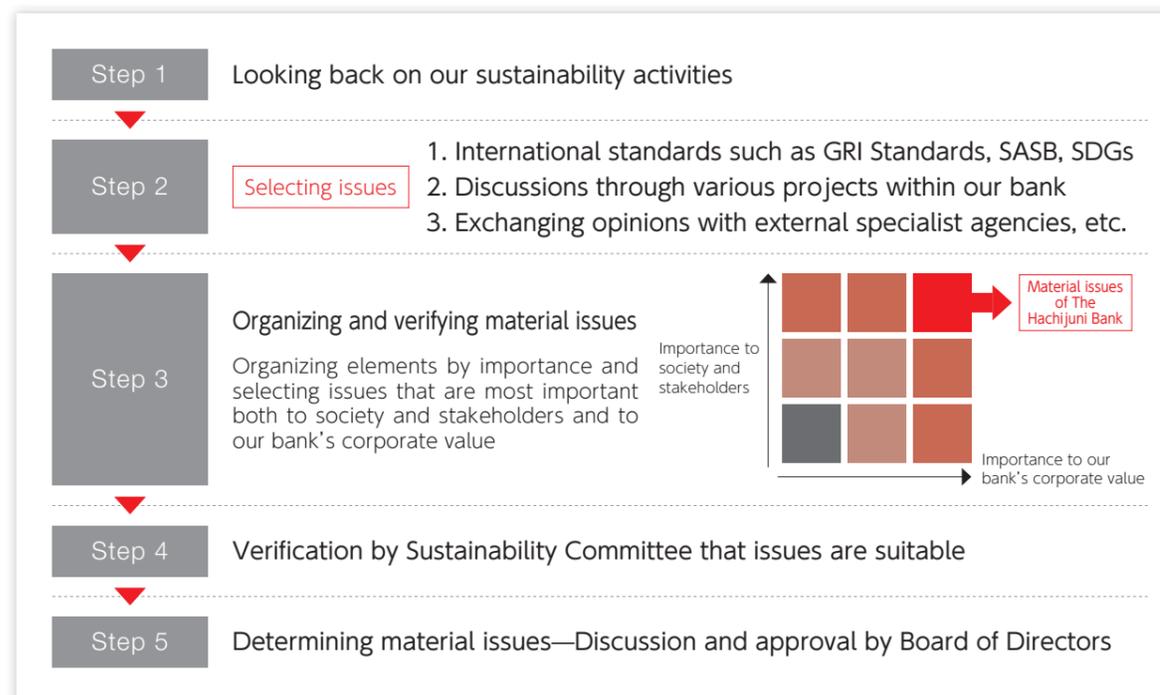
Material Issues	Efforts to Resolve Issues	Main Efforts in FY2022
<p><b>E</b></p> <ul style="list-style-type: none"> <li>Measures to address climate change</li> <li>Responding to decarbonization</li> <li>Preserving environmental resources</li> </ul>	<ul style="list-style-type: none"> <li>Supporting measures to address climate change and decarbonization efforts by customers and regional communities (pp.43, 44, 65, 66)</li> <li>Strengthening our measures to address climate change and decarbonization efforts (pp.37-42, 69, 70)</li> </ul>	<ul style="list-style-type: none"> <li>Began handling of services to support SDG-related efforts</li> <li>Promoted sustainable finance</li> <li>Established Hachijuni Link Nagano Co., Ltd.</li> <li>Converted three branches to net zero energy buildings</li> <li>Formulated framework for green bonds, social bonds, and sustainability bonds</li> </ul>
<p><b>S</b></p> <ul style="list-style-type: none"> <li>Creating new industries</li> <li>Promoting key industries</li> <li>Responding to low birthrate/aging population/depopulation</li> <li>Promoting digitalization</li> <li>Promoting diversity and inclusion</li> <li>Developing human resources</li> </ul>	<ul style="list-style-type: none"> <li>Enriched services to meet management issues and needs of corporate and sole proprietor customers (pp.43, 44, 47, 48)</li> <li>Enriched services to suit diverse lifestyles of individual customers (pp.45, 46)</li> <li>Engaged in human resource development for employee growth utilizing diverse characteristics (pp.27-36, 51, 52)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened branch support system</li> <li>Began using Mikatano service series that supports digitalization of operations</li> <li>Opened Singapore Branch</li> <li>Opened Hachijuni Insurance Plaza and Hachijuni Inheritance Consultation Plaza</li> <li>Began handling of Wallet+ smartphone app</li> <li>Introduced multiple-track career development system</li> <li>Expanded training to support career development and skill improvement</li> </ul>
<p><b>G</b></p> <ul style="list-style-type: none"> <li>Strengthening data security</li> <li>Enriching information disclosure</li> <li>Ensuring compliance</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing sustainable management (pp.17, 18)</li> <li>Enhancing risk management and enriching disclosure based on TCFD recommendations (pp.53-60)</li> </ul>	<ul style="list-style-type: none"> <li>Established Sustainability Council and Sustainability Working Group</li> <li>Analyzed and disclosed scenarios based on TCFD recommendations</li> <li>Calculated and disclosed 15 categories of scope 3 emissions</li> </ul>

## Basic Views on Sustainability

Our basic views on sustainability that explain the sustainable management goals we aim to achieve are disclosed on our website.

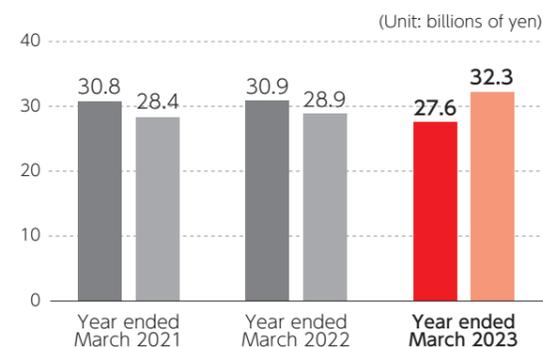


## Process for Determining Material Issues



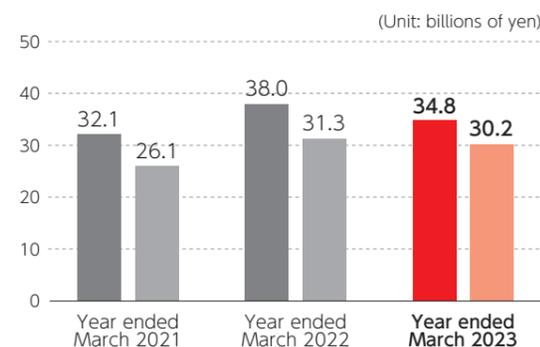
# Financial Highlights

Net business income **27.6** billion yen  
Net core business income **32.3** billion yen



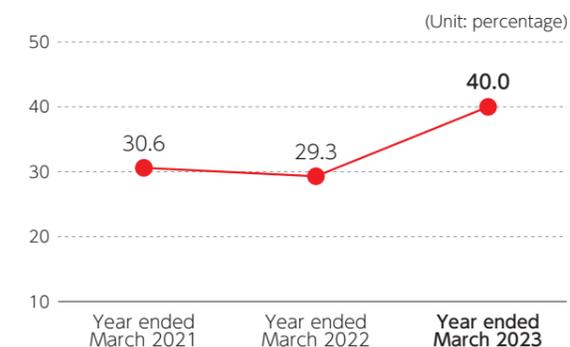
■ **Net business income:** Income from a bank's main business, equivalent to the operating income of an ordinary company.  
■ **Net core business income:** Income after deducting income from sources such as sales of securities from net business income.

Ordinary income (consolidated) **34.8** billion yen  
Ordinary income (non-consolidated) **30.2** billion yen

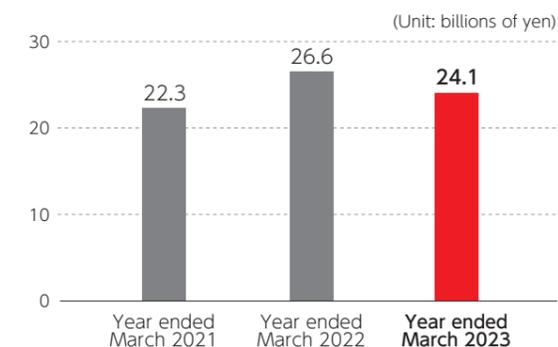


■ **Ordinary income (consolidated)**  
■ **Ordinary income (non-consolidated)**

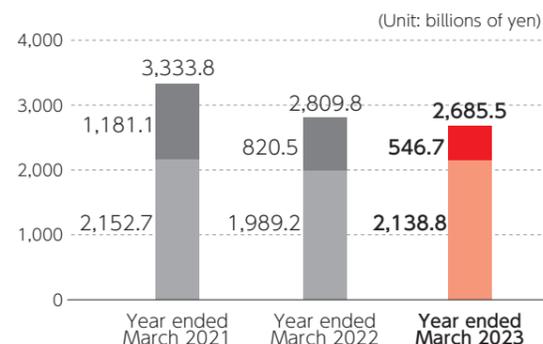
Dividend payout ratio (consolidated)



Net income attributable to owners of parent

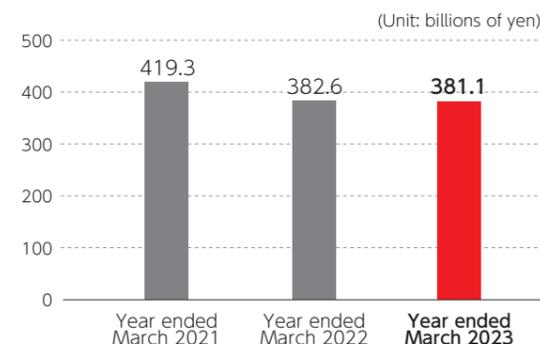


Securities balance **2,685.5** billion yen

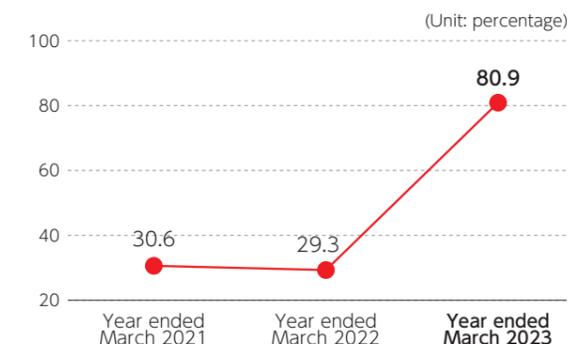


■ **Government bonds**  
■ **Other securities**

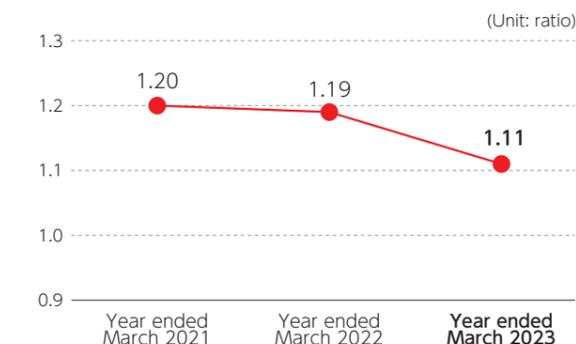
Unrealized gains on securities **381.1** billion yen



Shareholder return rate (consolidated)

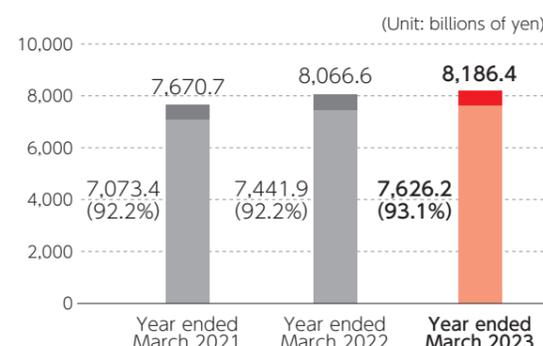


Ratio of consolidated to non-consolidated net income



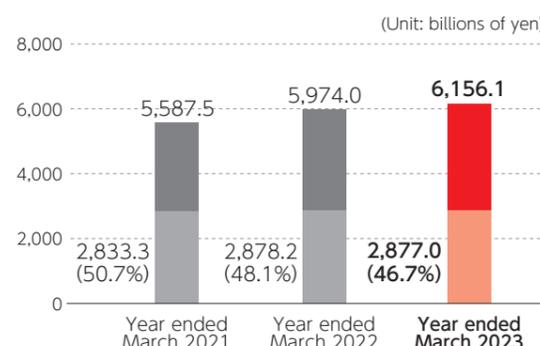
The ratio of consolidated to non-consolidated net income is the ratio of income under consolidated financial results to the income under the non-consolidated financial results of the parent company.

Deposits **8,186.4** billion yen



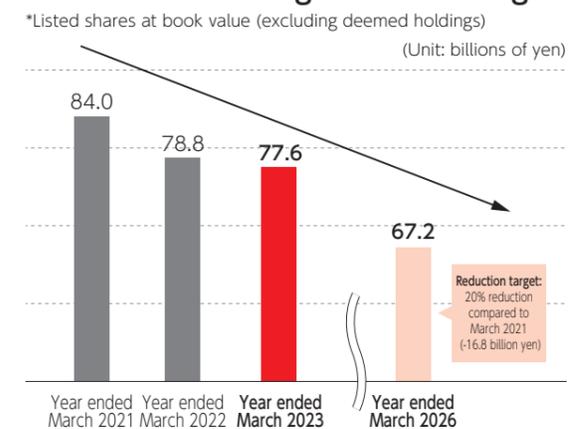
■ **Deposits**  
■ **Deposits at branches in Nagano Prefecture (percentage of total)**

Loans **6,156.1** billion yen



■ **Loans**  
■ **Loans by branches in Nagano Prefecture (percentage of total)**

Reduction in strategic shareholdings



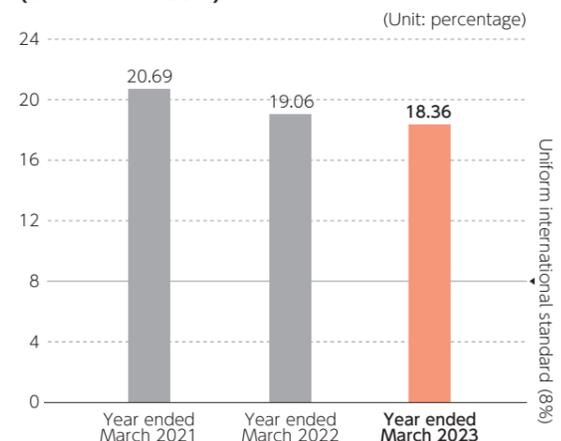
Return on equity



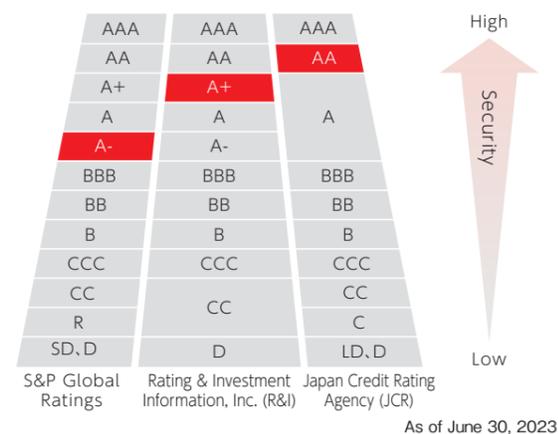
Return on equity is an indicator that measures a company's profitability.

## Financial Highlights

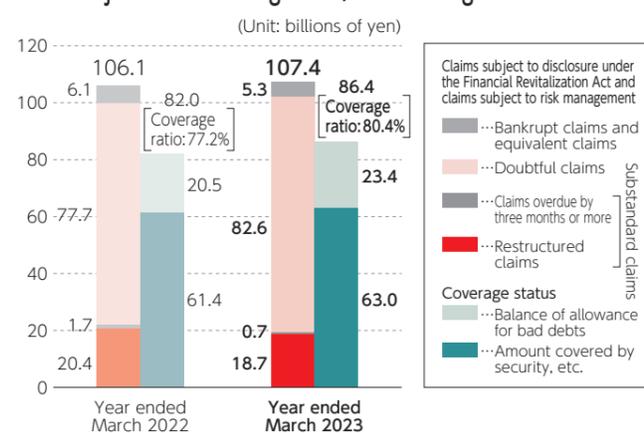
## Total capital adequacy ratio (consolidated)



## Ratings



## Claims subject to disclosure under the Financial Revitalization Act, claims subject to risk management, and coverage status



(Unit: billions of yen)

	Year ended March 2022	Year ended March 2023
Bankrupt claims and equivalent claims	6.1 (0.10%)	5.3 (0.08%)
Doubtful claims	77.7 (1.28%)	82.6 (1.31%)
Substandard claims	22.1 (0.36%)	19.4 (0.31%)
Claims overdue by three months or more	1.7 (0.02%)	0.7 (0.01%)
Restructured claims	20.4 (0.33%)	18.7 (0.29%)
Subtotal	106.1 (1.74%)	107.4 (1.71%)
Ordinary claims	5,965.8	6,158.2
Total claims	6,071.9	6,265.6

(Percentages in parentheses indicate the ratio to total claims.)

Note: Claims subject to disclosure under the Financial Revitalization Act and claims subject to risk management include loans as well as foreign exchange, customer liabilities for acceptances and guarantees, interest receivable, suspense payments, and guaranteed privately placed bonds. Direct depreciation is not performed on uncollectible portions of bad debts.

## Explanation of Terms

## 1. Bankrupt claims and equivalent claims

Claims against borrowers who are in a state of business failure due to bankruptcy, corporate reorganization, civil rehabilitation, or other such procedures, and claims equivalent thereto.

## 2. Doubtful claims

Claims against borrowers who are not yet in a state of business failure but whose financial condition or business performance has deteriorated and from whom it is highly likely that the recovery of principal and receipt of interest in accordance with the relevant contracts will not be possible.

## 3. Substandard claims (claims other than 1 and 2 that fall under either of the following)

- Claims overdue by three months or more  
Loan claims for which the payment of principal or interest is overdue by three months or more from the day following the agreed payment date.
- Restructured claims  
Loan claims for which we agreed to arrangements favorable to the borrower, such as reducing or waiving interest, deferring repayment of principal, or waiving claims, for the purpose of restructuring or supporting the business of the borrower.

## Non-Financial Highlights

## Environment

## Our bank's scope 1 and 2 emissions



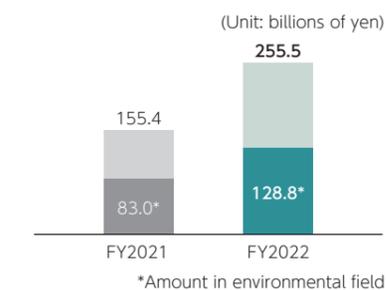
Net zero achieved!  
(First among Japanese banks)

## FY2023 renewable energy ratio



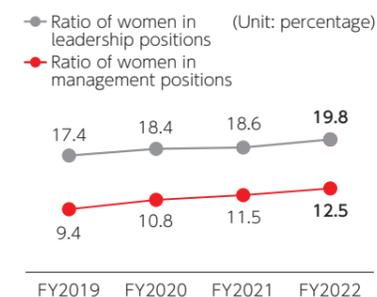
50%  
achievement planned

## Sustainable finance

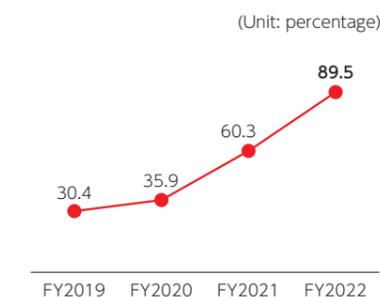


## Society

## Ratio of women in management positions



## Ratio of men taking childcare leave, etc.



## Paid leave



## Governance

## Ratio of independent outside directors



44.4%

As of June 23, 2023

## Ratio of female directors



22.2%

As of June 23, 2023

## Overview of Our Medium-Term Management Vision 2021

# Supporting Our Customers and Regions Through the Combination of Financial Services, Non-financial Services, and Relationships

The structure of society and industry is changing significantly due to decarbonization and digital transformation efforts. Our bank sees these changes as an opportunity, and we are working to achieve our Medium-Term Management Vision 2021 in order to realize further growth. By improving the skills of each employee, enhancing our financial services, and enriching our non-financial services, we aim to form stronger relationships with customers and become a banking group that is truly a cornerstone of the regions we serve.

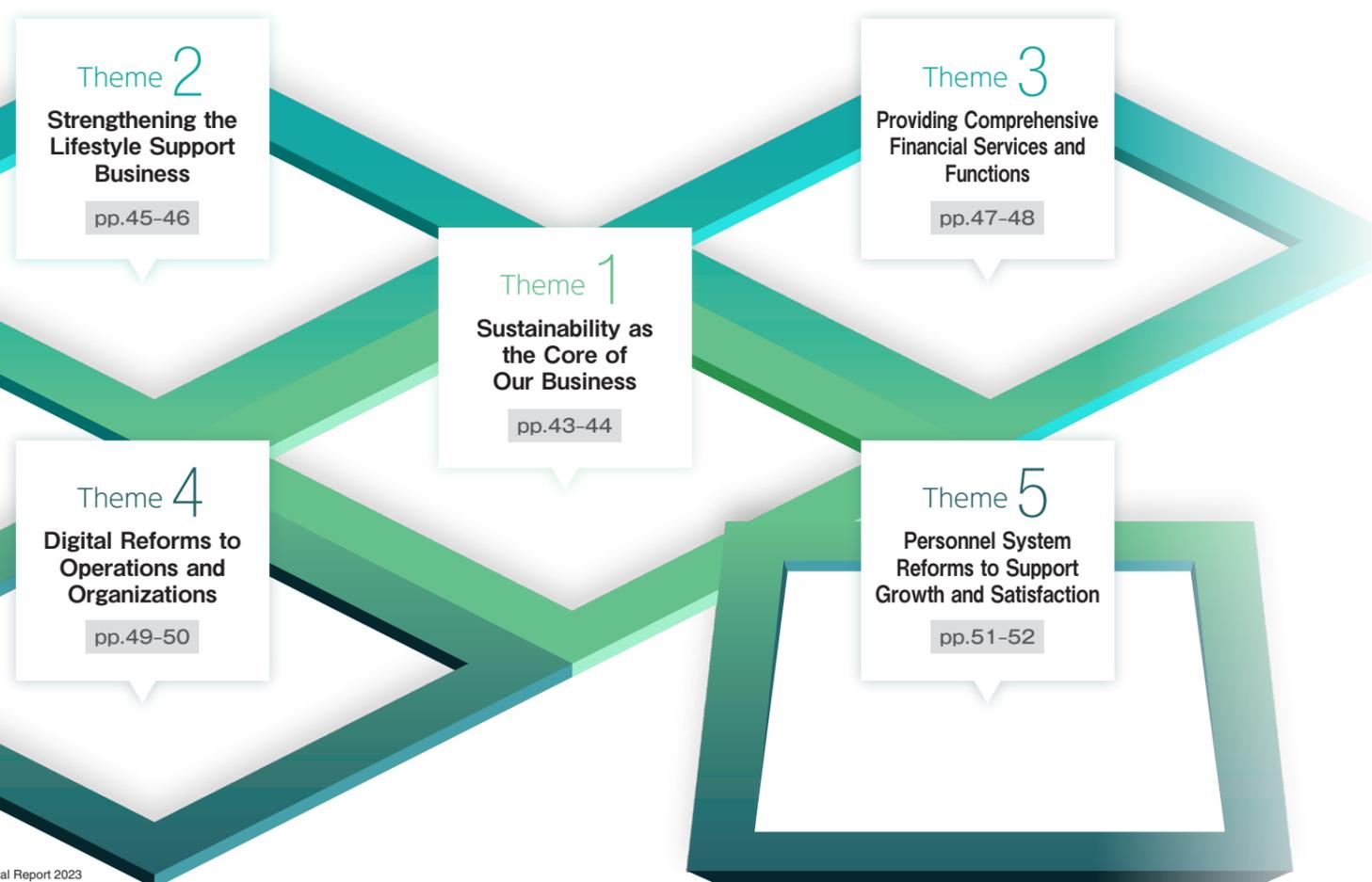
### Management Philosophy

**Contribute to regional development through a commitment to sound banking principles.**

### Medium-Term Management Vision 2021

## Supporting Our Customers and Regions Through the Combination of Financial Services, Non-financial Services, and Relationships

We have set out five themes that capture our approach to making innovations to our business model while responding to changes in customer needs and society.



#### Theme

# 1

### Sustainability as the Core of Our Business

## Supporting the sustainable development of the region as a bank that enables and vitalizes communities

We will actively work to resolve the social issues facing the regions we serve in cooperation with government, corporations, and the people of our regional communities.



#### Theme

# 2

### Strengthening the Lifestyle Support Business

## Supporting customer lifestyles as a lifelong banking partner

We will endeavor to strengthen our financial advisor consulting services, enrich our non-face-to-face serves, and expand our trust services.



#### Theme

# 3

### Providing Comprehensive Financial Services and Capabilities

## All-inclusive support for corporate management

We will work to increase the skills of our employees, expand the functions of our non-face-to-face services, and strengthen our consulting services and group capabilities.



#### Theme

# 4

### Digital Reforms to Operations and Organizations

## Improving operational efficiency and creating new services

Our banking group as a whole will improve operational efficiency through digital reforms, and we will work to develop new services and enhance operations through data utilization.



#### Theme

# 5

### Personnel System Reforms to Support Growth and Satisfaction

## Encouraging the growth of each employee

We will shift the focus of the main duties of employees to relationships through customer inquiries and problem solving, and work to reform our personnel system in order to respond to the diverse range of employee values and lifestyles.



### ◆ Medium-Term Management Targets

Net income attributable to owners of parent	FY2025	25.0 billion yen or more
Ratio of consolidated to non-consolidated net income	FY2025	1.25 or more
Consolidated dividend payout ratio	FY2022-FY2025	40% or more annually
Greenhouse gas (CO <sub>2</sub> ) emissions	FY2023	Net zero
	FY2030	60% reduction compared to FY2013

## Special Feature 1 Achieving Comprehensive Financial Services

# Supporting Our Customers and Regions Through the Combination of Financial Services, Non-financial Services, and Relationships A Dialogue Between Outside Directors and Young Employees

In order to achieve our Medium-Term Management Vision 2021, "Supporting our customers and regions through the combination of financial services, non-financial services, and relationships," our branch employees are working hard to provide a broad suite of financial services to our customers. We held a round table meeting between three young employees representing the next generation of our bank and two outside directors, using the challenges the employees face at work to discuss the skills and characteristics that our employees should strive to achieve.



## Participant Backgrounds

## 1 Nakano Branch

Ayana Sakamoto  
(Joined in 2013)

Joined Okaya Branch before working at the Takada Branch and then Nakano Branch. After returning from childcare leave, now assists corporate and individual customers.

## 2 Tokyo Branch

Tomohiro Sudo  
(Joined in 2015)

Joined Suwa Branch. After experience at Naoetsu Branch, current department, and other branches in and outside of Nagano, now assists listed companies.

## 3 Okaya Branch

Yui Takada  
(Joined in 2016)

Joined Minowa Branch as an office worker. Transitioned to sales and moved to Okaya Branch. Currently assisting corporate customers.

## 4 Eiji Kanzawa, Outside Director

Assumed role as outside director in 2021 (see p.72). His hope for our bank is that we provide consulting that integrates the resources of the Hachijuni Bank Group while being mindful of the changes occurring in the structure of industry in the prefecture.

## 5 Takayuki Kanai, Outside Director

Assumed role as outside director in 2022 (see p.72). He expects our bank to provide all-inclusive services to the wide range of customers we serve.

## What are your thoughts on being a comprehensive financial services provider?

**Sakamoto:** It's a very big topic, but to me, I think it means addressing the management issues or concerns of our customers and using a variety of information to provide services that satisfy them through our bank's group companies and affiliates.

**Sudo:** I feel that our bank's strength is the rich amount of customer information we have and the history we've built. I think that providing comprehensive financial services means contributing to the development of regional communities using that information and history. After I transferred to the Tokyo Branch in February, I learned that our bank has had dealings with major companies that everyone knows going back a long time, so I really got a sense of our history and position.

**Takada:** I thought of two things. The first is bringing satisfaction and profit to customers. The second is contributing to the sustainable growth of companies. When we're involved in sales activities, we can tend to become focused on what's immediately profitable, but I try to offer solutions to customers after reconsidering what is best for them from a long-term perspective.

**Kanzawa:** "Comprehensive financial services" is a term that has been used for a long time, but I think it's important for our bank to offer our own brand of these services. We have group companies engaged in a variety of businesses, and we have a large number of branches in Nagano Prefecture and a strong degree of trust due to our high capital adequacy ratio. I think it



will be important for our bank to use those strengths to provide optimal solutions that combine the resources of The Hachijuni Bank Group to address issues such as digitalization, an aging population, and population decline.

**Kanai:** First, I hope you feel a certain sense of humility at the fact that we're in a position to provide these services because of the long history of trust that has been established in Nagano Prefecture by the people before us. Even though they're called "comprehensive" financial services, the type of service necessary depends on the person receiving it, and top banks need to be able to satisfy all types of customers. But it's difficult to handle everything by yourself, so I think that what customers need from a bank employee is someone who is versatile and can quickly respond to a wide range of inquiries by knowing who to ask or where to look to find solutions.

## What do you do in order to build trust with customers?

**Sudo:** I try to get to know our customers, of course, but I also try to learn about the region I'm working in. I've had the experience where a lot of customers have been referred to our bank through connections in the local community, so I think it's very important to build trust while getting to know more and more people in the community.

**Takada:** It's related to what Mr. Kanai said about being versatile, but because the number of services we offer every day are increasing, I research things like the new services offered by group companies and new possibilities through business referrals in order to improve my knowledge for work. I think that I can earn trust by being able to quickly respond when a

customer has a problem and tell them what we're able to do to resolve it.

**Sakamoto:** I think it's really important to pay attention to a wide range of information to find things that might be useful, so that I can offer solutions to needs or issues that customers don't realize they have. I try to find my own approach to these issues and try to find something that our bank can do to help.

## What are the important challenges that you feel you face now in regard to your work?

**Takada:** Our bank is progressing with digital transformation, and the scope of work that can be handled by AI and machines is increasing, so I think that eventually, all that will be left for us to do is to communicate with customers. But at present, it's difficult to find enough time to meet with customers because of the time I need to spend on internal office duties, so I feel that increasing the efficiency of our work is an important challenge.

**Sakamoto:** Bank employees are often transferred to different locations, so I feel an important challenge is creating continuity with the person coming after you to enable them to continue the relationship of trust that you built with your customers. Also, when I came back to work after three years of maternity and childcare leave, I felt that things today change much more quickly than before. I think another challenge is to constantly be refreshing and improving your knowledge to keep up with the times.

**Sudo:** Because there are many pressing topics in society, like SDGs and digital transformation, I feel that selecting the areas that you need more knowledge in and then learning about it is an important challenge. I want to help customers by deepening my knowledge together with them.

## What do the directors think of the views shared here by the employees?

**Kanai:** I think there are a variety of challenges our employees face, but what I want employees to appreciate is that we are in a very fortunate position as the top bank in Nagano. We are supposed to be better positioned than other financial institutions, so we should know the most about the difficult problems faced by our customers. You should work to improve your

skills and knowledge with an awareness of the significance of our bank to our customers.

**Kanzawa:** I understand this because I used to be a Hachijuni employee, but conversely, our biggest problem at the present might be that we have always operated in a favorable environment. In other words, I want you to avoid being complacent. How can our bank contribute to the development of regional economies moving forward, not only in regard to general financial services like deposits and loans but also in regard to non-financial services and other fields? It's important for all employees to seriously think about that without being satisfied with the status quo.

## Do you have any message to share with all of our employees?

**Kanai:** We live in a time when a lot of what we see on the news is disheartening, but there will always be areas that grow. I want all of our employees to develop the habit of thinking about what the future will be like in a span of ten or fifteen years. I think that a bank that can take action on future trends ahead of everyone else will be able to grow.

**Kanzawa:** I want all of our employees to become people who can create value for our regional communities and economies. To do that, I want everyone to have a strong sense of ethics and to improve their abilities to accurately identify customer needs and offer optimal solutions based on deep trust. Because Hachijuni is the top bank in Nagano Prefecture, I want it to be a gathering of that kind of talent.





## Special Feature 2 Leveraging Human Capital

# A New Age in Human Capital

Human capital supports the achievement of our management philosophy and the execution of our growth strategies. The managers of our Human Resources Department and Diversity Promotion Group shared their views on how human capital can serve as the source for all value creation.

### Our Bank's Unchanging Strength: Human Capital

**Urahara:** What do you think are our bank's strengths in regard to human capital?

**Ito:** Our strength is that our management philosophy, "Contribute to regional development through a commitment to sound banking principles," has really taken root in our employees. In over 90 years since our founding, that management philosophy has always supported our customers and regional economies, and the trust we've earned from the regions and customers we serve is thanks to that philosophy. All of our employees can recite it from memory. Even though the environment surrounding our society is rapidly changing and

we're currently endeavoring create new businesses and provide new value under the vision of "Supporting our customers and regions through the combination of financial services, non-financial services, and relationships," because our management philosophy is deeply ingrained in our employees, I'm sure that our commitment to the development of regional communities that lies at the core of our bank will never waver even as our business domains expand and society changes in the future.

**Urahara:** A lot of people who apply to work at our bank say that they want to contribute to the region and that their reason for applying is that they want to give something back to Nagano or contribute to the development of Nagano. I feel that's also a big strength of our bank, because the sense of meaning employees have in their work is directly linked to achieving our management philosophy.

**Ito:** Another strength is that we have a deeply rooted culture of developing employees over the long term, to the extent that we're sometimes called a talent development bank. We have a culture where everyone, including not just human resources staff or supervisors but also part-time workers, cooperates to watch over each employee and help them learn and grow.

**Urahara:** In fact, in our latest engagement survey, the positive response ratio\* to coworker support statements like "I want to be active in workplace learning and coworker growth" was very high at around 90%. I agree that the kindness and warmth of our employees and their skill at taking care of each other are big assets to our bank.

(\*Positive response rate.)



Human Resources Department Manager  
(Currently Executive Officer and Internal Audit Department Manager)

### Kiyomi Ito

Joined in 1992. Worked in sales while raising two children. Served as Asahi Branch Manager in the Higashi Wada area, Nagano Minami Branch Manager, Omachi Branch Manager, and Human Resources Department Manager. From June 2023, serves as Executive Officer and Internal Audit Department Manager.

### Changing with the Times

**Urahara:** It's said that we're living in an era of VUCA (volatile, uncertain, complex, and ambiguous), and the issues facing customers are becoming more sophisticated and diverse. What do you think is needed in order to develop human resources that exceed customer expectations?

**Ito:** I think the foundation is developing and producing a succession of human resources that embody the characteristics we seek—established strength, an enterprising spirit, and thinking and acting independently. Based on these characteristics, in the personnel system reforms made in fiscal year 2022, we created a multiple-track career development system in which employees can choose how to establish their strengths and increase their expertise. This multiple-track system is composed of five different tracks, such as the existing management track and a new professional track that increases expertise in solving issues facing customers, so each employee can make use of their individual strengths.

Before these reforms, instead of employees building their careers themselves, it was common for our employees to view their careers as something determined by factors such as how they were assigned and transferred by the bank. Moving forward, employees will have to think for themselves about where their strengths lie and how they want to develop their careers. That is a significant reform for our bank.

**Urahara:** In order for each employee to think independently about their career, we provide personality assessments that evaluate individual characteristics, goals, and views towards work, and we have begun holding one-on-one meetings called "Your Time" at the workplace to provide coaching to develop the strengths of each employee. We are also expanding the career management training offered outside of the workplace, and we will continue to support employees in establishing their own strengths.

### Becoming an Organization Where Each Person Independently Thinks, Strives, and Grows

**Ito:** One issue we face at present is that I feel it's necessary to establish a culture where employees can take on more new challenges. We need to foster an organizational environment that develops personnel who can take action and have the courage to try new endeavors by creating a culture where people can accept failure and learn lessons to prepare them for the next challenge.

**Urahara:** I think it's difficult to develop employees who actively take on new challenges if an organization is inward-looking and largely homogeneous. In order to use diversity to strengthen the organization, it's necessary to push each other to improve by accepting and encouraging each other. Diversity and inclusion is actually one of our bank's material issues, so it's a challenge that should be among our top

Human Resources Department,  
Diversity Promotion Group Manager

### Harumi Urahara

Joined in 2000. After childcare leave, served as Individual Customer Section Manager at Miyoshicho Branch and Ueda Branch before becoming a member of the Planning and Coordination Department's Structural Reform Promotion Project Team in 2020. Since 2021, serves as Diversity Promotion Group Manager.



priorities.

**Ito:** In order to turn diversity into a strength of the organization, in addition to considering diversity in terms of basic attributes such as age and gender, it's also important to value different experiences and opinions, such as by increasing the hiring of experienced personnel or taking on older employees.

**Urahara:** I also feel very strongly that I want our organization to be one where everyone can freely and openly express their opinions, so I want to work towards creating a workplace where people feel safe emotionally. I want to make our bank a place full of employees who feel that they are growing and contributing and who enjoy and take pride in their work.

**Ito:** The approach of thinking thoroughly about what we can do for our customers and regions and then working together to achieve that has always been, and always will be, the same. Beyond that, we also need to be active and take on new challenges. Our aim is to work together to foster an organizational environment where we accept each other's diversity.

### Contributing to the Development of Regional Communities through a Virtuous Circle That Returns Human Capital to Regions

**Ito:** On the topic of diversity, more men at our bank have been taking childcare leave.

**Urahara:** I've had more opportunities recently to give lectures all around the prefecture on the topic of why childcare leave for men is necessary. Responding to the low birthrate and aging population is an important issue for all the regions we serve, and I want our bank to contribute to those regions by working to resolve such issues as a leading company.

**Ito:** In regard to contributing to our regions, we're also focusing efforts on sharing the human resources we've developed. For example, we loan or transfer qualified human resources to customers who need management personnel. Human capital that has been developed in a region is eventually returned to the region through our bank, and I think that contributes to the region's ultimate sustainability. Our customers and regions enable us to grow through our work with them, so we need to give something back.

Our regions and other stakeholders can continue depending on us to give our all to contributing to the development of our regional communities by maximizing the value of our human capital.

Special Feature 2 Leveraging Human Capital

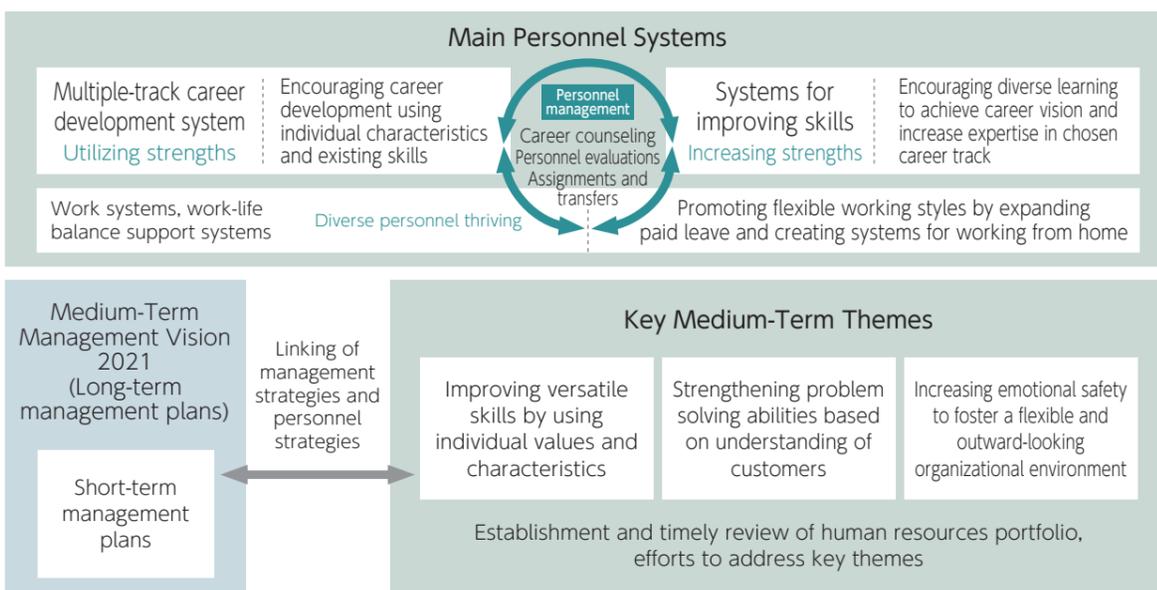
# Human Capital That Supports Growth Strategies

## Core View: Human Capital Supports The Hachijuni Bank Group

In order to contribute to regional development through a commitment to sound banking principles as set out in our management philosophy, we believe that it is essential to promote management that leverages human capital, which is the source of the value created by The Hachijuni Bank Group. To realize the goals set out in our Medium-Term Management Vision 2021, we will build relationships with customers and a wide range of stakeholders, and develop human resources with high added value who can assist in the sustainable development of our communities. We will also support the self-fulfillment of our employees through independent career development and create an environment where diverse human resources can thrive in order to become an organization that can continue growing over the long term.

## Long-Term Personnel Policy

We have established a long-term personnel policy in order to develop human resources with high added value who embody our management philosophy, and we are working to develop employees with the characteristics needed by our customers and to strengthen our main personnel systems.



We have established a long-term personnel policy for human resources development and created a workplace environment suited to that purpose. We have also selected key medium-term themes representing current challenges to be addressed under that policy and are implementing specific measures to do so.

The long-term personnel policy expressly states our bank's basic views on human resource development. These views are at the core of the measures we have implemented under the theme of personnel system reforms to support employee growth and satisfaction as set out in our Medium-Term Management Vision 2021. The personnel system reforms include many new policies and the multiple-track career development system.

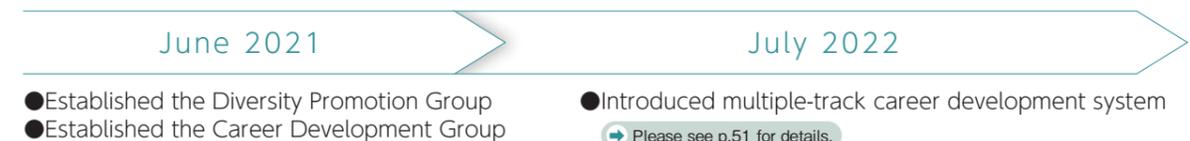
Based on the long-term personnel policy, the key medium-term themes were chosen based on their connection to the Medium-Term Management Vision 2021. The current themes are establishing a practice of diverse active skill development, and strengthening employees' abilities to understand customers and solve problems. Increasing emotional safety has also been set as a theme as we believe it will contribute to the creation of an environment for developing flexibility and a customer-focused mindset, which is another theme that we consider to be particularly important as we seek to make reforms.

We believe that the fulfillment of our corporate purpose and achievement of constant growth are linked to the independent skill development and self-fulfillment of each employee, and so we will work to further establish an environment where employees can feel that they are contributing and growing through their work and the development of their skills.

## Promoting Personnel Strategies

In June 2021, we established the Diversity Promotion Group within the Human Resources Department as a group dedicated to promoting diversity and reforms to working styles. Additionally, we combined the Training Group, which handled skill development support, and the Human Resources Consultation Group, which handled assignments and transfers, to create the Career Development Group in order to strengthen our support for career development from hiring through to retirement. Through these efforts, we have established a system through which we can execute suitable personnel strategies that are linked to our management strategies.

We also introduced a multiple-track career development system in July 2022 in order to develop human resources with high added value, thereby encouraging career development that utilizes the strengths and aptitudes of our employees.



## Promoting Diverse Human Resources by Hiring Specialist Personnel

In order to achieve the goal of "supporting our customers and regions through the combination of financial services, non-financial services, and relationships" set out in our Medium-Term Management Vision 2021, it is essential to ensure diversity not only in regard to basic attributes such as age or gender but also in regard to experiences and views. For that purpose, we are strengthening our efforts to hire a variety of diverse talent.

Particularly in regard to the hiring of experienced personnel, we are focusing efforts on hiring people with a higher degree of specialist expertise or with a strong desire to obtain that expertise in order to contribute to new fields of business that will achieve our goal of providing non-financial services. We are also developing a foundation for those employees to make full use of their skills by means of placement in management positions upon hiring.

In October 2022, we made changes to our returnee program, which enables employees who left in the past due to reasons such as new jobs, childcare, or family care to return to work with us, in order to make it easier for people to come back to work regardless of how many years have passed since they left.

Through measures such as the returnee program, we are working to provide services with an even higher level of added value by utilizing employees with diverse perspectives based on experiences outside our bank.



**Special Feature 2** Leveraging Human Capital

## Developing Employees with the Necessary Characteristics: Creating Ways for People to Grow

To develop human resources under our long-term personnel policy, we conduct on-the-job training based on each employee actively working to improve their skills and knowledge in combination with career counseling, outside training, and other opportunities. We have also created an environment where employees can choose to further their knowledge through our programs supporting employees in earning government-recognized certifications, voluntary training known as Seisei Juku held on weekends, and support for purchasing self-study materials.

Training hours*		Training costs	
Total training hours	73,247	Total training costs	Approx. 260 million yen
Average training hours per employee	24.1	Average training costs per employee	Approx. 85,500 yen

\*Excluding voluntary training

### ● Main Efforts

#### Career Management Training and Career Counseling

We motivate our employees to think about their career vision and actively and systematically work to develop the skills necessary to achieve that vision through career management training held periodically based on career length and employees age. In addition to that training, we also conduct career counseling sessions with Human Resources Department staff to further support career development.

**Participants 832 (year-on-year increase of 331)**

#### Outside Training

In order to respond to the increasing sophistication and diversification of customer needs and changes in the external environment, we hold outside training available to all employees to help them gain a wide range of management skills, knowledge of how to work in specific fields, and general business skills. This training and the OJT conducted afterwards expand the duties handled by each employee and increases their expertise.



**Participants 5,319 (including repeat participants)**

#### Seisei Juku

We hold voluntary training to support employees in developing their skills and to create an environment where they can choose to further their knowledge. A wide range of training courses to support employees in self-motivated development are offered, and many employees participate each year. In fiscal year 2022, we held a total of 37 courses on topics such as business skills, liberal arts, and support for earning certifications, drawing 2,203 participants in total.

Examples of courses held in FY2022

- Business skill training: "Product Development That Designs Strengths"
- Career training: "Independent Career Development for the Future"
- Diversity training: "What Happens When We Bring Diversity into the Organization?"
- Certification exam preparation course: "Preparatory Course for Small and Medium Business Consultant Exam"

**Participants 2,203 (including repeat participants; year-on-year increase of 213)**

#### Self-Study Video Training

In fiscal year 2022, we began offering "Your Learning," an outside resource of self-study videos, for free in order to create an environment with diverse learning opportunities. A total of 650 employees participated in four different courses in the first fiscal year. As part of our digital reforms, we also provide smartphones to employees to increase their opportunities to participate in training.

**Participants 650 (including repeat participants)**

#### Support for Earning Government-Recognized Certifications

In order to encourage employees to develop specialist knowledge and skills, we offer support such as subsidies and incentives of up to 500,000 yen to people who obtain government-recognized certifications, which are generally considered to be very difficult. We add new certifications for which employees can receive incentives each year to promote the development of specialist knowledge across a wide range of areas.

Certification holders at end of FY2022	Small and medium business consultants	Grade 1 financial planners/Certified financial planners	Grade 2 financial planners/Affiliated financial planners	Securities analysts	Real estate notaries
	57	129	1,223	55	305

#### Programs to Develop Employee Understanding of Sustainability and Digital Technology

In order to promote understanding of sustainability among all employees, we introduce employees to correspondence courses and support employees in earning certifications. We actively support employee learning on sustainability by paying incentives to employees who achieve excellent grades in correspondence courses on sustainability or who earn related certifications, such as the Carbon Accounting Advisor certification. We also implement a variety of training and initiatives regarding digital technology and digital transformation as we believe that all employees need to work to increase their knowledge in those areas.

➔ Please see p.50 for information on digital technology and digital transformation training.

#### Open Application Program

This is a program for employees who have continuously worked hard that supports them in achieving further growth and playing a greater role at our bank. Certain positions (such as at the head office, branches, or for long-term training) are opened up to accept applications from our employees, who can then apply for the work they want to be involved in or the position they want to be assigned to. Employees who apply and pass an examination are given preference in being assigned to the work or positions they select.

**Applicants 82 (year-on-year increase of 32)**

#### I used the open application program to act on my desire to contribute to the region.



Business Planning Department  
Minami Hosono

Even before I joined the bank, I really wanted to do work that contributes to the region, so in my fourth year, I applied to the Web and App Advertisement Department through the open application program. I applied because I thought that by being involved in advertising, I could help vitalize the region by helping spread information to even more customers in our area. After passing the application exam, I was loaned to iBank Marketing Co., Ltd., where I learned about all aspects of advertising and was exposed to a diverse range of values. My goal moving forward is to help contribute to the region by promoting the use of our bank's Wallet+ app as an information tool.

**Special Feature 2** Leveraging Human Capital

**Promoting Diversity and Inclusion: Accepting Each Other's Diversity to Grow Together**

We consider the promotion of diversity and inclusion to be one important challenge in our management, and our intent is to value diversity in gender, age, and work experience as well as in values and to use that diversity to strengthen our organization.

We have established a basic policy on diversity and inclusion and are promoting a variety of efforts in order to contribute to our customers and regions using the combined efforts of all or our employees, by accepting each other's diverse characteristics and helping each other grow.

**Basic Policy on Diversity and Inclusion**

**Slogan: Accepting Each Other's Diversity to Grow Together**

Through all of our employees accepting each other's diverse characteristics and helping each other grow, we will:

1. Foster an organizational environment where employees can make the best use of their skills;
2. Encourage positive action by creating a workplace environment where employees can frankly express their views; and
3. Create new ideas and value by increasing employee satisfaction and desire to grow.

**Main Efforts**

**Diversity Management Training**

We hold training for management-level employees in order to implement diversity management in which managers leverage the diverse people working under them by accepting their unique characteristics and drawing out their strengths. In fiscal year 2022, diversity management training was held for all branch managers.

**Participants 152**

**Unconscious Bias Training**

We hold workshops as part of our training in order to promote understanding of unconscious bias, which can be an obstacle to promoting diversity.

**Participants 991**

**Promoting the Active Role of Women**

We promote the active role of women, who account for about half of our employees, with the goal of creating new value and increasing our strength as an organization by creating a system in which women can put their skills to use at all stages of their careers.

Specifically, we are working to improve our personnel system and expand the areas in which women are active. Under our multiple-track career development system, 88 female employees changed their career tracks from clerical duties to general duties in fiscal year 2022 and are taking on new challenges in areas such as assisting corporate customers. By promoting flexible working styles, we are also creating an environment where all employees, including those balancing work and family, can positively develop their careers.

**KPI**

In order to do away with preconceptions of fixed roles for men and women and to enable everyone to put their skills to use at all stages of their careers, we are engaged in efforts such as supporting career development and promoting flexible working styles for all employees.

**General Employer Action Plan Under the Act on the Promotion of Women's Active Engagement in Professional Life (Third term: October 1, 2021–September 30, 2026)**

	Targets	FY2022 results
① Ratio of women in leadership positions	30% or more	19.8%
Ratio of women in management positions	18% or more	12.5%
② Ratio of men taking leave for childcare	100%	89.5%
Review working styles to reduce total hours worked and support balance of work and personal life	Targets	FY2022 results
③ ·Average days of paid leave taken annually	13 or more	15.9
·Implementing flexible working styles, such as expansion of working from home	—	Expanded support for returning to work after childcare leave Introduced computers for working from home

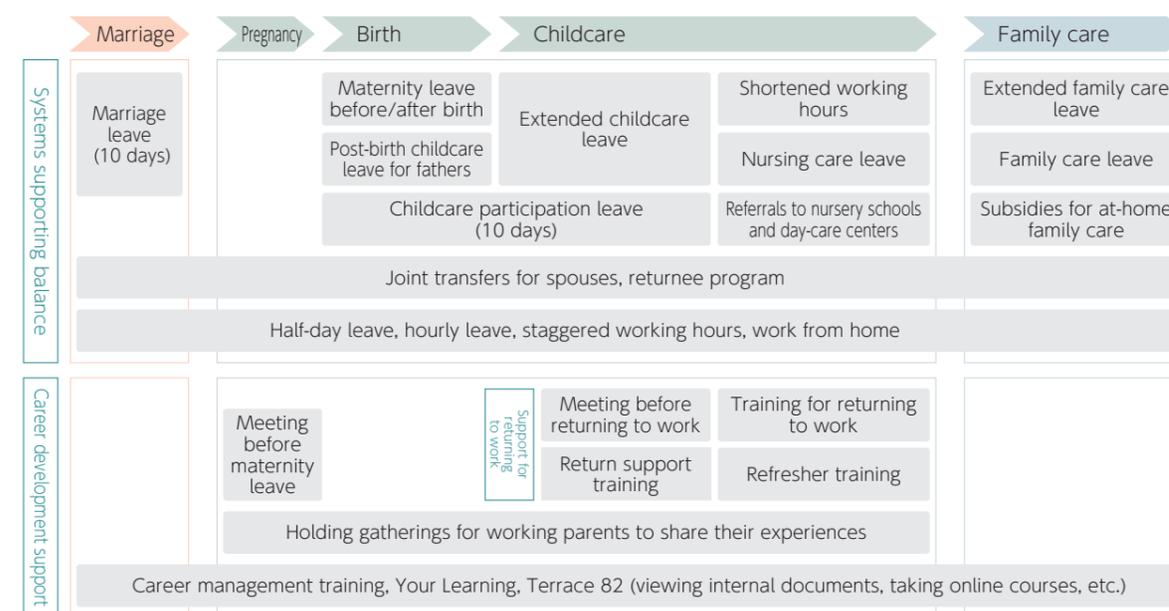
**Providing Flexible Working Styles**

We are focusing efforts on improving the workplace environment and expanding our employee benefits so that our diverse group of employees can put their skills and motivation to maximum use. By providing employees with flexible working styles through the use of digital technology to enable them to work from home or at satellite offices, we are expanding the opportunities for employees to make the most of their skills and are supporting the development of their careers. We are actively working to maximize our strength as an organization through reforms to working styles.

**Main Efforts**

**Supporting Balance between Work and Child/Family Care**

We have established systems to support employees who are raising children or caring for family members, and we are creating a workplace environment where all employees, both men and women, can thrive while balancing work and their personal lives.



**Support for Balancing Work and Medical Care**

In January 2023, we expanded special leave for non-work-related injury and illness to make it available for infertility treatment and outpatient cancer treatment as well. That leave allows employees to take up to 60 days of special paid leave per instance of injury or illness not related to work in cases where a doctor determines that long-term treatment is necessary. By expanding our systems for employee leave and training, we are creating an environment where employees can have peace of mind as they continue working while receiving treatment for non-work-related health issues.

**Promoting the Participation of Male Employees in Childcare**

As we aim to create a workplace environment where both men and women can balance work and childcare, we have set our target for the ratio of men who take leave for childcare at 100% and are encouraging male employees to do so. In October 2022, we made changes to our bank's unique system for childcare leave and made it possible to take ten days of leave from the birth of a child until the last day of the month in which they turn two years old.

By increasing the number of days of leave available, expanding the period during which it can be taken, and allowing it to be used in hour-based increments, we have established a system where male employees can flexibly participate in childcare in a way that suits the circumstances of each family.

Special Feature 2 Leveraging Human Capital

**Taking childcare leave broadened my perspective and improved my ability to plan ahead.**

I took extended childcare leave for about two months when my second child was born. During that time, I helped with housework and childcare during the day and traded nights with my wife getting out of bed when the baby cried. It reminded me of how difficult it is to take care of a child because of the lack of sleep and unpredictable emergencies, so I have continued sharing housework and childcare duties with my wife after going back to work.

In terms of my work, actively participating in childcare improved my ability to plan ahead, in addition to which it broadened my perspective and gave me more ways to start conversations with my customers, so I also feel that I am able to offer a wider range of solutions. Before I took leave, my supervisor and coworkers actively offered their help and made things go much more smoothly for me. I want to keep doing my best to work productively and achieve results while balancing work and my family.



Head Office  
Yoshiki Hashimoto



Head Office Sales Department,  
Deputy Sales Manager  
Akira Kuwahara

**Yoshiki taking childcare leave has helped the other members grow.**

Because Yoshiki is a key member of our group, I thought that him taking extended childcare leave would be a good stimulus to the other members, so I encouraged him not to be hesitant about it. His leave served as an opportunity to improve our systems and foster a good environment for all of our members to cooperate more closely. The other members had many positive things to say about Yoshiki taking extended leave, and it led to the growth of the people who took over his role while he was away, so I truly feel that it has increased our strength as an organization.

**Increasing Engagement**

We are working to increase employee engagement because we believe that an environment where employees feel purposeful and satisfied is necessary in order to fulfill the expectations of our customers and communities.

To increase engagement, in addition to striving for work satisfaction in a comfortable working environment, it is also necessary to create a common understanding by sharing our bank's management policies, views, and other values with our employees. We are engaged in efforts to increase our employees' understanding of and commitment to our management policies and views by bringing employees and management closer together through ways such as the president visiting branches to engage in direct dialogue with employees.

We will continue striving to become an organization where employees feel satisfied in order to achieve total engagement.

**Total Engagement**

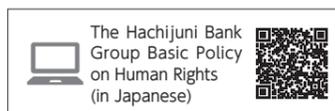
Total engagement means that each person feels a sense of significance in their work or in working at their current workplace or company and feels that they are contributing.

Positive response rate  
**73.9%**

**Respecting Human Rights and Preventing Harassment**

The Hachijuni Bank Group recognizes that respect for human rights is an important foundation in working to achieve sustainable regional communities and has established a basic policy on human rights.

That policy sets out our commitment to eliminating all types of discrimination and to not tolerating human rights violations, and in our separate sustainable investment and lending policy, we stipulate that we will not provide investment or lending to companies where there are human rights violations in order to urge our customers to take appropriate steps to address such issues.



Please see p.57 for details of the sustainable investment and lending policy.

**Main Efforts**

**Development of Whistleblowing System**

We have set up whistleblowing hotlines that include outside organizations independent from our management team. We ensure the proper operation of our whistleblowing system by concealing the identities of employees who use the system, maintaining confidential channels, and by stipulating in our internal rules that no reprisal will occur due to having made a whistleblowing report.

**Harassment Prevention Training**

We periodically hold study sessions to promote understanding of harassment. In addition to conducting video training and comprehension tests for all employees to promote understanding, we give lectures on harassment at training events for department and branch managers and other management-level employees.

We will continue our efforts to prevent harassment by developing a correct understanding among employees and creating an open and comfortable workplace.

**Achievements**

- Conducted harassment prevention training at all branches in FY2022
- Conducted comprehension tests on harassment for all employees

**Corporate Health**

As we recognize that maintaining and promoting the physical and mental health of all of our employees and their families is crucial in order for employees to make maximum use of their skills, we have established a basic policy on corporate health that serves as a foundation for our approach and are promoting a variety of health initiatives.

**Basic Policy on Corporate Health**

The Hachijuni Bank Group recognizes that maintaining and promoting the physical and mental health of our employees and their families is essential to the sustainable growth of our organization, and we will actively work to promote corporate health and support the well-being of our employees and their families.



**Main Efforts**

**Promoting Healthy Lifestyles**

We are engaged in activities to promote lifestyle improvements through diet and exercise in collaboration with the Hachijuni Bank Health Insurance Association in order to prevent lifestyle diseases and encourage employees to get sufficient exercise. The walking challenge that we hold every year includes awards for departments, branches, and teams and helps to maintain and improve employee health and to create communication opportunities.

**Providing Specific Health Guidance**

We are working to increase the ratio of employees who receive specific health guidance offered to them in order to prevent lifestyle diseases, an important health issue. We aim to increase the ratio of medical exams and health guidance received not only by employees insured by the Hachijuni Bank Health Insurance Association but by their dependents as well, and we are continuing to provide specific health guidance in collaboration with outside specialists.

**KPI**

We have identified the early detection of illness and prevention of lifestyle diseases, mental healthcare, and the development of a comfortable working environment as key health issues and have set numerical targets for corporate health.

Key health issues	Indicator	Target (FY2022)	Results (FY2022)
<b>Early detection of illness and prevention of lifestyle diseases</b>	Employees undergoing recommended follow-up tests	90%	82.2%*
	Employees receiving special health guidance offered	70%	78.0%*
	Employees with BMI of 25 or more (indicating obesity)	19% or less	18.6%
	Employees who smoke	11% or less	11.9%
<b>Mental healthcare</b>	Employees completing stress survey	100%	99.2%
<b>Development of a comfortable working environment</b>	Average days of paid leave taken annually	13 or more	15.9

\*Provisional figures



Special Feature 3 Decarbonization Initiatives

# First in Banking Industry to Achieve Net Zero Greenhouse Gas (CO<sub>2</sub>) Emissions

(For scope 1 and 2 emissions)

As a regional financial institution based in Nagano Prefecture, home to abundant natural beauty, we have for many years dedicated efforts to decarbonization with a focus on environmentally sound management. Our initiatives are among the most progressive in the banking industry, such as the conversion of branches to net zero energy buildings (ZEBs) and the use of electricity from renewable energy sources, and in FY2023, we plan to obtain 50% of our total energy from renewable sources. We have achieved our FY2023 medium-term management target of net zero greenhouse gas (CO<sub>2</sub>) emissions ahead of schedule, and we expect to achieve our FY2030 target of a 60% reduction in emissions from FY2013 levels in FY2023, well in advance of our initial schedule.

## ZEB Initiatives

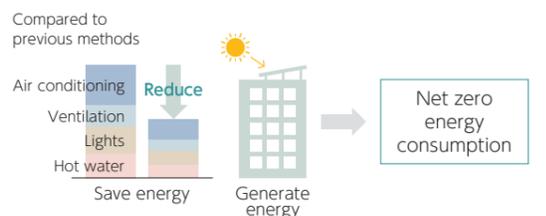
Our bank has established a general policy that new branches will be made ZEBs in order to make maximum use of Nagano's frequent sunshine and cool climate to contribute to achieving a decarbonized society.

We have a total of four ZEB branches, with the Iwamura Branch being our first to be completed in October 2021 and the Fujimi Branch, Omachi Branch, and Fukushima Branch following in fiscal year 2022. As the Omachi Branch sees less sunshine than branches in other regions in Nagano, in addition to generating solar energy, we also implemented a heat pump system that provides heating and cooling using geothermal energy. At the Fukushima Branch, wood from multiple types of cypress trees grown in Nagano was used. Moving forward, we will continue expanding our network of branches that incorporate the rich nature of Nagano.

We will provide the knowledge and technology gained through these initiatives to customers who share our strong commitment to the abundant nature of Nagano and Japan and work together to preserve the environment and coexist with nature.

### What are ZEBs?

ZEB means a net zero energy building. By reducing energy consumption through highly efficient insulation or energy efficient equipment and generating the energy they use through solar panels or other means, ZEBs effectively consume no energy.



## Our ZEB Branches

**Omachi Branch**  
(completed October 2022)  
Heat pump system using geothermal energy

**Iwamura Branch**  
(completed October 2021)  
Our first ZEB branch

**Fujimi Branch**  
(completed July 2022)  
Designed to harmonize with the natural environment of Yatsugatake mountain range and the Southern Alps mountains

**Fukushima Branch**  
(completed November 2022)  
Nagano-grown cypress used in building

## Working Towards Sustainability through New Initiatives

Net zero energy buildings first began being built only a little more than a decade ago in 2010, so when building the new Iwamura Branch, our bank's first ZEB branch, the bank, the designers, the builders, and all the other people involved in the project were daunted by the mission before them as they had never attempted something like it before. But when we began working on the project, I remember that we were all relieved to find that a ZEB branch could be achieved by combining all of the ordinary, existing techniques and technologies that we were familiar with. I want to achieve sustainability by providing facilities that are environmentally friendly and easy to use for customers, employees, and all other people who use the branch.



General Affairs Department  
Assistant Manager (Class 1 Registered Architect)  
**Toru Miyazaki**



General Affairs Department  
Assistant Manager  
**Hiroyuki Kobayashi**

## Accelerating Regional Decarbonization through Our Bold Initiatives

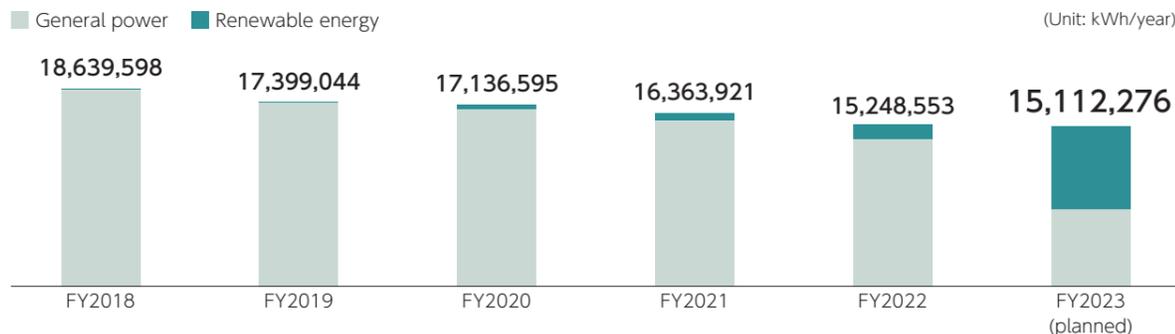
I handle the planning and implementation of our bank's capital investments for decarbonization through efforts such as ZEBs. Using our open application program, I was loaned to the Ministry of the Environment for two years, during which time I was involved in the planning and promotion of decarbonization measures, and I strongly felt that in order to achieve decarbonization in the regions we serve, it is important to work in collaboration with those regions and to create successful examples. Many people think that it is difficult to implement decarbonization efforts, but we are taking bold steps in the desire that we can create examples to benefit the people in the region.

Special Feature 3 Decarbonization Initiatives

50% Total Renewable Energy Ratio Projected to be Achieved in FY2023

In addition to reducing the energy we consume through everyday energy-saving measures and the introduction of energy efficient equipment, we are also actively working to transition to generating energy through means such as solar power and to using carbon-free energy, a type of environmentally friendly renewable energy. In fiscal year 2023, we plan for 50% of all energy used by our bank to come from renewable energy sources.

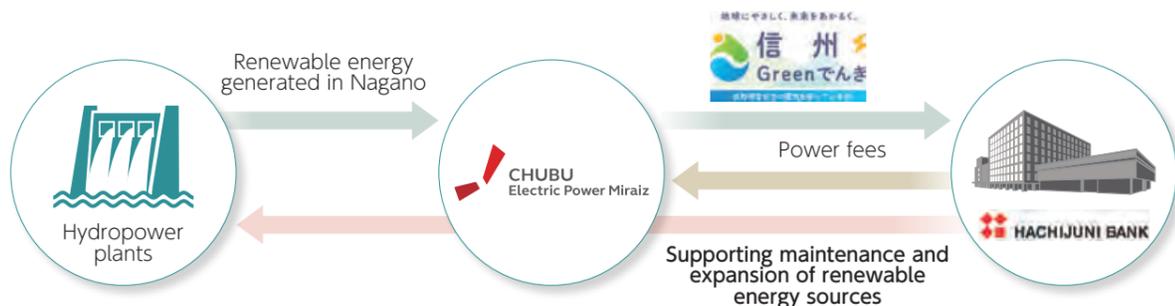
We will continue taking on progressive new initiatives to promote our bank's decarbonization, and we will work to achieve the decarbonization of our regional communities by providing the knowledge and technology gained through those initiatives to customers who share our strong commitment to the abundant nature of Nagano and Japan.



Expanding Use of Shinshu Green Power

In February 2023, all three of our head office buildings began using Shinshu Green Power, which we had previously introduced at six of our branches.

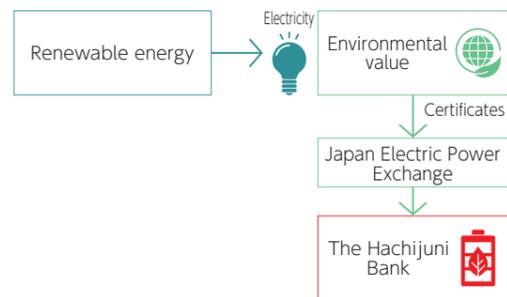
Shinshu Green Power is carbon-free energy generated in Nagano Prefecture (also known as Shinshu) through hydropower plants operated by the Nagano Prefecture Enterprise Bureau, and the energy used by our three head office buildings now entirely consists of renewable energy generated in Nagano. This will further reduce our greenhouse gas (CO<sub>2</sub>) emissions by 3,000 tons per year, which is equivalent to emissions from approximately 1,000 ordinary households.



Market Purchase of Non-Fossil-Fuel Energy Certificates—A First Among Regional Banks

Through the use of non-fossil-fuel energy certificates, the electricity used by our bank that is not Shinshu Green Power (carbon-free energy produced in Nagano) is also effectively supplied by renewable energy.

We purchased these non-fossil-fuel energy certificates on the market, becoming the first regional bank (and second in the banking industry in Japan) to do so, and we chose certificates that represent energy from hydropower plants in Nagano in order to promote local production for local consumption.



\*Non-fossil-fuel energy certificates: Certificates used to trade the environmental value of non-fossil-fuel energy sources that do not use coal, oil, or other fossil fuels, such as renewable energy.

Purchase of J-Credits

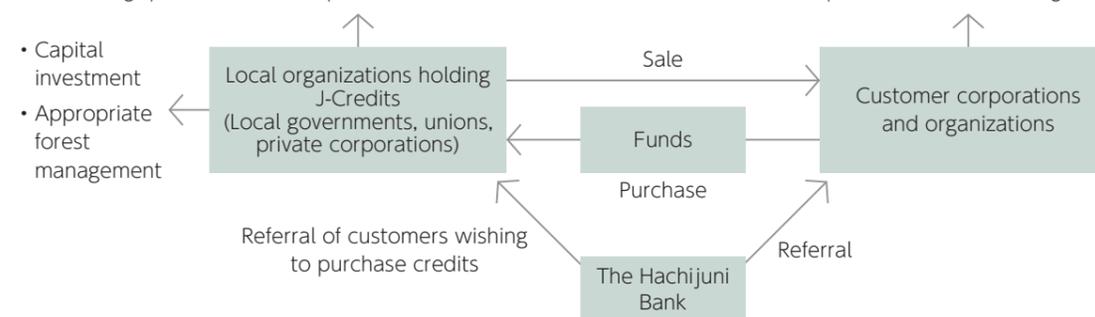
Our bank became the first to purchase the initial J-Credits created by the Nagano Public Corporation of Forestry in order to promote forest management in Nagano Prefecture, thereby achieving carbon offsets for a portion of our emissions. The proceeds from the purchase of the credits will be used to promote local forest management and contribute to the further absorption of greenhouse gases. At the same time, we have also begun referring customers to the J-Credit scheme.

Using our partnership with the Nagano Public Corporation of Forestry as a starting point, moving forward, we will cooperate with local governments and businesses that are expected to generate J-Credits and work to promote the use of J-Credits to achieve carbon neutrality.



Nurturing the pure air and water of Nagano Prefecture through forest management to increase forest resource value and corporate value

- Increase CO<sub>2</sub> absorption by forests by circulating funds into forest management as a measure to address climate change
- Strengthen our network with corporations and other entities highly interested in forest preservation
- Promote use of carbon offsetting as means to differentiate management and sales strategies
- Increase corporate value by contributing to achievement of SDGs and implementation of ESG management



\*J-Credits: Credits recognized by the national government that represent the intangible value of CO<sub>2</sub> and other greenhouse gas emission reductions and absorption through means such as forest management.

\*Carbon offsetting: Using J-Credits and similar schemes to compensate for CO<sub>2</sub> and other greenhouse gas emissions that cannot be eliminated.

Creating Transformation Beginning with Our Bank Through Decarbonization and GX\* Initiatives

In carrying out our bank's measures to achieve decarbonization and GX, I consider the social backdrop and currents as well as the expectations of society to determine what we should prioritize as a regional bank, and then I focus on rapidly achieving those priorities.

This field is changing very quickly, and there are many tasks and operations that are new experiences for our bank, so it has been difficult for me to bring my knowledge up to date, but we are working to obtain the latest information by cooperating closely with government agencies and outside corporations. Because this is a field with no precedents to rely on, we have to learn many things by attempting and experiencing them ourselves, and it is hard work to verify that our approaches are effective, but I truly feel that we are taking on a big and important challenge. I will keep pushing forward to create a transformation both in our bank and in society through our initiatives to achieve decarbonization and GX.



General Affairs Department Assistant Manager Yoshihide Kozu

\*GX: Green transformation

**Special Feature 3** Decarbonization Initiatives

**Environmentally Friendly Financial Products and Services**

We are working towards regional decarbonization together with our customers by providing financial products and services that contribute to reducing CO<sub>2</sub> emissions.

**FY2022**

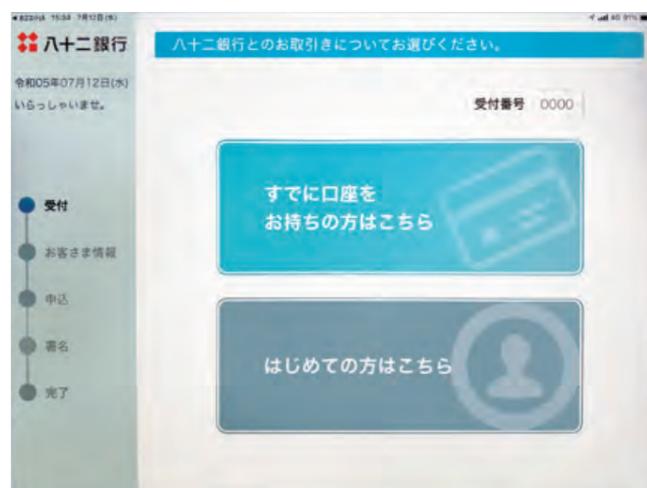
	Product or service name	Number of new contracts, amounts, etc.	Contributed volume of CO <sub>2</sub> emission reductions*1 (Unit: tCO <sub>2</sub> )
Loans	Environmental loans	103,115 million yen	721,805
	Green car loans	1,466 million yen	516
Services	Paperless reception system*2	120,781	2,657
	E-banking (computer services, business support services, net e-banking for business, online banking)	38,582*3	848
	E-Livre (accounts without passbooks)	12,839*3	282
	Digital contract service for loans (introduced 2022)	5,613	123

**-726,231t-CO<sub>2</sub>**

Example uses of environmental loans

Purchasing eco-friendly cars, trucks compliant with reduced emission standards, solar power systems, LED lighting, or energy efficient air conditioning equipment; constructing green buildings (factories, apartments)

\*1: Calculated based on standards established by our bank  
 \*2: General reception system that uses tablets for individual customer procedures such as opening new accounts or changing addresses  
 \*3: Net increase compared to previous fiscal year



**Introducing PaperLab**

In February 2017, we became the first financial institution to introduce PaperLab (made by Seiko Epson Corporation), the first paper machine in the world that can make recycled paper without using water, in order to promote the recycling and utilization of used paper within our bank.



**FY2022**

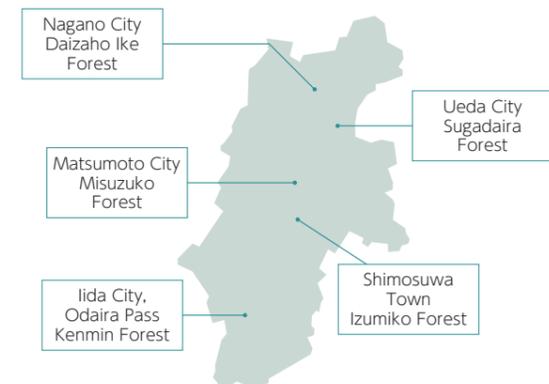
Recycled paper **406,003 sheets made** (plain paper, A4 size) Equivalent to approx. **25 trees**

CO<sub>2</sub> emission reductions **-1.5t CO<sub>2</sub>**

Water saved **2,246 m<sup>3</sup>** Equivalent to **1,318,222 bottles of water** (500ml)

**Hachijuni Forest Volunteer Activities**

We began our Hachijuni Forest volunteer activities in January 2009 in order to protect the beautiful forests of Nagano Prefecture. Hachijuni Forest is currently active in five locations in Nagano, and it provides many employees with a valuable opportunity to contribute to their regions through environmental preservation activities.



**Protecting the Irreplaceable Nature of Nagano for Future Generations**

I always enjoy participating in the Hachijuni Forest activities as a means of getting in touch with nature and contributing to the region in a way unique to our bank's employees. By participating every year, I can see the ecosystem gradually recovering. Being able to feel a childlike sense of wonder at the natural world around me is another appeal of the program. The appeal of Nagano's mountains lies in their majestic appearance, best represented by the Japanese Alps, and in the vast natural beauty spread out below them, and I believe that the abundant rivers and streams flowing down from those mountains are an irreplaceable asset that supports the industry of Nagano. The Hachijuni Forest activities are a different aspect to the usual work of our bank, and by participating in them, I want to contribute to the sustainability of Nagano's rich nature.



Amori Branch Manager  
**Junya Sonoda**

Five Themes of Our Medium-Term Management Vision 2021

Theme

# 1 Sustainability as the Core of Our Business

## Our Mindset and Goal

We recognize that working to resolve the issues facing our customers and regional communities is essential to the sustainable development of our bank. This mindset is based on our management philosophy, "Contribute to regional development through a commitment to sound banking principles," and is the attitude most valued by our bank, having been passed down generation to generation throughout the 92 years since our founding. We will work to achieve sustainable regional communities as the leading bank in Nagano Prefecture by keeping up to pace with the rapid changes in society.

## Value We Provide

- The Hachijuni Bank Group as a whole will actively engage in a wide range of efforts to resolve the issues facing our customers and regional communities and achieve a sustainable society.
- We will work to increase the corporate value of our bank through those efforts and sustainable management.

## Basic Strategies

- Expand solutions to support the sustainability efforts of customers and regional communities
- Develop human resources that can provide ongoing support for the sustainability efforts of customers and regional communities
- Enhance sustainable management to resolve our bank's material issues

➔ Please see p.17 for information on our sustainable management system.

## Key Measures

### ◆ Sustainable Finance

In order to provide strong financing support to customers who are working towards sustainable business development or sustainable regional communities, we offer a full range of sustainable finance products that include both loan and investment options. Based on our commitment to sound banking principles set out in our management philosophy and our high capital adequacy ratio, one of the highest among Japanese financial institutions, we will provide the financing necessary for our customers to achieve sustainable development and take their technologies into the future using our skill at determining creditworthiness and our discernment honed over many years.

➔ Please see p.57 for information on sustainable finance products.

#### Sustainable Finance Targets

FY2021-FY2030  
(10 years)

Total of **1.5** trillion yen (including **1** trillion yen in environmental field)

Total financing provided in FY2021 and FY2022: 410.9 billion yen  
(including 211.8 billion yen in environmental field)

As the leading bank in Nagano Prefecture, we are working to resolve the social issues facing the regions we serve using both financial and non-financial solutions, in order to support the sustainable development of our communities.

### ◆ Wide Array of Solutions Only Possible with the Hachijuni Bank

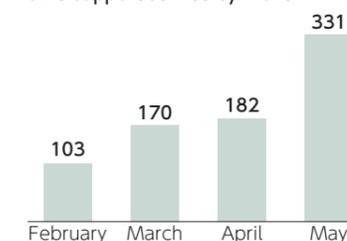
In order to realize sustainable business development and sustainable regional communities as well as the life plans of our individual customers, we are working to expand our range of solutions and services to respond to any type of issue or need in cooperation with our group companies and over two hundred corporate customers and business firms both in and outside of Nagano Prefecture. We will use our unique strengths as a financial institution deeply rooted in the region to provide solutions to support the sustainability of our customers and communities.



### ◆ Committed Support for Identifying and Resolving Issues

We have a significant number of customers who also feel the necessity of efforts to achieve SDGs or sustainability but do not know where to begin. To help those customers, we began offering an SDG support service in February 2023. By working closely with customers to examine measures to identify and resolve the issues they face, we will support their sustainable development while also contributing to the sustainable development of our regional communities.

Number of new contracts for SDG support service by month



#### Promoting Sustainable Management by Customers

I develop and promote new products and services with a focus on catching the interest of customers who may not be familiar with the concept of sustainability. Efforts for sustainable management and decarbonization vary depending on the situation and growth stage of the customer. That makes it difficult to design products and services that resonate with a wide range of people, but I take a lot of satisfaction in seeing customers use and enjoy the products and services I developed. I think that financial institutions like ours working to achieve our own sustainable management also leads to promoting the sustainable management of our customers in the region. I want to improve customer and employee awareness of sustainability by designing services through which customers and branch staff can progress together along the same trajectory.



Business Planning Department  
Assistant Manager  
**Hisashi Sakuma**

## Five Themes of Our Medium-Term Management Vision 2021

## Theme 2 Strengthening the Lifestyle Support Business

### Our Mindset and Goal

Individual lifestyles are becoming more diverse due to a decreasing population and an aging society. The needs and issues of individual customers also change over time, varying depending upon the customer's life stage and family situation. We aim to be a bank that can support customers in all of their lifestyle needs throughout their entire lives by enhancing our financial services and expanding our non-financial services so that people across many generations can lead rich lives.

### Value We Provide

- In order to remain a first-choice bank, we will endeavor to achieve the greatest benefit for each customer\*1 by putting customers first in our operations.
- We will develop systems to meet a wide range of customer needs and will endeavor to provide products and services tailored to each customer.

\*1: Meaning the achievement of each customer's own unique goals based on their life stage and financial status.

### Basic Strategies

- Provide financial services that extend beyond existing frameworks in order to support customers in all of their lifestyle needs in a variety of areas
- Transform bank branches into places where customers can interact with bank staff instead of places where they merely carry out transactions
- Enhance face-to-face consultation services for resolving issues that require a wide range of knowledge or advanced expertise
- Expand non-face-to-face channels for customers to perform transactions without visiting a branch in order to increase convenience in daily life

### Key Measures

#### ◆ Providing Peace of Mind in Daily Life through Hachijuni Lifestyle Support Services

Our lifestyle support services solve a wide range of problems related to housing and everyday life by referring customers to professional, dependable partner businesses mainly located in Nagano Prefecture for day-to-day issues such as housework services or home remodeling. Amid an aging society and diversifying family structures, we will continue to steadily expand our services for everyday needs with the goal of every person being able to enjoy peace of mind in day-to-day life.

### Service Examples



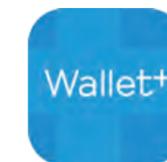
We aim to become a lifelong banking partner to our customers by providing innovative non-financial services in addition to enhancing our financial services and expanding our non-face-to-face transaction capabilities.

#### ◆ Expanding Quick, Convenient Services

We introduced the Wallet+ smartphone app in July 2022 as a service to provide more day-to-day convenience to customers. In addition to financial information such as account balances, the app also provides regional information, coupons, and other useful non-financial information.

To improve convenience for customers, we have also made it possible to receive unsecured loans\*2 entirely through our website without needing to visit a branch. Moving forward, we will further expand services that make it easier and more convenient for customers to save and invest, such as by making it possible to open investment trust accounts entirely online.

\*2: Car loans, credit card loans for education, remodeling and exterior loans, Hachijuni personal loans, "New Mighty" credit card loans



#### ◆ Providing High-Quality Consulting

##### Opening the Hachijuni Insurance Plaza to Support Customer Life Plans

In August 2022, we opened the Hachijuni Insurance Plaza in cooperation with PG Friendly Partners Co., Ltd. inside our Showa Avenue Branch in Nagano City. It is the first insurance consulting location in the country jointly operated by a bank and an insurance agency owned by an insurance company. Our insurance experts provide support in choosing insurance to fit each customer's life plan based on their family situation, major life events, and budget.



##### Opening the Hachijuni Inheritance Consultation Plaza for Asset Succession and Inheritance

In order to meet the needs of our older customers for managing and passing down their assets, we began offering personal trust services in which our bank acts as the trustee, and in December 2022, we opened the Hachijuni Inheritance Consultation Plaza inside our head office sales department as the first location in the prefecture that provides consultation services on asset succession and inheritance. We will help our customers pass down the valuable assets that they spent their lives building to the next generation.

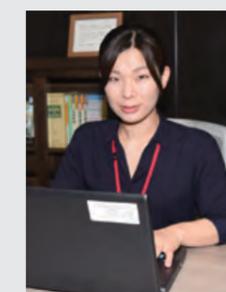


#### Becoming a Lifelong Banking Partner

I began working on the lifestyle support business because when talking to customers, I sometimes felt that it was difficult to achieve what they desired through existing banking conventions.

I believe that our bank's roles in the lifestyle support business are to protect the abundant lifestyles and assets of our customers, to advise them on growing and maintaining their assets, to take precautions against dementia and other risks of long life, and to meet a wide range of needs for managing assets and passing them down to the next generation. I work with a focus on improving our systems in all areas by introducing products, collaborating with experts, and cooperating with our communities from both financial and non-financial perspectives in order to respond to the aging population and diversifying family structures.

We are focusing our efforts on providing services that will help customers of many different ages continue to lead rich lives in Nagano.



Business Planning Department  
(currently Takada Branch)  
Nozomi Ozawa

Five Themes of Our Medium-Term Management Vision 2021

# Theme 3 Providing Comprehensive Financial Services and Capabilities

## Our Mindset and Goal

As changes in the structure of society are accelerating due to the COVID-19 pandemic as well as the progress of digitalization and efforts for decarbonization, all corporations are required to make adjustments to ensure their survival and growth. Our bank must meet customer needs that are becoming more sophisticated and diversified, and we will support the sustainable management of our customers by expanding our consulting services and increasing the quality of the solutions we offer.

## Value We Provide

- We will work closely with our customers to develop a shared understanding of the management issues they face and provide a broad set of solutions tailored to each issue.
- We will make full use of the operational resources of The Hachijuni Bank Group to contribute to the sustainable development of the regions and customers we serve.

## Basic Strategies

- Strengthen systems to respond to increasing diversification and sophistication of needs and to provide ongoing support to customers
- Actively support increased customer convenience and customer digitalization efforts
- Expand group capabilities to provide all-inclusive support for resolving issues faced by customers

## Key Measures

### ◆ Strengthening Group Capabilities

#### HSS Hachijuni Staff Service

In August 2022, Hachijuni Staff Service obtained authorization as an advanced banking service company, and it provides a wide range of services to address our customers' management issues relating to human resources. In December 2022, Hachijuni Staff Service began initiatives for people working multiple jobs, and it will continue offering a broad set of solutions.

#### HLN Hachijuni Link Nagano Co., Ltd.

Established as a new subsidiary in October 2022, Hachijuni Link Nagano Co., Ltd. will support the sustainable development of our communities through the regional trade and electric power business areas, which banks are unable to operate in.

➔ Please see p.66 for details.



We aim to become a bank that can provide all-inclusive support for a wide range of needs relating to corporate management by expanding our consulting services and group capabilities.

### ◆ Expansion of Non-Face-to-Face Channels

In September 2022, we began using the Mikatano service series in cooperation with Money Forward, Inc. to meet customer needs for digitalizing operations. In addition to managing company balance sheets and staff timecards, the service provides support in areas of increasing need such as compliance with the electronic record retention law and the qualified invoice system.



### ◆ Strengthening of Ongoing Support Systems

#### Strengthening Support Systems for ASEAN Region

In February 2023, we opened our Singapore Branch in order to strengthen our customer support systems in the ASEAN region. From the heart of rapidly growing Southeast Asia, we will provide a wide range of support for the overseas businesses of our customers, from financing to consultation on overseas expansion.



#### Strengthening Branch Support Systems

We increased the number of staff on our branch support team in order to resolve customers' issues more quickly and thoroughly. Our branches will work with the head office to respond to a wide range of needs, including business successions, M&A, utilizing subsidies, and decarbonization support.

In particular, our track record of customers selected to receive business restructuring subsidies from the Ministry of Economy, Trade and Industry, which we assist in as part of our business strategy consulting, is among the best in the country.

Business restructuring subsidy support results (1st to 8th selection rounds)	
Customers selected	437
Selection rate	51.5%
Total amount granted (millions of yen)	4,439

#### Resolving Customers' Issues

Our customers face a variety of management issues due to reasons such as changes in society. I provide support to achieve resolutions to those issues by viewing them from the same perspective as the customer and approaching them from various angles.

Sometimes, however, the issues I identify are different from those perceived by the customer, and it can be difficult to understand the unique characteristics of certain industries. In those situations, I work to improve my knowledge by holding discussions with the customer's management team and learning from them.

I want to contribute to the further growth of our customers by establishing a system that can provide support to resolve not only financial issues by means such as financing but also non-financial issues as well, such as SDG initiatives and designing personnel systems.



Business Promotion Department Assistant Manager  
Akiyuki Ushiyama

Five Themes of Our Medium-Term Management Vision 2021

# Theme 4 Digital Reforms to Operations and Organizations

## Our Mindset and Goal

In order to maintain our role as a financial intermediary in the region into the future, we are working to improve the efficiency of our operations through digital reforms and to enhance our operations and develop new services by utilizing data. The development of AI technologies such as ChatGPT is advancing at a startling pace and may lead to great changes in operations and working styles. We are also improving our operational efficiency through the use of data and AI and working to create new added value.

## Value We Provide

- We will provide the optimal financial and non-financial services to each customer whenever, wherever, and by whatever method they want.
- We will contribute to increasing customer productivity and creating new value through the utilization of digital technology, data, and AI.

## Basic Strategies

- Create new experience value and added value for customers through improved operational efficiency and service development actively using digital technology, data, and AI
- Organization-wide digitalization of various procedures and operations and through working style reforms using digital tools
- Active human resource development for all employees on digital technology, data, and AI
- Work to achieve open innovation combining financial and non-financial services through co-creation with communities and outside corporations

## Key Measures

### ◆ Creating New Added Value Using Data and AI

We began offering Hachijuni Business Net Loans that use our data warehouse\*<sup>1</sup> and AI technology to make it possible for customers to receive a loan without needing to visit a branch. That technology is also proving to be effective in marketing, risk management (flagging suspicious transactions), and predicting changes in customer business performance. We will continue working to improve operational efficiency and create new added value through the use of data and AI. Additionally, we have accepted trainees from the Judan-kai\*<sup>2</sup> who will learn about utilizing data and AI, and we are considering the possibility of expanded cooperation in the future.

\*1: Our data warehouse (DWH) is an information system that centrally manages our large amount of transaction data spanning many years.  
 \*2: The Judan-kai is a project for creating common core banking systems between the Yamagata Bank, the Tsukuba Bank, Musashino Bank, The Hachijuni Bank, the Awa Bank, the Miyazaki Bank, and the Bank of the Ryukyus.



We are working to create a new business model by utilizing digital technology and data to improve operational efficiency and develop new services.

### ◆ Digitalization of Services for Customers

We are working to digitalize procedures and services by introducing a digital contract service for loans, creating a reservation system for visiting branches, and digitalizing the documents issued to customers when performing investment trust procedures. We will continue our efforts to promote the use of digital services so that customers can enjoy convenience and peace of mind in using those services whenever, wherever, and by whatever method they want, whether in person or online.

**Customers with reservations will be served first.**

Opening new accounts

Changing customer information

Inheritance procedures (including consultation)

Consultation on investment

Consultation on loans

\*No reservation is needed for deposits, withdrawals, transfers, tax payments, changing large bills to smaller denominations, or reissuing lost cards or passbooks.

**Make your reservation below (in Japanese).**

\*Reservations can also be made by phone or at a branch.

Or:

### ◆ Development of Digital Environment and Working Style Reforms

We have made upgrades to our bank as a digital workplace by updating our groupware (Microsoft Office 365), introducing smartphones for employees, and increasing the number of notebook computers. Moving forward, we will make full use of the digital tools we have developed to reform working styles so that each employee can focus on operations with a higher level of added value, thereby working to resolve the issues of our communities and customers.



### ◆ Human Resource Development for Digital Technology and DX

We are working to implement human resource development for all employees regarding digital technology, data, and AI. In addition to basic training and individual specialized training for specific fields (digital/IT planning, IT consulting support, etc.) through e-learning and correspondence courses, we will continue our efforts for human resource development through means such as creating special assignments for employees to work with outside organizations in order to develop specialized skills.



#### Working to Achieve Open Innovation

Through my experience being loaned to a corporation jointly owned by companies engaged in financial and non-financial businesses, I experienced the launch of a digital financial service for individual customers. That experience taught me that there are limits to what we can achieve in terms of expanding our points of contact with customers and providing new services solely through the banking business, because the expertise and sense of urgency needed for commercializing modern services isn't there. In order for our bank to continue being a first choice for customers, I believe it is necessary to work to create value using not only our existing knowledge from the financial business, but also the expertise and approaches of non-financial businesses as well. The Digital Transformation Department is currently working to create value by combining financial and non-financial services. We will aim to create services and businesses that customers will want to use, and we will work to achieve open innovation without being restricted by the ordinary roles of a regional bank.



Digital Transformation Department  
**Hiroki Mimizuka**

Five Themes of Our Medium-Term Management Vision 2021

# Theme 5 Personnel System Reforms to Support Growth and Satisfaction

## Our Mindset and Goal

We are working to reform our personnel systems in order to respond to the diversifying values and lifestyles of our employees and to change the way we serve customers by focusing on relationships through consultation and providing solutions to customers. We will strive to increase our corporate value and human capital value by supporting each employee in putting their skills to use through reforms to personnel systems and working styles.

## Value We Provide

- We will provide comprehensive financial services with high added value that contribute to our customers and regional communities by developing human resources that can respond to increasingly sophisticated and diverse customer needs and to changes in the external environment.
- Through all of our employees accepting each other's diverse characteristics and helping each other grow, we will create new ideas and value by increasing employee satisfaction and desire to grow.

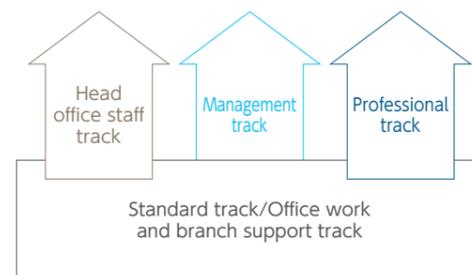
## Basic Strategies ➔ Please see pp.29-36 for details on our human resources strategies.

- Develop a diverse set of career tracks in order to increase employee expertise to respond to customer needs and changes in the external environment
- Support self-fulfillment based on each employee's aptitude and values to create an environment where employees can put their skills to maximum use
- Fairly and appropriately evaluate each employee's work in their role regardless of seniority and assign qualified personnel to suitable positions

## Key Measures

### ◆ Multiple-track Career Development System

We introduced a multiple-track career development system in July 2022 in order to develop human resources with high added value who can respond to changes in the environment surrounding our bank and meet customers' expectations. These efforts link with our aim to become a bank that provides comprehensive financial services, Theme 3 of the Medium-Term Management Vision 2021. Unlike the previous human resource development system (a single-track system) based on increasing employee skills as generalists with a focus on management abilities, the goal of the multiple-track career development system is to use each employee's strengths and aptitude to support diverse career development. We are encouraging that career development by offering five career tracks: the existing management track, as well as the new professional track, head office staff track, standard track, and the office work and branch support track.



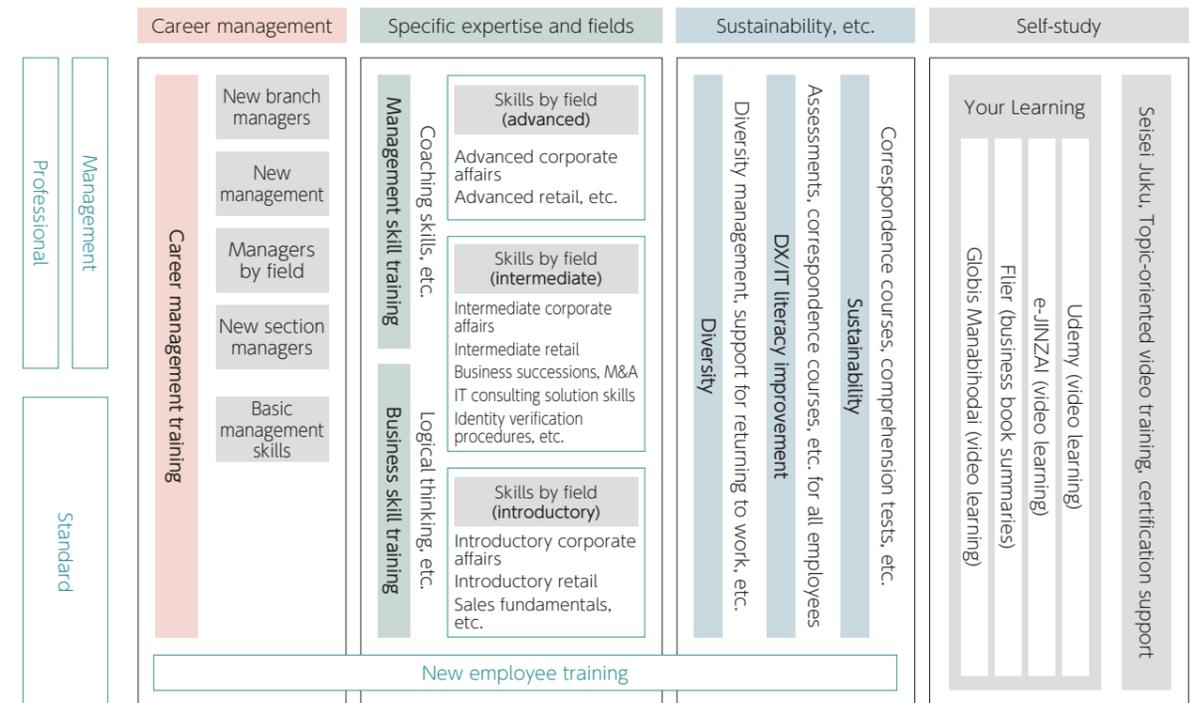
### ◆ Support for Improving Skills

In conjunction with introducing the multiple-track career development system, we are expanding our training on career development and skill improvement support. In order to encourage employees to develop specialist knowledge and skills, we provide outside training and support for earning government-recognized certifications, in addition to which we have newly created study groups for earning grade 1 financial planner and small and medium business consultant certifications to promote an environment where employees encourage each other and learn together.

➔ Please see p.32 for information on the support we provide for earning government-recognized certifications.

As we aim to be an organization where each employee can experience growth and find job satisfaction, we will continue to advance reforms to personnel systems and working styles in order to respond to the diversifying values and lifestyles of our employees.

## FY2022 Training System Diagram



### ◆ Working Style Reforms: A New Dress Code

As we believe that developing an environment where employees can make the best use of their skills leads to improved service for customers, we are working to make reforms to working styles, including by creating systems for working from home and allowing employees to work multiple jobs within the bank.

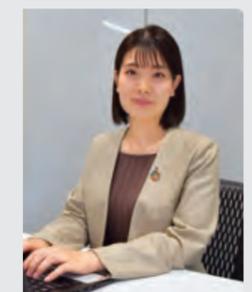
As part of our working style reforms, we established a new dress code beginning in November 2022. In addition to wearing business suits or uniforms as before, the new dress code also permits employees to wear business casual or office casual attire, including wearing no necktie throughout the year, in order to increase the autonomy and diversity of our employees. We will continue promoting the further improvement of customer service by working to create a more active organization.

### We Created "Your Learning" to Develop a Diverse Learning Environment

We began the "Your Learning" self-study video training program (see p.32) because we wanted to provide all employees with the opportunity to learn whenever and wherever they want.

A wide range of people from new employees to branch managers are taking courses through this program, and I feel that a habit of self-motivated learning is taking hold at our bank as we receive a lot of positive feedback from participants, stating that they can study in ways that fit their lifestyles and that studying has become a habit for them.

I have also gained a broad range of knowledge from studying through Your Learning myself. The information and knowledge I have learned has also been very useful in preparing the curriculum for new employee training that I am responsible for. I feel very motivated in my work when new employees tell me that they are enjoying their jobs because the things they learned in training are helping them in practice.



Human Resources Department  
Akiko Okubo

# Initiatives for TCFD Recommendations

We endorsed the TCFD recommendations in March 2020, and we have been working to provide disclosure in accordance with the recommendations since 2021. We will fulfill our social responsibility to support responses to climate change and the transition to a decarbonized society and will strive to expand our information disclosure based on the TCFD recommendations.

## Governance

We have several internal organizations working towards sustainable management by discussing and deciding matters regarding climate-related risks and opportunities and how to respond to them.

→ Please see p.17 for details on these organizations.

### Major Matters Relating to Climate Change Addressed by Each Organization

Sustainability Council	<ul style="list-style-type: none"> <li>Enhancement of climate-related risk management based on TCFD recommendations</li> <li>Enrichment of sustainability disclosure</li> </ul>
Sustainability Committee	<ul style="list-style-type: none"> <li>Status of sustainable finance efforts</li> <li>Our bank's decarbonization roadmap</li> <li>Systems to support customer sustainability and decarbonization efforts</li> <li>Participation in external initiatives</li> </ul>
Sustainability Working Group	<ul style="list-style-type: none"> <li>Decarbonization measures of our bank and customers</li> </ul>

## Strategies

We will identify and conduct appropriate risk management for climate-related risks and opportunities and the impact they will have on business activities, in addition to which we are working to provide financial products and services that will contribute to mitigating and adapting to climate change.

### Risks

The climate-related risks we have identified include transition risks and physical risks.

Transition risks	Physical risks
Possibility that credit risk will increase for customers who will be impacted by strengthened policy measures related to climate change in the process of transitioning to a decarbonized society	Possibility that credit risk will increase due to natural disasters caused by climate change leading to customers' businesses being temporarily interrupted, resulting in worsened business results or damage to security value

### Opportunities

We anticipate include an increase in business opportunities, such as financing for renewable energy businesses and providing consulting to support customer transitions to a decarbonized society. We also see opportunity through self-improvement by taking appropriate initiatives and providing proper disclosure as a corporation.

### Scenario Analysis

We recognize that while a wide range of industries will be impacted by climate change, the specific impacts and the extent and timing thereof will vary by industry. We have therefore selected key sectors based on risks and opportunities relating to industries considered to be susceptible to the effects of climate change and have conducted a scenario analysis based on 1.5°C and 4°C scenarios.

- 1.5°C scenario: A scenario in which the global average temperature in 2100 is kept to less than 1.5°C above pre-industrial levels through measures to reduce climate change.
- 4°C scenario: A scenario in which carbon dioxide emissions due to dependence on fossil fuels continue as before.

### Selecting Key Sectors

Taking into account the transition risks and opportunities of each sector and the outstanding balance of loans we have made to customers in those sectors, we have selected energy and transportation (including automobiles and land transportation (vehicle transportation)) as key sectors as we did in FY2021.

### Selection Process

1	Performed mapping of TCFD high risk sectors and our bank's industry types
2	Qualitatively evaluated the transition risks and opportunities of TCFD high risk sectors
3	Selected sectors based on comprehensive judgment taking into account the above evaluation

### Results of Evaluation of Transition Risks and Opportunities

Sector	Transition risk score	Opportunity score	Transition risks	
			High	Medium
Energy	Oil and gas	8	2	
	Coal	9	1	
	Electric power	8	3	
Transportation	Automobiles	6	3	
	Land/sea/air transportation	6	2	
Materials and buildings	Metals and mining	4	2	
	Chemicals	5	2	
	Building materials and capital goods	5	2	
	Real estate management and development	3	2	
Agriculture, food, and forest products	Agriculture			
	Beverages, processed foods, and meat	5	2	
	Paper and forest products			

Opportunities	
High	3
Medium	2
Low	1

### Ratio of Our Loans by Carbon-related Asset Type Based on the Definition in the TCFD Recommendations to Our Total Loans

Energy	Transportation	Materials and buildings	Agriculture, food, and forest products
1.75%	3.71%	18.85%	2.86%

## Initiatives for TCFD Recommendations

### Scenarios by Key Sector

In FY2021, we analyzed the effect that the introduction of a carbon tax would have on our borrowers and calculated the level of impact on our bank's finances. For FY2022, we have worked to increase the detail of our scenario analysis as follows.

- Changed the 2°C scenario to a 1.5°C scenario

- For the automobile sector, calculated a financial forecast for each borrower based on scenarios including the effects of carbon taxes and electric vehicle usage rates, taking into account the results of a qualitative analysis\*

- For other sectors, conducted a scenario analysis including the effects of carbon taxes, capital investment, and changes in sales mix for representative corporations in each sector and used the results to calculate a financial forecast for each borrower

\*Due to the large number of affected borrowers and the level of impact on the industry of Nagano Prefecture, we worked to make our analysis of the automobile sector even more detailed than our analysis of other sectors.

### Main Transition Risks and Opportunities in the Automobile Sector

Category	Item	Description	Risk or opportunity	Importance
Regulation	Carbon costs	<ul style="list-style-type: none"> <li>Due to the introduction of a carbon tax, companies will be required to pay taxes for greenhouse gas emissions resulting from their business activities.</li> <li>Additional capital investment costs will be needed to reduce the carbon used in manufacturing processes.</li> </ul>	Risk	High
	Fuel restrictions	<ul style="list-style-type: none"> <li>Due to the introduction of fuel restrictions, automobile makers will stop producing gas and diesel vehicles, and demand for parts for those vehicles will decline.</li> </ul>	Risk	Medium
Technology and markets	Increase in use of electric vehicles	<ul style="list-style-type: none"> <li>Demand for electric vehicles will rise due to increased environmental consciousness among consumers, decreases in battery technology prices, greater availability of charging stations, and stricter regulations. By making an early transition to electric vehicles as the business's main products, potential declines in sales can be limited and market competitiveness can be maintained, but additional capital investment will be necessary.</li> <li>If entering the new market late, sales of existing products will decline, and market competitiveness will be damaged.</li> </ul>	Risk and opportunity	High
	Increase in raw material prices for electric vehicles	<ul style="list-style-type: none"> <li>Due to increased demand for electric vehicles, the prices of minerals used as raw materials (nickel, cobalt, lithium, etc.) will rise, and manufacturing costs for electric vehicles will increase.</li> </ul>	Risk	Medium
	Increase in electricity prices	<ul style="list-style-type: none"> <li>Operating costs and expenses in the manufacturing process will increase due to a rise in electricity prices.</li> </ul>	Risk	Low

Category	Item	Description	Risk or opportunity	Importance
Reputation	Assessment by investors	<ul style="list-style-type: none"> <li>A late transition to low carbon, environmentally conscious business activities will result in a poorer assessment by investors and increased financing costs.</li> </ul>	Risk and opportunity	Low
	Assessment by customers	<ul style="list-style-type: none"> <li>A late transition to low carbon, environmentally conscious business activities will result in a poorer assessment by trading partners (automobile makers), and profits will decrease due to being excluded from the supply chain.</li> </ul>	Risk and opportunity	Low
	Assessment by lenders	<ul style="list-style-type: none"> <li>A late transition to low carbon, environmentally conscious business activities will preclude the use of green finance and force businesses to engage in financing under unfavorable terms.</li> </ul>	Risk and opportunity	Low

### Analysis Results

Transition risks	Details
Scenario	1.5°C scenario (referred to the IEA's Net-Zero Emissions by 2050 scenario and the NGFS's Net Zero 2050 scenario)
Analyzed sectors	Energy, automobiles, land transportation (vehicle transportation)
Indicator	Credit-related costs
Analysis results	Total increase in credit-related costs of up to approximately 25 billion yen by 2050
Physical risks	Details
Scenario	4°C scenario (referred to the IPCC's RCP 8.5 scenario)
Analyzed regions	All of Nagano Prefecture
Analyzed customers	Business loan borrowers
Indicators	Credit-related costs Worsened business results, damage to security value, etc. due to temporary interruption of customers' businesses
Analysis results	Total increase in credit-related costs of up to approximately 3 billion yen by 2050

### ◆ Issues to Be Addressed Moving Forward

Based on the analysis results, although the impact of both transition risks and physical risks on credit-related costs appears to be limited, we do not believe that this analysis necessarily considers all of the risks faced by our bank as we only analyzed certain sectors and regions and made various assumptions when establishing scenarios.

We believe that it is necessary to continue working to achieve business growth strategies after appropriately evaluating the risks to and opportunities for the business activities of our customers created by climate change. Using the results of our scenario analysis, we will continue supporting our customers in increasing their resilience to climate change.

## Initiatives for TCFD Recommendations

### Solutions for Climate Change Responses

Products and services	Features
Sustainability Link Loans	Loan conditions such as interest rates vary based on the achievement status of ambitious sustainability targets that conform to international principles.
Hachijuni Sustainability Fund No. 1	This fund provides capital support to renewable energy businesses and decarbonization efforts as well as to companies working to create new businesses and technologies and companies facing business succession issues.
SDG Loans	Interest rates vary based on the achievement status of SDG-related targets established by the customer.
Positive Impact Finance	Our bank and the Nagano Economic Research Institute, an organization belonging to our group, analyze customer impacts on the environment, society, and the economy and support the increase or reduction of identified impacts.
CO <sub>2</sub> Emission Visualization Service	Customers register invoice data and other information to automatically calculate CO <sub>2</sub> emissions and make those emissions visible on the cloud.
SDG Initiative Support Service	We confirm the initiatives being taken by customers to achieve SDGs, identify the important issues to be addressed, and support the creation of "SDGs Declaration" documents.
J-Credit Referral Service	Please see p.65.

## Risk Management

As we recognize that increases in abnormal weather and natural disasters and delays in responding to climate change have a significant impact on business, we have performed a scenario analysis of climate-related risks and are responding to them through our framework for managing credit and other risks.

The Hachijuni Bank Group Sustainable Investment and Lending Policy sets out our policy of actively providing investment and loans to businesses that have a positive impact on the environment, society, and the economy. For investment and lending in specific sectors with a high probability of negatively impacting the environment or society, we are working to reduce and avoid those impacts by appropriately handling such investment and lending based on this policy. Since the establishment of this policy, we have not provided any investment or lending for new coal-fired power plants.

### The Hachijuni Bank Group Sustainable Investment and Lending Policy

Environmental and social issues such as climate change, declining regional vitality due to a low birthrate, aging society, and declining population, and increasing business closures due to a lack of successors are becoming threats to the sustainability of our communities.

The Hachijuni Bank Group has worked to achieve sustainable communities under our management philosophy of contributing to regional development through a commitment to sound banking principles, but in order to advance these efforts more vigorously, we have established this policy and will promote investment and lending based on it.

#### 1. Policy on measures for businesses that positively impact the environment, society, and the economy

(1) Businesses we will actively support

We will actively provide investment and lending to businesses and initiatives such as the following.

- Energy-saving and renewable energy businesses that reduce climate change risks
- Measures for companies to transition to a decarbonized society
- Business start-ups, innovations, and business successions that contribute to the sustainable development of the regional economy
- Enhancing medical care, welfare, and education to respond to issues such as the aging society and low birthrate
- Businesses with a positive impact on creating a sustainable society

(2) Medium to long-term sustainable finance\*1 target

We aim to provide a total of 1.5 trillion yen (including 1 trillion yen in the environmental field) in sustainable finance (investment and lending that contributes to achieving sustainable regional communities) by FY2030.

\*1: Investment and lending for purposes such as environment, medical care, welfare, education, business start-ups, and business successions.

#### 2. Policy on measures for specific sectors with a high probability of negatively impacting the environment or society

We will work to reduce and avoid impacts on the environment and society by appropriately handling investment and lending in these sectors as follows.

• Coal-fired power businesses

We will not provide investment or lending for new coal-fired power plants.

• Businesses involved in human rights violations or forced labor

We will not provide investment or lending to businesses engaged in human rights violations such as child labor or forced labor in violation of international human rights standards.\*2

• Businesses related to manufacture of cluster bombs

Given the inhumane nature of cluster bombs, we will not provide investment or lending to any corporation engaged in their manufacture, regardless of the intended use of those funds.

• Palm oil plantation development businesses and logging businesses

We recognize that while palm oil, lumber, and paper pulp are important resources that are essential to maintaining society and our day-to-day lives, social issues such as illegal harvesting may occur. We will carefully handle investment and lending in regard to these businesses by giving due consideration to a variety of factors such as the preservation of forest resources.

\*2: Including standards such as the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights

## Indicators and Targets

### ◆ Sustainable Finance Targets and Results

We have set a target of providing a total of 1.5 trillion yen (including 1 trillion yen in the environmental field) of sustainable finance for the ten-year period from FY2021 to FY2030 in order to contribute to resolving environmental and social issues and achieving a sustainable society. The total amount of sustainable finance we have provided up through FY2022 is 410.9 billion yen (including 211.8 billion yen in the environmental field).

→ Please see p.43 for details.

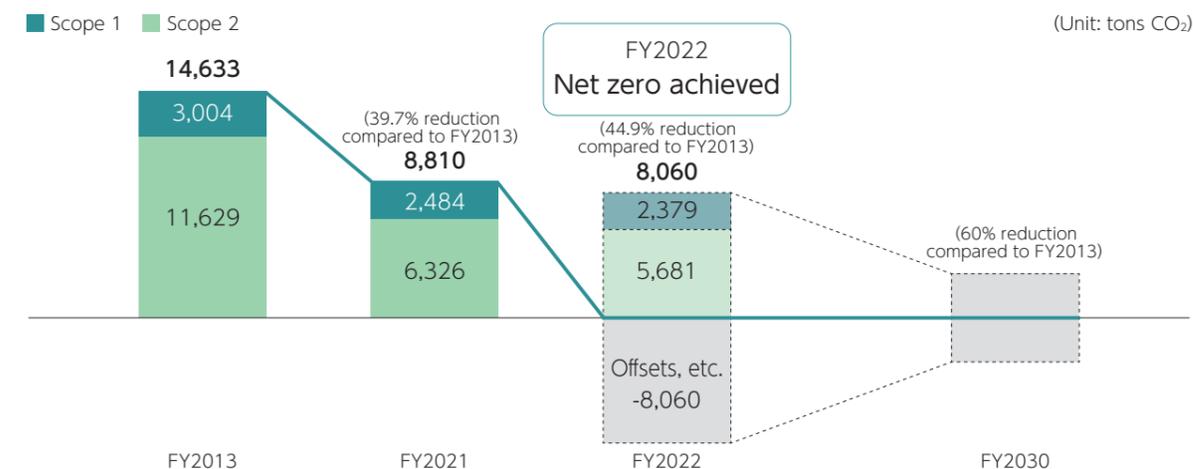
### ◆ Greenhouse Gas Emission Reduction Targets and Results

We have set targets for reducing our scope 1 and scope 2 greenhouse gas emissions to net zero in FY2023 and by 60% compared to FY2013 levels in FY2030.

In FY2022, our initiatives to reduce emissions included introducing carbon-free energy and electric air conditioning at all three of our head office buildings and converting three branches to net zero energy buildings.

We will continue working to further reduce our greenhouse gas emissions.

### Greenhouse Gas Emissions



→ Please see p.86 for details.

## Initiatives for TCFD Recommendations

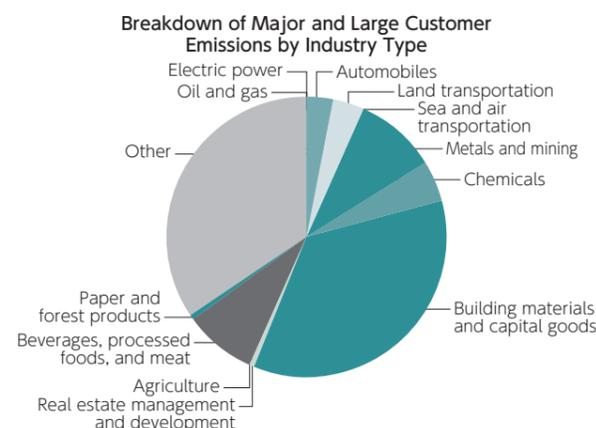
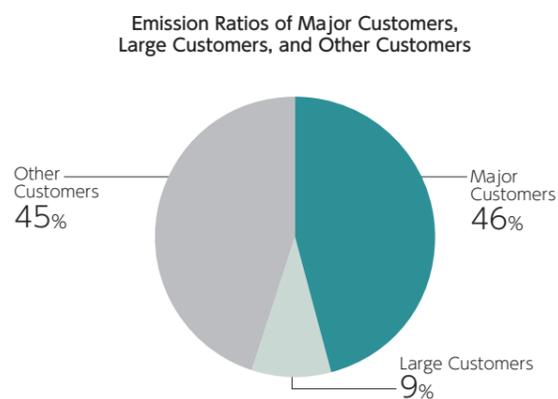
### ◆ Calculation of 15 Categories of Scope 3 Emissions

As greenhouse gas emissions indirectly caused by investment and lending account for a large portion of a financial institution's scope 3 emissions (CO<sub>2</sub> emissions in the supply chain), beginning in fiscal year 2021, we have calculated our scope 3 emissions based on the measurement methods set out in the PCAF Standard. For fiscal year 2022, the scope 3 emissions of certain individual companies were calculated using a bottom-up analysis.

➔ Please see p.70 for details of PCAF.

### Emissions by Industry Type Calculated by Classifying Our Borrowers into 14 Industry Types Set Out by the TCFD (FY2022)

Industry type	Industry type	Emissions (Unit: tons CO <sub>2</sub> )
Energy	Oil and gas	400,253
	Electric power	138,490
Transportation	Automobiles	345,029
	Land transportation	242,837
	Sea transportation	80,544
Materials and buildings	Air transportation	12,206
	Metals and mining	1,300,880
	Chemicals	563,668
	Building materials and capital goods	2,059,354
Agriculture, food, and forest products	Real estate management and development	67,183
	Agriculture	114,295
	Beverages, processed foods, and meat	559,193
Other	Paper and forest products	173,451
		2,598,305
<b>Total</b>		<b>8,656,029</b>



### Emission Calculation Methods

Top-down analysis: Emissions calculated using average emission factor for the sector  
 Bottom-up analysis: Emissions calculated based on actual business conditions as identified using information disclosed by each company (such as emission volumes and energy usage amounts)

### Reference Date

Loan balances: March 31, 2023  
 Net sales and other financial indicators of borrowers: Most recent financial information of each borrower that we held as of March 31, 2023, when the calculation was performed

### Notes Regarding Calculation

The 15 categories of scope 3 emissions include greenhouse gas emissions by all companies to which a bank provides investment or lending, but at present, we have only calculated our scope 3 emissions based on the scope 1 and 2 emissions arising from lending to business corporations in Japan. We plan to steadily expand the scope of our calculations moving forward. The emission factors we used were those set out in version 3.3 of the "Emission Intensity Database for Calculating an Organization's Greenhouse Gas Emissions through the Supply Chain" (released by the Ministry of the Environment in March 2023). Our calculation methods may change in the future as international standards are further developed.

### Data Quality Score

The Partnership for Carbon Accounting Financials (PCAF), which we joined in March 2023, has established the data quality scores shown below in order to evaluate the quality of emission estimates. The weighted average data quality score for the information used in our calculation of emissions for fiscal year 2022 was approximately 3.3, and we will continue working to improve our data quality.

Reliability	Level	Emission calculation method		
		Score	Description	
High	Score 1	1a	Emission data of the company certified by a third party	
		1b	Uncertified emission data of the company	
	Score 2	2a	Estimates based on the company's energy consumption amount and emission factor Related process emissions also added	
		2b	Estimates based on the company's manufacturing volume and emission factor	
	Score 3	Emissions from economic activities	3a	Estimates using the company's net sales and the sector's emission factor per unit of net sales
			3b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets
3c			Estimates using the company's investment and loan balance, the sector's carbon intensity per unit of net sales, and the sector's asset turnover ratio	
Score 4	Emissions from business activities	4a	Estimates based on the company's energy consumption amount and emission factor Related process emissions also added	
		4b	Estimates based on the company's manufacturing volume and emission factor	
Score 5	Emissions from economic activities	5a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		5b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 6	Emissions from economic activities	6a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		6b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 7	Emissions from economic activities	7a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		7b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 8	Emissions from economic activities	8a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		8b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 9	Emissions from economic activities	9a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		9b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 10	Emissions from economic activities	10a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		10b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 11	Emissions from economic activities	11a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		11b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 12	Emissions from economic activities	12a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		12b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 13	Emissions from economic activities	13a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		13b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 14	Emissions from economic activities	14a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		14b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 15	Emissions from economic activities	15a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		15b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 16	Emissions from economic activities	16a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		16b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 17	Emissions from economic activities	17a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		17b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 18	Emissions from economic activities	18a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		18b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 19	Emissions from economic activities	19a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		19b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 20	Emissions from economic activities	20a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		20b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 21	Emissions from economic activities	21a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		21b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 22	Emissions from economic activities	22a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		22b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 23	Emissions from economic activities	23a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		23b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 24	Emissions from economic activities	24a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		24b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 25	Emissions from economic activities	25a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		25b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 26	Emissions from economic activities	26a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		26b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 27	Emissions from economic activities	27a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		27b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 28	Emissions from economic activities	28a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		28b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 29	Emissions from economic activities	29a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		29b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 30	Emissions from economic activities	30a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		30b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 31	Emissions from economic activities	31a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		31b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 32	Emissions from economic activities	32a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		32b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 33	Emissions from economic activities	33a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		33b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 34	Emissions from economic activities	34a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		34b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 35	Emissions from economic activities	35a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		35b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 36	Emissions from economic activities	36a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		36b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 37	Emissions from economic activities	37a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		37b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 38	Emissions from economic activities	38a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		38b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 39	Emissions from economic activities	39a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		39b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 40	Emissions from economic activities	40a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		40b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 41	Emissions from economic activities	41a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		41b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 42	Emissions from economic activities	42a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		42b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 43	Emissions from economic activities	43a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		43b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 44	Emissions from economic activities	44a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		44b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 45	Emissions from economic activities	45a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		45b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 46	Emissions from economic activities	46a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		46b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 47	Emissions from economic activities	47a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		47b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 48	Emissions from economic activities	48a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		48b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 49	Emissions from economic activities	49a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		49b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	
Score 50	Emissions from economic activities	50a	Estimates using the company's net sales and the sector's emission factor per unit of net sales	
		50b	Estimates using the company's investment and loan balance and the sector's emission factor per unit of assets	

### ◆ Future Policy for Supporting Decarbonization by Customers

Many of our customers are small and medium businesses who face a number of issues such as a lack of human resources for implementing initiatives to respond to climate change or transitioning to a decarbonized society. We will work to achieve sustainability and increased corporate value of our customers through dialogue as well as by supporting the evaluation of impacts on customers' businesses, and through the establishment of specific targets and improvement measures to reduce their greenhouse gas emissions.

### ◆ Roadmap

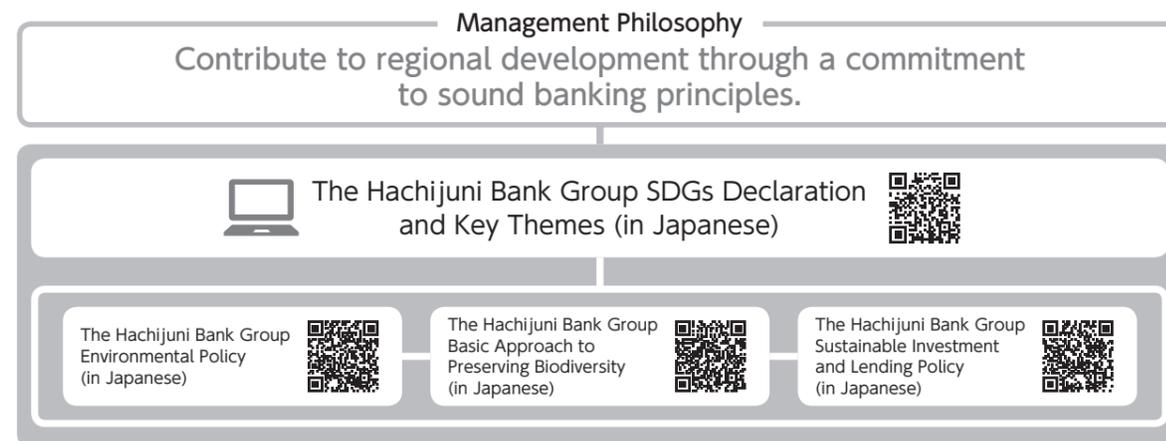
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2030
Net zero greenhouse gas emissions by our bank	Net zero (achieved)					
Decarbonization through finance	Sustainable finance (amount in environmental field shown in parentheses)					
	155.4 billion yen (83 billion yen)	255.5 billion yen (128.8 billion yen)	1.5 trillion yen total (1 trillion yen)			

# Environmental Preservation Initiatives

As Nagano Prefecture, where we are based, boasts an abundant natural environment, we are working to address environmental issues in order to grow together with our communities while being mindful of the environment and coexisting with nature.

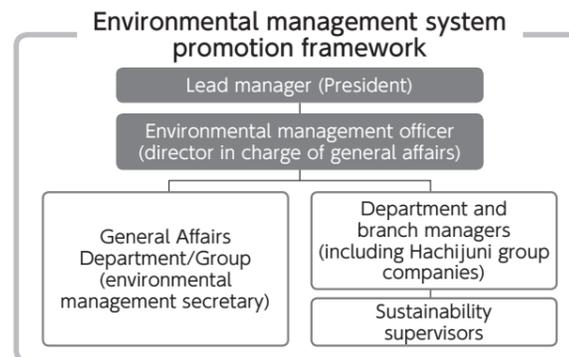


## Policies



## Framework

In order to systematically examine our policies on bank-wide initiatives to address environmental issues, we have created a framework to promote environmental management systems with the President in a leading role and are advancing our environmental initiatives.



## Three Pillars of Environmental Preservation

We are working to preserve the environment with the following activities as the three pillars of our efforts.

- Environmental preservation activities through main banking operations**  
Helping customers improve the environment by offering environmentally friendly financial products
- Activities to reduce our burden on the environment**  
Working to save energy and resources to reduce our environmental impact and limit costs
- Expanding regional contributions and environmental education**  
Working to contribute to the region through means such as environmental volunteer activities

➡ Please see pp.37-42 for details of our activities.

## History of Our Environmental Preservation Activities

<b>First in Japanese banking industry</b>	November 1991:	Created a complete system for collecting, recycling, and using waste paper
<b>First Japanese financial institution</b>	November 1992:	Began using recycled paper for CD/ATM paper logs
<b>First Japanese regional bank</b>	March 1999:	Obtained ISO 14001 certification for our head office building
<b>First in Japanese banking industry</b>	July 2005:	Introduced environmental accounting (for FY2004) and announced environmental accounting information
<b>First in Japanese banking industry</b>	December 2005:	Awarded by Minister of the Environment for activities to prevent global warming in FY2005
	January 2009:	Began Hachijuni Forest volunteer activities
<b>First Japanese financial institution</b>	February 2017:	Conducted chemical recycling to reuse uniforms
<b>First Japanese financial institution</b>	February 2017:	Introduced PaperLab
	July 2017:	Acquired naming rights for Forest Learning Center in Togakushi Forest Botanical Gardens
<b>Second in Japanese banking industry</b>	August 2018:	Received certification as an "Eco-First Corporation" by the Ministry of the Environment
	March 2020:	Endorsed the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
<b>First financial institution in Nagano Prefecture</b>	June 2020:	Began purchasing carbon-free energy produced in Nagano for six branches in the prefecture
	May 2021:	Began activities to preserve terraced rice fields
	February 2023:	Began purchasing carbon-free energy produced in Nagano for all three buildings of our head office (In FY2023, we plan to increase the ratio of renewable energy used by our entire bank from 5% to 50%.)
<b>First in Japanese banking industry (according to our research)</b>	June 2023:	Achieved net zero greenhouse gas (CO <sub>2</sub> ) emissions in FY2022 (for scope 1 and 2 emissions)

## Terraced Rice Field Preservation Activities

Nagano Prefecture has many terraced rice fields that not only form part of our traditions and culture but also create beautiful scenery, and in "Terraced Rice Field Heritage Sites for the Future" (announced by the Ministry of Agriculture, Forestry and Fisheries in February 2022), Nagano had the third highest number of recognized sites in the country. In order to contribute to preserving these terraced rice fields, our employees and their families are helping with rice farming at Obasute in Chikuma City and Inagura in Ueda City.

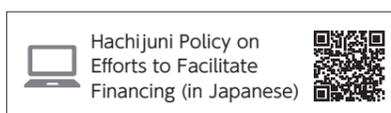


# Promoting Community-Oriented Finance

Under our management philosophy of contributing to regional development through a commitment to sound banking principles, our bank's goal is to contribute to the development of our communities by constantly anticipating changes in the external environment and providing high-quality services to our customers.

## Basic Policy

We have established the "Hachijuni Policy on Efforts to Facilitate Financing" under which we meet our customers' financing needs and accommodate requests such as for changes to loan conditions. We will promote community-oriented finance by working to achieve our Medium-term Management Vision 2021.



## Actively Providing Information to the Region and Our Customers

Our efforts to promote community-oriented finance are made public in press releases and on our website as well as through disclosure documents and investor briefings.

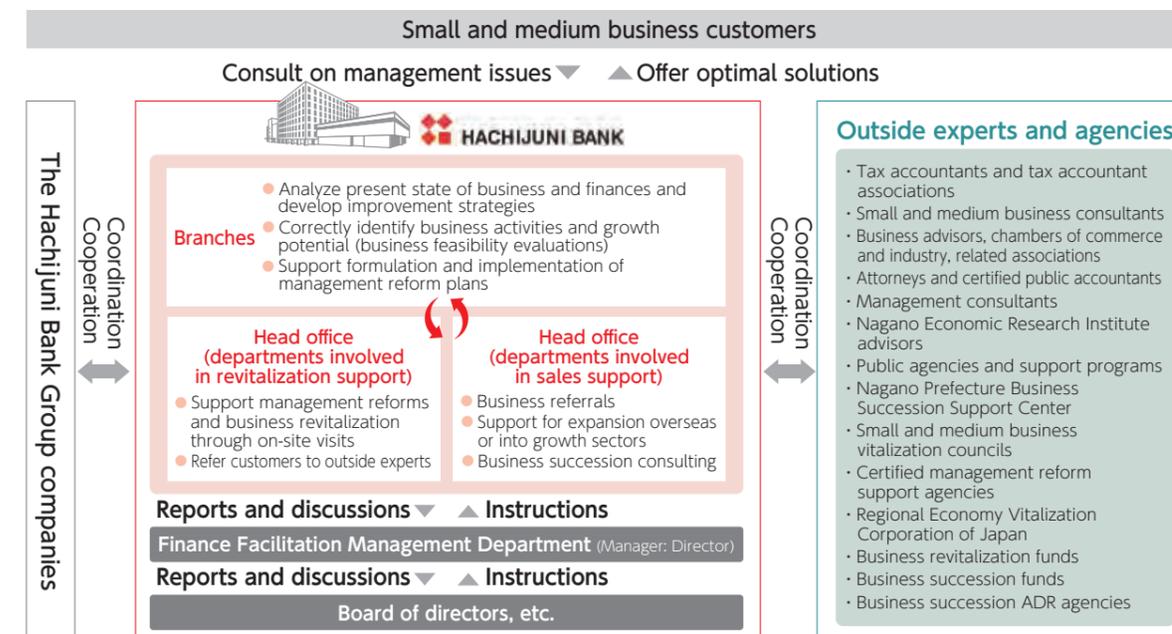
## Main Efforts (FY2022)

### Utilizing Our Consulting Abilities Based on the Development Stage of Our Corporate Customers

The Hachijuni Bank Group as a whole provides comprehensive financial services to support businesses that will create vitality in the region. By utilizing our versatile consulting abilities that make use of our vast network, which includes external specialist agencies and our overseas branches, we provide optimal solutions to suit the development stage of the customer, from their incorporation until they pass the torch to the next generation.

## Support Structure

Our branches and head office cooperate and utilize our vast network of group companies, outside experts, and external agencies to resolve the management issues facing our customers.



### Initiatives on Loan Guaranties by Chief Executives

In order to support our customers in easily obtaining flexible financing by further expanding our loans that do not rely on a company's chief executive acting as guarantor, we announced our "Policy on Loan Guaranties by Chief Executives" on March 20, 2023. We began handling these guaranties in accordance with this policy from April 2023.



Results	H1 2021	H2 2021	H1 2022	H2 2022
Number of new loans provided with no chief executive guaranty (ratio of all new loans)	3,714 (40.0%)	3,494 (37.0%)	3,569 (40.2%)	3,410 (36.3%)
Number/ratio of loans not requiring guaranty by either previous or new chief executive upon business succession	3/0.7%	0/0%	0/0%	0/0%
Number/ratio of loans requiring guaranty upon business succession (by new chief executive only)	216/53.7%	133/54.5%	148/56.3%	242/63.4%
Number/ratio of loans requiring guaranty upon business succession (by previous chief executive only)	170/42.3%	110/45.0%	114/43.3%	140/36.6%
Number/ratio of loans requiring guaranties upon business succession (by both previous and new chief executives)	13/3.3%	1/0.5%	1/0.4%	0/0%

# Initiatives to Achieve Sustainable Regional Communities

Our business is based in Nagano Prefecture, which offers attractive natural scenery, lifestyles, tourism, industries, and agricultural goods.

We believe that protecting and evolving these charms together with our communities to promote the sustainable development of the region is the only path that also leads to the sustainable development and increased corporate value of our bank.

The Hachijuni Bank Group as a whole will work to achieve sustainable regional communities.

## Resolving the Issues of Regional Communities

### Cooperation with the National and Local Governments

We believe that in order to solve problems on large scales such as throughout our regional communities, it is essential to cooperate with the many people who share our goals.

We are working to resolve the issues faced by our communities by cooperating closely with the national government and multiple local governments both in and outside of Nagano Prefecture.

#### Main Achievements in FY2022

April	Chosen as a business indirectly supporting the Japanese Government Cabinet Office's pioneering human resources matching program
October	Invested in the Japan Green Investment Corp. for Carbon Neutrality established by the Japanese government
October	Endorsed the "Green Transformation League Basic Concept" set out by the Ministry of Economy, Trade and Industry
October	Participated in the "Public-Private Partnership Platform for a New National Movement" by the Ministry of Economy, Trade and Industry
November	Signed a "Partnership Agreement for Achieving Sustainable Development" with Komoro City
December	Signed a "Five-Party Comprehensive Partnership Agreement for Tourism Development" with Tatsuno Town
January	Signed a "Partnership Agreement for Promoting Sustainable Finance" with Tokyo government

### J-Credits

In April 2023, we began referring customers to the J-Credits created by the Nagano Public Corporation of Forestry.

➔ Please see p.40 for information on the J-Credit scheme.

Customers who wish to support environmental preservation activities purchase J-Credits, and those proceeds are then used for further activities, so we consider there to be significant value in referring customers to the J-Credit scheme particularly for our bank, as Nagano Prefecture and its abundant natural environment are a key part of our business and we have worked to preserve its environment for many years. We plan to begin offering referrals to other J-Credits in the future. Moving forward, we will create a business model through which we can endeavor to preserve the environment together with our customers.

### We will expand cooperation to achieve decarbonization as a bridge joining the industrial, academic, government, and financial sectors.

Decarbonization draws a particularly high level of interest, and it is a new field where we cannot rely on precedents. As we provide support for resolutions to social issues being addressed by local governments, we are working with a resolute attitude so that we do not allow failures to discourage our overall efforts. I feel that cooperating with a variety of external specialist agencies to effectively and actively contribute to resolving these issues is a very valuable experience.

I believe that in order to make progress in decarbonization, a key point will be how closely we can achieve cooperation among the industrial, academic, government, and financial sectors, so I want to dynamically expand the scope of that cooperation so that we as a financial institution can serve as a bridge that connects them.

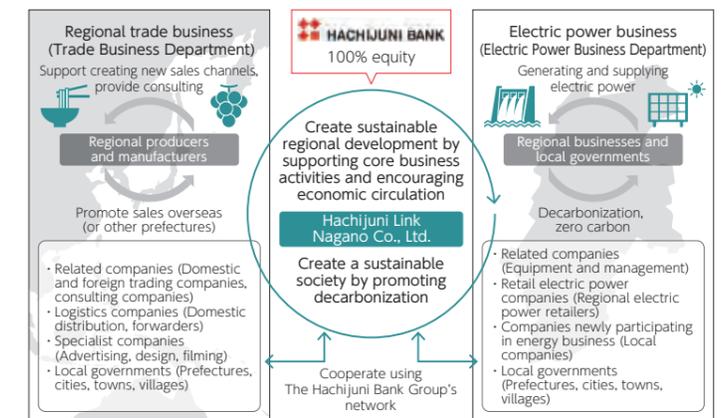


Business Promotion Department  
Assistant Manager  
**Naoto Fujisawa**

### Establishment of Hachijuni Link Nagano Co., Ltd.

In October 2022, we established Hachijuni Link Nagano Co., Ltd. as an advanced banking service company engaged in non-banking industries\* entirely owned by our bank. The company name was chosen as the concepts of linking and connecting are key to its two main businesses, regional trade and electric power.

\*A commercial firm in which a bank is specially authorized by the Financial Services Agency to own more than 5% of equity, such as cases in which the firm will contribute to improving convenience for the bank's customers or to creating a sustainable society.



### Linking Nagano Prefecture and the World

#### Promoting Nagano's Specialty Products to the World through the Regional Trade Business

Each of Nagano's specialty products grown and made by the people of our communities have their own appeal. However, as the domestic market is expected to shrink due to a decreasing population and declining tourism, many businesses are looking to overseas markets. Growth is expected in these markets, but local businesses are unable to achieve their goals in expanding overseas due to difficulties involving information, language, logistics, and other aspects that differ from domestic norms.

The Regional Trade Business Department was born from the desire to resolve this issue and contribute to the development of the regional economy. We will support the global expansion of Nagano's specialty products by making full use of the overseas business knowledge and networks developed by our bank in the years since we opened our Hong Kong office in 1986.

### Linking Nagano Prefecture Together with Green Energy

#### Contributing to Regional Communities with Green Energy through the Electric Power Business

The decarbonization of the region is an urgent issue as global warming and climate change will have significant impacts on the infrastructure, economy, and industry of our communities in the future.

The frequent sunshine, cool climate, and abundant water resources of Nagano Prefecture, where our business is based, make it an ideal environment for generating green energy (energy generated without emitting CO<sub>2</sub> using solar power, hydropower, or other natural energy sources) to effectively fight climate change, and we believe this environment offers the potential to lead decarbonization initiatives not only for the region but also for the entire country. At present, however, we have made less progress than we desire due to a number of issues such as the need for capital investment.

The Electric Power Department was created due to our bank's desire to resolve these issues ourselves as a pioneer in the region.

Using the abundant natural resources of Nagano Prefecture to increase the supply of green energy and promote local production and consumption, we will contribute to creating a sustainable society by achieving decarbonization. We will also work to attract companies to Nagano through the development of a supportive business management environment focused on decarbonization.

### Creating a Better Future through Our Businesses

In order to achieve our bank's Medium-Term Vision 2021, "Supporting our customers and regions through the combination of financial services, non-financial services, and relationships," we established Hachijuni Link Nagano Co., Ltd. as a way to contribute to the development of our regional communities.

Both of our businesses are benefitting customers as we are increasing sales by expanding sales channels in the regional trade business and reducing CO<sub>2</sub> emissions and energy costs in the electric power business, and I personally feel great satisfaction in being able to demonstrate the enterprising spirit valued by our bank by not only planning new businesses but also being responsible for their launch and growth.

I want to work to create a better future through our company's businesses by connecting Nagano with the world and with green energy in cooperation with our communities and related companies.



Representative Director and President  
of Hachijuni Link Nagano Co., Ltd.;  
Planning and Coordination Department  
Deputy Manager at Hachijuni Bank  
**Kenichi Kamiya**

### ◆ Initiatives Utilizing the Expertise of the Nagano Economic Research Institute

Many of our customers say that they do not know where to begin to achieve their goals, or that they recognize the issues they face but do not know how to address them. We believe that one of our bank's roles is to provide support to these customers.

The Nagano Economic Research Institute, the think tank of The Hachijuni Bank Group, was established in 1984 and has since worked to investigate and research economic and industry trends, business management, and regional development in Nagano Prefecture and to formulate plans contributing to the resolution of regional issues, such as city and town development and regional revitalization based on cooperation between local governments and communities. The Hachijuni Bank Group as a whole will use that expertise to work to resolve the issues facing our communities.

#### Main Projects in FY2022

Ministry of Land, Infrastructure, Transport and Tourism	Project to model measures to address the abandoned house issue using FY2022 housing market data
Azumino City	Provided support for formulating the 2nd Azumino City Comprehensive Development Plan
Suzaka City	Provided comprehensive input on project to support working families raising children
Yamanouchi Town	Performed validation of project to stimulate the local economy by promoting digital transformation for Shiga Highlands tourism
Iizuna Town	Provided support for Iizuna's PR campaign for agricultural products in FY2022

## Community Service Activities

### ◆ Financial and Economic Education and Diversity Education

Because we recognize that improving the financial literacy of the children who will support our regional communities in the future is an important duty of our bank for achieving sustainable communities, we offered a variety of educational programs regarding finance and the economy as part of our community service activities.

In fiscal year 2022, we worked to promote financial and economic education by providing work experience programs at our bank for elementary and junior high school students, and holding the Nagano qualifier for the national high school economics quiz tournament, in which high school students compete using their knowledge of economics and finance. We also conducted on-site courses in which our employees visited schools to provide lessons to improve financial literacy on topics such as financial systems and the financial and economic environment.

Additionally, we also held seminars to share the knowledge and experiences gained from our diversity initiatives with regional communities.



### Supporting Children Who Represent the Future through Financial and Economic Education that Only We Can Offer

I worked on our financial and economic education programs with a focus on making materials and communicating in a way that is easy for students to understand and that helps them feel more familiar with finance and the economy, while also responding to the goals and requests of teachers regarding these subjects.

Financial and economic education at high schools has only begun recently, so teachers are still searching for the best approaches to take. I feel that the support we offer as bank employees is very meaningful as we are helping to provide an environment where students can learn about finance and the economy.

Through the financial and economic education that we are uniquely positioned to offer as a regional financial institution, I will continue to contribute to improving the financial literacy of our communities so that our students can enjoy better lives in the future.



Ina Branch  
Megumi Mitani

### ◆ Volunteer Activities

Environmental volunteer work such as the Hachijuni Forest activities and terraced rice field preservation activities are a pillar of the environmental preservation efforts that we have pioneered in the financial industry. Our employees independently choose to participate in these and other volunteer activities, such as organizing events representing the region and supporting welfare programs.

We encourage employees to independently and actively participate in activities by means such as providing special paid leave for volunteer work. Despite the pandemic, approximately 2,650 employees (including repeat participants) participated in volunteer activities in fiscal year 2021, and approximately 4,580 participated in fiscal year 2022.

We will continue actively promoting our volunteer activities while valuing communication with our regional communities.



### ◆ Promoting Regional Culture

In addition to its abundant natural environment, one of the charms of Nagano Prefecture is the regional culture that has been developed and handed down by local people. We believe that protecting and promoting this culture and passing it on to future generations is a duty of The Hachijuni Bank Group that will help achieve sustainable regional communities.

The Hachijuni Culture Foundation, which handles the cultural promotion activities of The Hachijuni Bank Group, puts that belief into practice through its wide range of activities. The foundation is also engaged in efforts to make the daily lives of the people in our communities more rich and enjoyable.



#### Publication of "Regional Culture" Bulletin

We publish approximately 11,000 copies four times per year, with content that includes articles introducing the features, histories, and cultural phenomena of our regional communities and special features on the future of our regional culture.



#### Continuing Education and Exhibitions

We hold various exhibitions and concerts and offer courses featuring a rich range of themes and instructors throughout Nagano Prefecture. Despite the pandemic, these programs drew approximately 5,000 participants in fiscal year 2022.

# External Ratings and Initiatives

## External Ratings

### FTSE ESG Ratings

In June 2023, we received a score of 3.1 out of 5 in the FTSE ESG Ratings, which rate efforts to address potential ESG (Environment, Society, and Governance) risks based on the business characteristics of the rated company.



### CDP

We received a B score for climate change initiatives in the 2022 rating of corporate efforts to address environmental issues conducted by the CDP, an international environmental NPO. B is the third highest out of nine scores.



### Green, Social, and Sustainability Bond Framework

In October 2022, we established a green, social, and sustainability bond framework in order to continue fulfilling our purpose of contributing to regional development as the leading bank in Nagano Prefecture, and this framework received the highest rating of SU1 (F) in the JCR Sustainability Bond Framework Rating conducted by Japan Credit Rating Agency, Ltd.

### Outstanding Employer in Corporate Health

We have been certified as an Outstanding Employer in Corporate Health 2023 by the Ministry of Economy, Trade and Industry for being a corporation that implements excellent corporate health practices.



### Kurumin

We have received Kurumin certification as a corporation that supports working parents under the Act Promoting Measures to Support the Raising of the Next Generation.



## Initiatives

We participate in and endorse a number of initiatives in order to contribute to achieving a sustainable society.

### TCFD

In March 2020, we endorsed the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, and we are working to disclose information on our climate-related risks and opportunities.



→ Please see pp.53-60 for information on our efforts.

### GX League

In October 2022, we endorsed the GX League, through which the business, government, and academic sectors will cooperate to achieve carbon neutrality by 2050, and we became a member of the league in April 2023. Through this initiative, we will work to become a leader in taking on green transformation challenges.



### PCAF

In March 2023, we joined the Partnership for Carbon Accounting Financials (PCAF), an international initiative that promotes the calculation and disclosure of greenhouse gas emissions caused by investment and lending by financial institutions. Moving forward, we will calculate and disclose our supply chain emissions using the measurement methods set out by the PCAF.



### Financial Action Principles to Create a Sustainable Society (Principles for Financial Action for the 21st Century)

In December 2011, we became a signatory to the Financial Action Principles to Create a Sustainable Society led by the Ministry of the Environment. Our bank was involved in the drafting of these principles and also served as a steering committee member and as chair of the deposit, loan, and lease operations working group. Through these efforts, we will fulfill our duties and roles necessary in order to create a sustainable society.



### National Movement for New and Prosperous Lifestyles toward Decarbonization

In October 2022, we participated in the "National Movement for New and Prosperous Lifestyles toward Decarbonization" started by the Ministry of the Environment as a platform for the public and private sectors to cooperate to create new products and services with the goal of changing consumer behavior to promote decarbonization. This initiative aims to achieve carbon neutrality by 2050 through public-private cooperation.

### Eco-First Program

In August 2018, our efforts regarding our bank's environmental management systems were recognized by the Minister of the Environment, and we became the second in the banking industry to receive certification as an "Eco-First Corporation." We will continue working to earn recognition for our strength in environmentally sound management.



# Directors and Audit & Supervisory Board Members

## Directors



Takahiko Asai Masaki Matsushita Shohei Hidai Makoto Nakamura Hitoshi Nishizawa Kayo Tashita Miyako Hamano

### Board of Directors Chair / Executive Chair

#### 1 Takahiko Asai

April 1987: Joined The Hachijuni Bank  
 September 2005: Karuizawa Branch Manager  
 June 2008: Assigned to Loan Control Department  
 June 2010: Matsushiro Branch Manager  
 June 2013: Tokyo Sales Department I Manager  
 June 2015: Risk Management Department Manager  
 June 2016: Loan Control Department Manager  
 June 2017: Executive Officer and Loan Control Department Manager  
 June 2018: Managing Executive Officer and Head Office Sales Department Manager  
 June 2019: Managing Director  
 June 2021: Vice President  
 June 2022: Vice President and Executive Vice President  
 June 2023: Board of Directors Chair and Executive Chair (current position)

### President (Representative Director) / Executive President

#### 2 Masaki Matsushita

April 1982: Joined The Hachijuni Bank  
 February 2004: Nagano Minami Branch Manager  
 February 2006: Sakaki Branch Manager  
 June 2008: Planning and Coordination Department Manager  
 June 2011: Executive Officer and Suwa Area/Branch Manager  
 June 2013: Managing Executive Officer and Tokyo Sales Department Manager  
 June 2014: Managing Executive Officer and Head Office Sales Department Manager  
 June 2015: Managing Director and Matsumoto Sales Department Manager  
 June 2017: Vice President  
 June 2021: President  
 June 2022: President and Executive President (current position)

### Vice President (Representative Director) / Executive Vice President

#### 3 Shohei Hidai

April 1988: Joined The Hachijuni Bank  
 March 2010: Risk Management Department Deputy Manager  
 February 2013: Tokyo Liaison Office Manager  
 June 2015: Minami Matsumoto Area/Branch Manager  
 June 2017: Planning and Coordination Department Manager  
 June 2018: Executive Officer and Planning and Coordination Department Manager  
 June 2019: Managing Executive Officer and Head Office Sales Department Manager  
 June 2021: Managing Director  
 June 2022: Senior Managing Director and Senior Managing Executive Officer (current position)  
 June 2023: Vice President and Executive Vice President (current position)

### Director\*

#### 6 Kayo Tashita

April 1990: Registered as an attorney (Nagano Bar Association)  
 April 1991: Joined Miyazawa Law Office  
 April 1996: Established Tashita Law Office  
 October 2007: Committee Member, Nagano Prefecture Personnel Committee (current position)  
 April 2014: Chairperson, Nagano Bar Association (left position March 2015)  
 June 2016: Outside Director of The Hachijuni Bank (current position)

### Director\*

#### 7 Miyako Hamano

April 1979: Joined Japan External Trade Organization (JETRO)  
 July 2013: Executive Vice President, JETRO  
 October 2015: Advisor, JETRO  
 April 2016: Councilor, JETRO (current position)  
 Policy Advisor, Secretariat of Intellectual Property Strategy Headquarters, the Cabinet Office (left position September 2019)  
 Member of the board of trustees, Shinshu University (current position)  
 June 2020: Outside Director, Glosei Co., Ltd. (current position)  
 June 2021: Outside Director of The Hachijuni Bank (current position)

### Director\*

#### 8 Eiji Kanzawa

April 1980: Joined The Hachijuni Bank (resigned January 1986)  
 March 1986: Joined Kissei Comtec Co., Ltd.  
 May 1988: Director, Kissei Comtec Co., Ltd.  
 May 1990: Managing Director, Kissei Comtec Co., Ltd.  
 May 1992: Executive Vice President, Kissei Comtec Co., Ltd.  
 May 1994: President and CEO, Kissei Comtec Co., Ltd.  
 May 2018: Chairman, Nagano Prefecture Information Service Association (current position)  
 June 2018: President, Nagano Techno Foundation (left position March 2022)  
 June 2021: Outside Director of The Hachijuni Bank (current position)  
 June 2022: Chairman, Representative Director and CEO, Kissei Comtec Co., Ltd. (current position)

### Full-time Audit & Supervisory Board Member

#### 10 Chishu Minemura

April 1988: Joined The Hachijuni Bank  
 February 2009: Komoro Branch Deputy Manager  
 April 2009: Komoro Area/Branch Deputy Manager  
 June 2012: Iida Ekimae Branch Manager  
 June 2015: International and Treasury Department Manager  
 June 2017: Risk Management Department Manager  
 June 2020: Full-time Audit & Supervisory Board Member (current position)

### Full-time Audit & Supervisory Board Member

#### 11 Akihiro Kasahara

April 1989: Joined The Hachijuni Bank  
 June 2009: Azusagawa Branch Manager  
 June 2011: Assigned to Loan Control Department  
 June 2013: Matsushiro Branch Manager  
 June 2016: General Affairs Department Manager  
 June 2019: Executive Officer and Planning and Coordination Department Manager  
 June 2021: Executive Officer and Internal Audit Department Manager  
 June 2022: Full-time Audit & Supervisory Board Member (current position)

### Audit & Supervisory Board Member\*

#### 12 Kiyohito Yamasawa

April 1980: Assistant Professor, Faculty of Engineering, Shinshu University  
 October 1993: Professor, Faculty of Engineering, Shinshu University  
 October 2009: President of Shinshu University (left position September 2015)  
 June 2016: Outside Audit & Supervisory Board Member of The Hachijuni Bank (current position)

### Director / Managing Executive Officer

#### 4 Makoto Nakamura

April 1990: Joined The Hachijuni Bank  
 June 2007: Planning and Coordination Department Deputy Manager  
 June 2009: Hong Kong Branch Manager  
 June 2013: Ueda Higashi Branch Manager  
 June 2016: Omachi Branch Manager  
 June 2018: Financial Market Department Manager  
 June 2019: Executive Officer and Financial Market Department Manager  
 June 2020: Executive Officer and Operations Administration Department Manager  
 June 2021: Managing Executive Officer and Head Office Sales Department Manager  
 June 2023: Director and Managing Executive Officer (current position)

### Director\*

#### 9 Takayuki Kanai

April 1982: Joined The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)  
 October 2008: Executive Officer, The Nippon Credit Bank, Ltd. (left position September 2010)  
 October 2010: Joined Nishimoto Trading Co., Ltd.; Senior Managing Director  
 March 2012: President, Nishimoto Trading Co., Ltd.  
 March 2017: President & COO, Nishimoto Co., Ltd. (left position March 2020)  
 June 2020: Outside Director, Kameda Seika Co., Ltd. (current position)  
 June 2022: Outside Director of The Hachijuni Bank (current position)

### Director

#### 5 Hitoshi Nishizawa

April 1985: Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)  
 July 2013: Assistant General Manager, Internal Audit Department, Mizuho Bank, Ltd.  
 April 2014: Deputy General Manager, Securities & International Department, The Nagano Bank, Ltd.  
 June 2015: Director and General Manager, Securities & International Department, The Nagano Bank, Ltd.  
 July 2016: Managing Director and General Manager, Securities & International Department, The Nagano Bank, Ltd.  
 June 2017: Managing Director, The Nagano Bank, Ltd.  
 June 2019: President and Representative Director, The Nagano Bank, Ltd. (current position)  
 June 2023: Director of The Hachijuni Bank (current position)

\*Outside director as defined in Article 2, item (xv) of the Companies Act

■ Ratio of outside directors: 44%  
 ■ Ratio of female directors: 22%

### Audit & Supervisory Board Member\*

#### 13 Takayuki Tanaka

April 1981: Joined the Long-Term Credit Bank of Japan (currently SBI Shinsei Bank, Limited)  
 October 1998: Deputy Counsellor, Investigation Department, the Long-Term Credit Bank of Japan (left position March 1999)  
 April 1999: Full-time lecturer, School of Economics, Senshu University  
 April 2001: Professor, School of Economics, Senshu University  
 April 2002: Part-time lecturer, Faculty of Contemporary Society, Kyoto Women's University (left position March 2009)  
 April 2012: Visiting fellow, University of London (left position March 2013)  
 September 2022: Director, Incorporated Education Institution Senshu University  
 Dean and Professor of School of Economics, Senshu University (current position)  
 June 2023: Outside Audit & Supervisory Board Member of The Hachijuni Bank (current position)

\*Outside audit & supervisory board member as defined in Article 2, item (xvi) of the Companies Act

### Audit & Supervisory Board Member\*

#### 14 Hiroshi Hori

April 1986: Joined The Japan Development Bank (currently The Development Bank of Japan Inc.)  
 June 2011: Asset Management Group Head, The Development Bank of Japan Inc.  
 June 2013: Representative and Senior Executive Director, DBJ Asset Management Co., Ltd.  
 April 2016: President, DBJ Asset Management Co., Ltd. (left position June 2017)  
 June 2017: Director and General Manager, General Administration and Accounting Department, Marubeni Financial Service Corporation (left position June 2021)  
 June 2021: Full-time Audit and Supervisory Board Member, Sagami Railway Co., Ltd. (current position)  
 June 2023: Outside Audit & Supervisory Board Member of The Hachijuni Bank (current position)

\*Outside audit & supervisory board member as defined in Article 2, item (xvi) of the Companies Act

## Audit & Supervisory Board Members



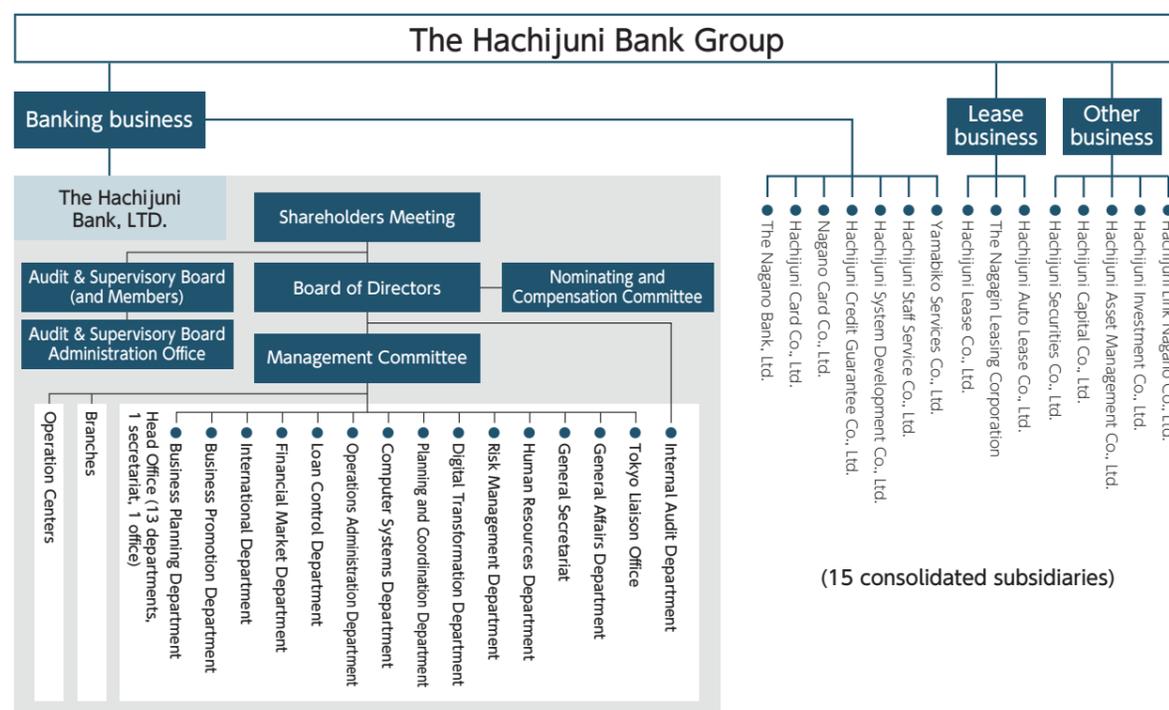
Chishu Minemura Akihiro Kasahara Kiyohito Yamasawa Takayuki Tanaka Hiroshi Hori

## Executive Officers

Title	Name
Executive Chair	Takahiko Asai
Executive President	Masaki Matsushita
Executive Vice President	Shohei Hidai
Managing Executive Officer	Makoto Nakamura
Managing Executive Officer	Shigeru Yoshimura
Managing Executive Officer	Kenko Takano
Managing Executive Officer	Katsuya Kamimura
Managing Executive Officer	Ryoichi Kitayama
Managing Executive Officer	Keigo Ito
Executive Officer	Tomoyoshi Baba
Executive Officer	Atsushi Horiuchi
Executive Officer	Satoshi Masuda
Executive Officer	Atsushi Kono
Executive Officer	Hideki Yoshida
Executive Officer	Hidenori Dezawa
Executive Officer	Kiyomi Ito
Executive Officer	Tatsuya Akaba
Executive Officer	Takehiko Kimura

(As of June 23, 2023)

# Organization Chart



(As of June 23, 2023)

## Main Services

### 1 Deposits

Checking deposits, ordinary deposits, fixed deposits, fixed installment deposits, special deposits, non-resident yen deposits, transferable deposits, and foreign currency deposits

### 2 Lending

(1)Loans  
Loans under promissory notes, loans under agreements, and overdraft facilities  
(2)Discounted bills  
Discounted commercial bills

### 3 Purchase and sale of securities for trade

Purchase and sale of government and other public bonds

### 4 Securities investment

Investment in government, regional, and corporate bonds, shares, and other securities for deposit reserves and fund management

### 5 Domestic transfers

Money transfers, remittances, and payment collection

### 6 International transfers

Services relating to imports, exports, international money transfers, and other foreign exchange

### 7 Trust and management services for public and corporate bonds

Services relating to entrustment of corporate bonds and flotation and entrustment of public bonds

### 8 Trust services

(1)Testamentary trusts  
Storing, executing, and helping to prepare wills  
(2)Estate management  
Performing inheritance procedures on behalf of customers  
(3)Monetary trusts  
Monetary trusts for inheritance or donation; monetary trusts that can be accessed by a designated relative before trustor's death  
(4)Specified disabled dependent trusts (specified gift trusts)  
(5)Charitable trusts  
(6)Other trusts

### 9 Related services

(1)Agency services  
(i)Bank of Japan agency, Bank of Japan revenue agency, and government bond agency services  
(ii)Handling public funds for local governments  
(iii)Organization for Workers' Retirement Allowance Mutual Aid, etc. agency services  
(iv)Services for receiving paid-in capital and paying stock dividends and bond principal and interest  
(v)Proxy loan services for Japan Finance Corporation, etc.  
(vi)Trust agency services  
(2)Safekeeping and safe deposit box services  
(3)Lending securities  
(4)Guaranteeing debts (banker's acceptance)  
(5)Credit card services  
(6)Over-the-counter sales of investment trusts and insurance products  
(7)Public bond underwriting  
(8)Commercial paper  
(9)Intermediary services for financial products  
(10)Defined-contribution pension operation and management

(As of June 23, 2023)

# Subsidiary Information

## Information on Bank Subsidiaries

(As of June 23, 2023)

Name	Incorporation date	Address	Main businesses	Capital (millions of yen)	The Hachijuni Bank equity ratio	Subsidiary equity ratio	Total equity ratio of The Hachijuni Bank and subsidiaries
The Nagano Bank, Ltd.	November 15, 1950	2-9-38 Nagisa, Matsumoto City	Banking	13,017	100.0	—	100.0
Hachijuni Securities Co., Ltd.	May 11, 1949	1277-2 Minami Ishidocho, Minami Nagano, Nagano City	Trading of securities; intermediary, brokerage, and agency services for trading of securities	3,000	100.0	—	100.0
Hachijuni Lease Co., Ltd.	June 10, 1974	218-14 Okadamachi, Nakagosho, Nagano City	Leasing	200	100.0	—	100.0
The Nagagin Lease Co., Ltd.	January 12, 1980	2-2-16 Ote, Matsumoto City	Leasing	34	—	88.1	88.1
Hachijuni Card Co., Ltd.	August 2, 1982	218-11 Nakagosho, Nagano City	Credit card services	30	100.0	—	100.0
Nagano Card Co., Ltd.	July 2, 1990	2-2-16 Ote, Matsumoto City	Credit card services	30	—	95.0	95.0
Hachijuni Credit Guarantee Co., Ltd.	December 1, 1983	178-2 Okadamachi, Nakagosho, Nagano City	Credit guarantee services	30	100.0	—	100.0
Hachijuni System Development Co., Ltd.	December 5, 1983	178-13 Okadamachi, Nakagosho, Nagano City	System development	40	100.0	—	100.0
Hachijuni Capital Co., Ltd.	September 17, 1984	1282-11 Minami Ishidocho, Minami Nagano, Nagano City	Investment	200	10.0	31.0	41.0
Hachijuni Staff Service Co., Ltd.	September 11, 1986	178-2 Okadamachi, Nakagosho, Nagano City	Staff dispatch and referral	20	100.0	—	100.0
Yamabiko Services Co., Ltd.	June 2, 2000	178-2 Okadamachi, Nakagosho, Nagano City	Debt management and collection	510	99.0	—	99.0
Hachijuni Auto Lease Co., Ltd.	October 3, 2005	218-14 Okadamachi, Nakagosho, Nagano City	Leasing	100	—	100.0	100.0
Hachijuni Asset Management Co., Ltd.	October 1, 2021	4-1-22 Nihonbashi Muromachi, Chuo-ku, Tokyo	Investment management, advising, and agency services; type II financial instruments business	200	100.0	—	100.0
Hachijuni Investment Co., Ltd.	October 1, 2021	1282-11 Minami Ishidocho, Minami Nagano, Nagano City	Investment	30	100.0	—	100.0
Hachijuni Link Nagano Co., Ltd.	October 3, 2022	178-8 Okadamachi, Nakagosho, Nagano City	Regional trade; electric power (power generation)	100	100.0	—	100.0

Note: The Hachijuni Bank Group also includes Kodama Investment Limited, investment partnerships, and other companies, but as their significance is minor, they are not included in our consolidated accounts.

# Corporate Governance

## Basic Views

In order to achieve our management philosophy of contributing to regional development through a commitment to sound banking principles, we have established and disclosed our Corporate Governance Principles that govern all of our corporate activities in order to ensure the continuation of The Hachijuni Bank Group, increase our corporate value, and fulfill our social responsibility. The Corporate Governance Principles set out our basic approaches regarding stakeholders such as our customers, shareholders, employees, and communities as well as our basic policies on corporate governance, legal compliance, corporate ethics, and information disclosure. We have also established a Basic Policy on the Development of Internal Control Systems (Systems to Ensure Proper Operations) in order to develop and appropriately operate systems to ensure proper operations in the corporate group consisting of The Hachijuni Bank and our subsidiaries.



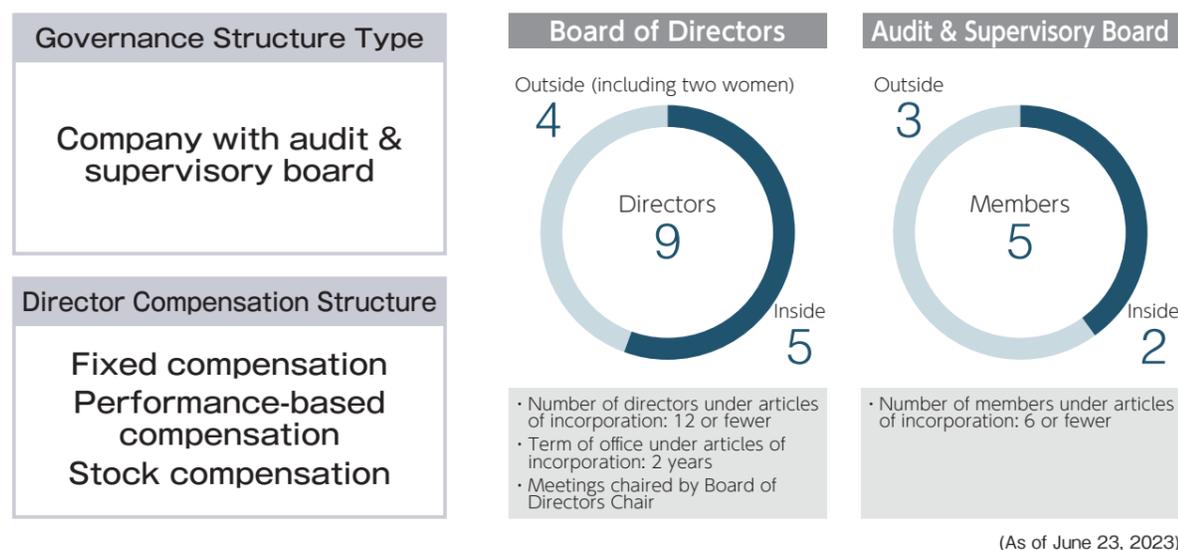
Corporate Governance Principles  
(in Japanese)



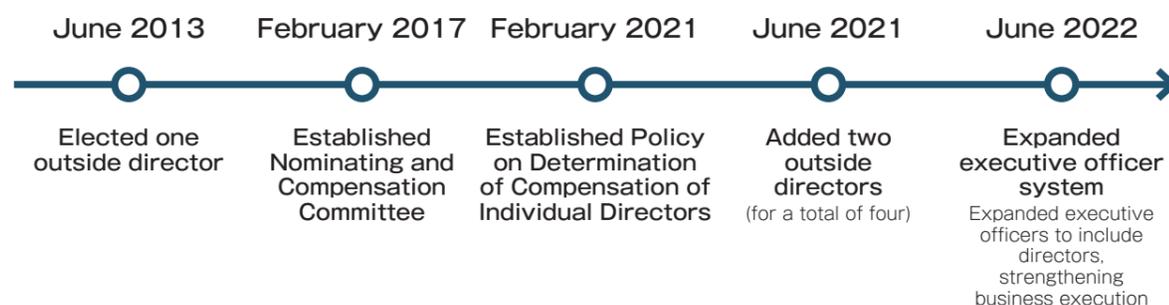
Basic Policy on the Development of Internal Control Systems  
(Systems to Ensure Proper Operations)  
(in Japanese)



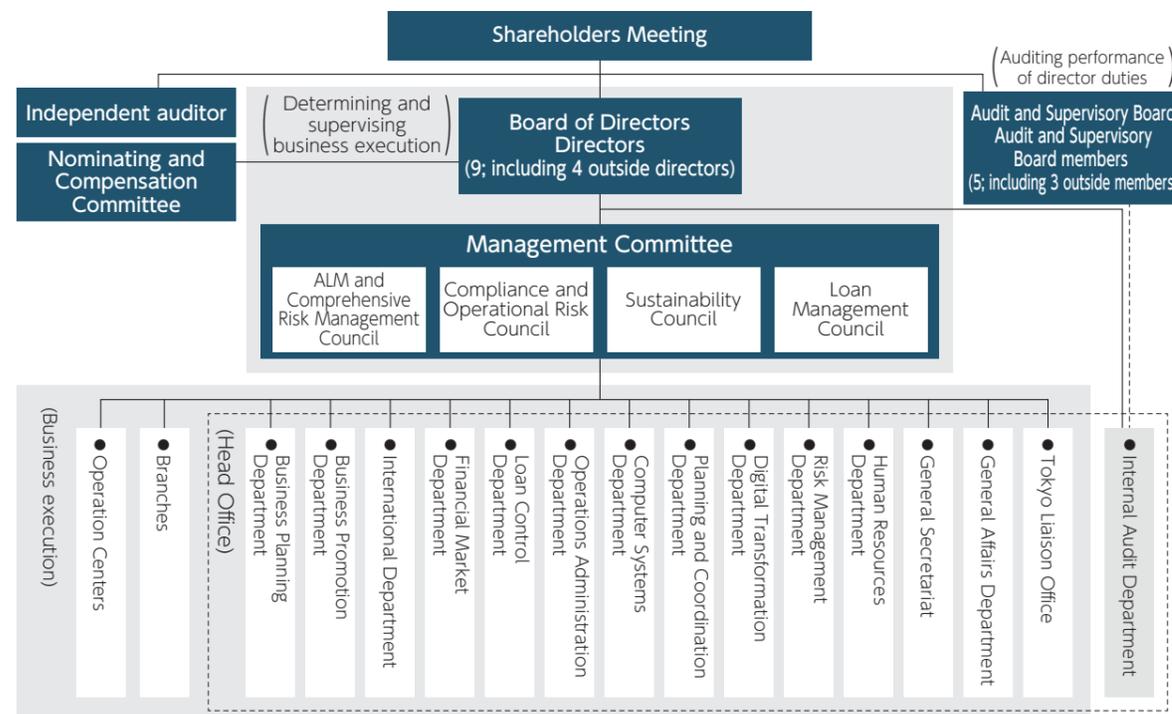
## Governance Structure Overview



## Main Efforts to Improve Corporate Governance



## Corporate Governance Structure



(As of June 23, 2023)

### Board of Directors

15 meetings held in FY2022  
The Board of Directors meets at least once per month in principle. In addition to engaging in substantial discussions, the Board ensures sound operation through the shared supervision of business execution.

### Management Committee

44 meetings held in FY2022  
We have established the Management Committee for the purpose of determining and supervising the day-to-day execution of business. The Management Committee meets every week in principle to discuss and determine important business matters, and the Board of Directors makes final decisions after deliberation by the Management Committee. We have also established the ALM and Comprehensive Risk Management Council, the Compliance and Operational Risk Council, the Sustainability Council, and the Loan Management Council under the Management Committee to address specific aspects of business.

### Audit and Supervisory Board

14 meetings held in FY2022  
The Audit and Supervisory Board meets once per month in principle, and audits internal activities and performance independently from the Board of Directors in cooperation with the independent auditor and the Internal Audit Department.

### Nominating and Compensation Committee

6 meetings held in FY2022  
As an advisory body to the Board of Directors, the Nominating and Compensation Committee discusses succession planning as well as the election, dismissal, and compensation of the directors and Audit & Supervisory Board members. In order to ensure the independence of the committee, half of its members are outside directors, and an outside director serves as committee chair.

### Internal Audit Department

The Internal Audit Department is directly under the authority of the Board of Directors and consists of approximately 30 employees. It performs internal audits based on the audit policies established by resolutions of the Board of Directors each fiscal year.

### Independent auditor

Accounting audits for our bank are performed by Deloitte Touche Tohmatsu LLC, with whom we have entered into an auditing agreement.

## Matters Addressed by the Board of Directors

In fiscal year 2022, the Board of Directors mainly deliberated proposals such as the following.

**Resolutions:** Merger with the Nagano Bank, Ltd., establishing subsidiaries, subsidiary mergers, determining and disclosing material issues, changing business management systems, merging and closing branches, formulating risk management policies, formulating policies for providing credit to borrowers

**Reports:** Business environment surrounding our bank and the industry, progress on the merger with the Nagano Bank, implementation status of short-term management plan, management status of compliance and anti-money-laundering measures, status of strategic shareholdings, matters regarding the evaluation of the effectiveness of the Board of Directors, policy on initiatives regarding loan guaranties by chief executives

## Evaluating the Effectiveness of the Board of Directors

Each year, we use self-assessments by each director and Audit & Supervisory Board member to analyze and evaluate the effectiveness of the Board of Directors and identify issues to be addressed in regard to the board's size, composition, operation, deliberations, and support systems as well as other matters that we consider important in order for the board to fulfill its roles and duties.



In fiscal year 2022, we implemented measures such as the following in order to address the issues identified in the evaluation and analysis conducted in the previous fiscal year, which include enriching discussions on management strategies.

**(1) Efforts to enrich discussions on management strategies**  
The board enriched its discussions regarding management strategies by deliberating proposals relating to matters such as the merger with the Nagano Bank, Ltd., sustainability efforts and material issues, and changes to our management systems.

**(2) Efforts to expand constructive discussion at board meetings**  
We repeatedly held briefings and conducted on-site observation tours for outside directors and Audit & Supervisory Board members in order to deepen their understanding of the matters deliberated by the Board of Directors. As new initiatives to promote their understanding of the departments that carry out the bank's business, we held round-table meetings between outside directors and employees as well as branch manager discussions that included outside directors and Audit & Supervisory Board members.

As in previous years, each director and Audit & Supervisory Board member also performed a self-assessment using a questionnaire regarding the effectiveness of the Board of Directors, and the board deliberated those results in February 2023. Although the evaluation results indicated that the board is functioning properly overall, some responses stated that it was necessary to expand discussions that focus on the business environment. We will use these results to advance measures to further increase the effectiveness of the Board of Directors.

## Support Systems for Outside Directors and Audit & Supervisory Board Members

The Planning and Coordination Department is responsible for supporting outside directors, while support for outside Audit & Supervisory Board members is provided by dedicated support employees assigned to the Audit & Supervisory Board Administration Office.

In order to aid outside directors and Audit and Supervisory Board members in understanding matters unique to banking operations or financial institution management or other matters deliberated by the Board of Directors, we hold briefings on our operations, observation tours of our business locations, and discussions with employees as necessary.



Discussion between outside directors and employees

## Compensation for Directors and Audit & Supervisory Board Members

The compensation for the directors of our bank is determined in accordance with the Policy on Determination of Compensation of Individual Directors established by a resolution of our Board of Directors on February 19, 2021. Compensation for Audit & Supervisory Board members as a whole consists only of fixed remuneration up to a monthly limit of 8 million yen that was determined by a resolution of the shareholders meeting, and the portion of that total amount distributed to each member is determined by the Audit & Supervisory Board. The Board of Directors receives advice and recommendations from the Nominating and Compensation Committee in regard to matters relating to compensation for directors and Audit & Supervisory Board members.

## Reasons for Electing Outside Directors

Name	Reasons for Election	Board meetings attended in FY2022
Kayo Tashita	Ms. Tashita was elected as an outside director as we expect her to further strengthen the board's ability to supervise management by using her high degree of specialized legal knowledge as an attorney and her experience serving as a non-executive director and attorney at Yamabiko Services Co., Ltd., which engages in debt management and collection.	15/15
Miyako Hamano	Ms. Hamano was the first female executive vice president of the Japan External Trade Organization (JETRO) and has abundant experience and a broad range of knowledge from working for many years to revitalize communities and support companies in entering overseas markets. She also has experience serving as an outside director for a commercial firm, and she was elected as an outside director as we determined that she will further strengthen the board's ability to supervise management.	15/15
Eiji Kanzawa	Mr. Kanzawa serves as the representative director of Kissei Comtec Co., Ltd. and has extensive knowledge on promoting digitalization. He has also appropriately performed his duties as an outside director of our bank, and he was reelected as an outside director as we determined that he will continue to contribute to our management.	15/15
Takayuki Kanai	Mr. Kanai has an abundance of knowledge from successively holding various positions, including serving as an executive officer of Aozora Bank, Ltd. and president and COO of Nishimoto Co., Ltd. He was elected as an outside director as we determined that he will provide insights from a variety of perspectives based on his experience and high degree of knowledge not only in the financial field but also as a corporate executive.	15/15

## Director and Audit & Supervisory Board Member Skills Matrix

In order for the Board of Directors to effectively fulfill its roles and duties, we believe that in addition to requiring a certain number of directors who have worked for our bank and have a thorough knowledge of our operations and the important issues we must address, it is also important to ensure diversity in the knowledge, experience, and skills of board members.

For that reason, our basic policy is to elect people with diverse knowledge and backgrounds as directors and Audit & Supervisory Board members.

The skills matrix of our directors and Audit & Supervisory Board members is provided below.

Note: The skills matrix does not represent all of the knowledge and experience held by each person but instead indicates three areas in which each of them is particularly expected to utilize their expertise based on their experience.

Name	Position	Areas in which directors/members are particularly expected to utilize their expertise							
		Corporate/organizational management	Global business	Financial markets	Sales strategy, corporate support	Legal affairs, risk management	DX/IT, technology	Human resources, diversity	Communities, environment
Takahiko Asai	Board of Directors Chair	●			●			●	
Masaki Matsushita	President	●			●	●			
Shohei Hidai	Vice President				●	●	●		
Makoto Nakamura	Director		●	●	●				
Hitoshi Nishizawa	Director	●		●			●		
Kayo Tashita	Outside Director	●				●		●	
Miyako Hamano	Outside Director	●	●					●	
Eiji Kanzawa	Outside Director	●					●		●
Takayuki Kanai	Outside Director	●	●	●					
Chishu Minemura	Full-time Audit & Supervisory Board Member		●		●	●			
Akihiro Kasahara	Full-time Audit & Supervisory Board Member				●	●		●	
Kiyohito Yamasawa	Outside Audit & Supervisory Board Member	●					●		●
Takayuki Tanaka	Outside Audit & Supervisory Board Member		●	●					●
Hiroshi Hori	Outside Audit & Supervisory Board Member	●		●	●				

## Main Knowledge and Experience Required in Each Area

Corporate/organizational management	<ul style="list-style-type: none"> <li>Management of corporations, organizations, etc.</li> <li>Planning management strategies with a company-wide, medium to long-term perspective</li> </ul>	Legal affairs, risk management	<ul style="list-style-type: none"> <li>Specialized knowledge on legal systems and regulations</li> <li>Risk management for general corporate activities</li> </ul>
Global business	<ul style="list-style-type: none"> <li>Management of overseas locations or business divisions handling international finance or trade</li> <li>Planning strategies with a global perspective</li> </ul>	DX/IT, technology	<ul style="list-style-type: none"> <li>Specialized knowledge on IT, digital transformation, science, or technology</li> <li>Computer system planning, operation, and management</li> </ul>
Financial markets	<ul style="list-style-type: none"> <li>Knowledge of overall financial market; securities investment, etc.</li> <li>Trends in overall financial industry and financial administration</li> </ul>	Human resources, diversity	<ul style="list-style-type: none"> <li>General HR affairs: HR management, personnel development, payroll, employee benefits</li> <li>Promoting diversity and inclusion</li> </ul>
Sales strategy, corporate support	<ul style="list-style-type: none"> <li>Sales planning, marketing, new business development</li> <li>Corporate screening, business referrals, business revitalization support, business successions and M&amp;A</li> </ul>	Communities, environment	<ul style="list-style-type: none"> <li>Knowledge of history, culture, and economy of regional communities</li> <li>Initiatives to address environmental problems or promote environmentally sound management</li> </ul>

# Legal Compliance and Customer Protection Systems

## Compliance Initiatives

We consider the establishment of a strong compliance mindset to be one of our most important management issues, and we aim to achieve sound and highly transparent management in accordance with the Basic Compliance Policy established by the Board of Directors. Additionally, we have created a compliance manual with board approval that consists of two parts, a summary section explaining our Basic Compliance Policy and compliance systems, and a compliance code of conduct that sets out approaches and internal procedures for specific situations. We work to ensure that all employees are familiar with the compliance manual and use it as the basis of their actions and judgments on a day-to-day basis.



Basic Compliance Policy  
(in Japanese)



### Systems

We have established the Compliance and Operational Risk Council as a special-purpose body within the Management Committee and are working to ensure compliance through discussions by the council to develop and strengthen our compliance systems.

### Efforts to Address Organized Crime

We comply with the Basic Policy on Organized Crime Groups established by the Board of Directors to maintain trust in our bank and ensure sound and proper operations. We are also advancing similar efforts for our group companies.



Basic Policy on Organized  
Crime Groups (in Japanese)



## Efforts to Protect Customers

### Systems

We comply with the Policy on Protecting Customers, the Declaration on Personal Information Protection, and the Policy on Managing Conflicts of Interest established by the Board of Directors. We have also established the Compliance and Operational Risk Council as a special-purpose body within the Management Committee and are working to protect customers through discussions by the council to develop and strengthen our customer protection systems. Particularly for products such as investment trusts, foreign currency deposits, and personal pensions that carry a risk of losing money, we determine the information that customers must be aware of and ensure that we clearly explain it.

### Efforts to Address Customer Complaints, Inquiries, and Requests

We treat complaints, inquiries, and requests from customers seriously and use that customer feedback to make improvements and prevent similar issues from happening. Our head office collects data on customer feedback and shares it among our employees so that we can better train and educate them to provide financial services that satisfy our customers.

Additionally, we refer customers upon request to financial alternative dispute resolution programs that resolve disputes through the involvement of fair and neutral third party organizations, and we work to resolve complaints and disputes referred to those programs.

Designated banking dispute resolution organizations engaged by our bank

**Name:** Japanese Bankers Association  
Consultation Center  
**Tel.:** 0570-017109 or 03-5252-3772

**Name:** Trust Consultation Center, Trust  
Companies Association of Japan  
**Tel.:** 0120-817335 or 03-6206-3988

# Initiatives to Prevent Financial Crime

## Initiatives to Prevent Money Laundering

We work to thoroughly prevent money laundering and terrorist financing, the risks of which are growing due to the increased complexity of financial transactions and a higher degree of sophistication in the methods used for criminal activity.

We periodically confirm customer information and transaction purposes both for customers new to our bank, such as when customers open new accounts, as well as for existing customers. For transactions such as overseas remittances, we also confirm the purpose of the transaction and check relevant materials based on the transaction details.



Basic Policy on Measures against Money Laundering and  
Terrorist Financing (in Japanese)



## Initiatives to Prevent Fraudulent Online Banking Transactions

### One-time Passwords

We require customers to enter a one-time password generated by a security token when performing transfers and other transactions through our online banking services. As these passwords can only be used once, old passwords cannot be exploited even if stolen, and the passwords automatically change every 60 seconds so that would-be hackers do not have time to crack them, thereby greatly increasing security against fraudulent transactions.

For individual customers who use online banking, one-time passwords are displayed on the customer's smartphone using our app that contains the security token.

### Antivirus Software for Online Banking

Customer information is frequently stolen through computer viruses that deceive users into entering sensitive information. To prevent this, we recommend to our customers that they use Rapport, a free antivirus program for computers developed specifically for online banking.

## Initiatives to Prevent Bank Transfer Fraud

We are implementing a variety of initiatives to protect our customers' assets from bank transfer fraud.

### Endorsement of Joint Declaration to Eliminate Bank Transfer Fraud

We have endorsed the Joint Declaration to Eliminate Bank Transfer Fraud issued by the Nagano Police and financial institutions headquartered in Nagano Prefecture in order to protect customer assets from fraud.

### Partial Restrictions on ATM Transactions

We partially restrict ATM transfers and cash payments by elderly customers to protect them from potential fraud.

### ATM Warnings

We provide on-screen and audio warnings about potential fraud when customers perform ATM transfers.

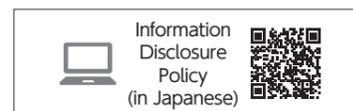
### Bank Teller Efforts

When elderly customers request to transfer or withdraw large sums of money, our bank tellers work to prevent fraud by asking them about the purpose of their transaction and checking any relevant materials. We are implementing a full range of measures to thoroughly prevent financial crime so that our customers can conduct their transactions with peace of mind.



## Initiatives for Shareholders and Investors

As we aim to achieve sustainable growth and the medium to long-term increase of our corporate value, we are working to foster constructive dialogue with shareholders and investors, and we accurately and promptly disclose financial information and information on our business activities in an easily understandable way.



This disclosure document has been disclosed after being reviewed by our bank, including our management team, in accordance with our Information Disclosure Policy.

### Managing Insider Information

We have established internal rules to prevent insider trading and have developed appropriate information management systems.

### Dialogue with Shareholders and Investors

The President and the director responsible for the Planning and Coordination Department are leading our efforts to expand dialogue with shareholders and investors.

### Internal Systems for Promoting Constructive Dialogue

The Planning and Coordination Department is responsible for investor relations, and as the liaison office for dialogue, it cooperates with related departments to provide explanations to shareholders and investors.

### Initiatives to Expand Methods for Dialogue

In addition to legally required information disclosure, we regularly hold briefings for our shareholders and investors.

### Utilizing Shareholder and Investor Feedback

The opinions we receive through constructive dialogue with shareholders and investors are reported to our management team and used to enhance the management of our bank.

FY2022 Investor Seminar Activities	
Participants	Details (timing, location, etc.)
Japanese institutional investors, securities analysis	Financial results briefings (May and November, in Tokyo); individual meetings (whenever appropriate, online and in person)
Individual shareholders and investors	Whenever appropriate (online and in person)

### Shareholder Returns

	FY2020	FY2021	FY2022	FY2023 (forecast)
Annual dividends (A)	6.8 billion yen	7.8 billion yen	9.5 billion yen	<b>9.4 billion yen</b>
Dividends per share (annual)	14.0 yen	16.0 yen	20.0 yen	<b>20.0 yen</b>
Interim dividends	6.0 yen	6.0 yen	10.0 yen	<b>10.0 yen</b>
Stock buybacks (B)	—	—	10.0 billion yen	<b>TBD</b>
Shareholder returns (C) (A + B)	6.8 billion yen	7.8 billion yen	19.5 billion yen	<b>(9.4 billion yen)</b>
Net income (consolidated) (D)	22.3 billion yen	26.6 billion yen	24.1 billion yen	<b>23.0 billion yen</b>
Dividend payout ratio (consolidated) (A/D)	30.6%	29.3%	40.0%	<b>40.9%</b>
Shareholder return ratio (consolidated) (C/D)	30.6%	29.3%	80.9%	<b>(40.9%)</b>

## Third-Party Proposal on The Hachijuni Bank's Sustainability Initiatives

June 27, 2023



NLI Research Institute, Visiting Researcher  
Sun Messe Innovative Network Center (Sinc), Director & Lead Researcher

### Masahiko Kawamura

Masahiko Kawamura completed a master's degree with the Kyushu University Graduate School of Engineering in 1976. After working for MODEC, Inc., he joined the NLI Research Institute in 1988 and served as the head of the ESG Research Office before taking his current position. His areas of expertise include environmental and CSR management, integrated thinking management, SDGs, EU taxonomy, TCFD recommendations, and scenario planning, and he has given many lectures and written numerous works.

In this third-party recommendation, the third I have prepared for The Hachijuni Bank, I will focus on human capital, a key strategic area.

### The Key to Developing Human Resources That Determine Whether Strategies Are Achieved

#### ●The President's Call for Employees to Recognize the Need for Change

In President Matsushita's message, he stated the aim to become a vital partner to the regions you serve. He wrote that he was shocked to see the critical responses given in a customer survey conducted several years ago by the Financial Services Agency, and that the Medium-Term Management Vision 2021 was formulated based on the recognition that even if a bank has a high market share, it will fail if it is not depended on by its customers.

We are no longer in an era where the bank is only expected to meet the financing needs of regional companies. Because of that, the President states that making sustainability the core of your business, Theme 1 of the Management Vision, begins with changing the mindset of each employee.

#### ●Human Capital Determines the Success of Management Strategies

The source of corporate value is rapidly shifting from tangible to intangible assets, specifically human capital, or the characteristics and skills of each employee. Particularly in times when the business environment is undergoing sudden, irregular, structural changes, human capital determines the success of management strategies.

The special feature in this annual report focusing on human capital summarizes a round-table meeting between outside directors and young employees and discusses the bank's views on a new age of human capital. That section also states the bank's long-term personnel policy for human resource development and the employee characteristics considered necessary, in addition to which it explains how the bank is creating an environment for human resource development.

#### ●Sharing A Worldview Is Essential to Management That Leverages Human Capital

Although these are progressive measures, they are mainly based on studying operational knowledge and advanced technology to aid employees in independently developing their careers and increasing their expertise, so they rely greatly on each individual employee's ability to improve their own skills and knowledge.

Based on my experience as a consultant, I strongly feel that in order for a company to create a foundation for its strategies, it is essential to have a worldview that is shared between executives and

employees as well as among the employees themselves. As one effective method for achieving that, I propose scenario planning through workshops.

### Scenario Planning as a Personnel Strategy

#### ●Using "What If" Thinking To Consider the Future

The scenario analysis required under the TCFD recommendations is based on scenario planning. In scenario planning, each workshop participant creates several scenarios regarding the state of society in the future and then identifies the risks and opportunities present in each scenario, after which all participants discuss and decide business strategies and management issues to be addressed.

In uncertain times such as these, it is dangerous for companies to rely on an unspoken assumption that future society will be a certain way. Therefore, the goal of scenario planning is to consider multiple future possibilities and make preparations to succeed in each of them. This is known as "what if" thinking, a strategic thinking process developed by Shell that considers future possibilities.

By backcasting the long-term population and industry structure of the region against the backdrop of overall currents (cause and effect relationships) in Japan and the world and using that analysis to improve strategies and businesses focused on the future, you can integrate sustainability with your business strategies.

#### ●Benefits of Scenario Planning in Personnel Strategies

The greatest benefit of scenario planning in which each participant considers what society will be like in the future is that it helps overcome differing ways of thinking among employees through a sense of unity and joy shared with other participants from different departments. Specifically, participants will expand their perspectives by discovering possibilities they did not imagine, in addition to which a vision of the future can be shared between executives and employees (as well as among employees themselves), and a shared worldview that transcends and integrates financial and non-financial elements can be established.

These benefits are consistent with the President's view that "banks are facing the limits of existing business models and are currently at a turning point to achieve change." This means that scenario planning can be considered an effective human resource approach for developing strategic thinking.

I hope that strategic planning will prove useful to your bank as you take on challenges in creating new businesses and providing value under your goal of "supporting customers and regions through the combination of financial services, non-financial services, and relationships."

# Key Data

## Human Capital

Diversity	FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees	3,216	3,138	3,159	3,067	3,041
Number of female employees	1,407	1,419	1,461	1,437	1,446
Ratio of female employees	43.8%	45.2%	46.2%	46.9%	47.6%
Average age	41.9	41.6	41.3	42.4	42.3
Average years of service	15.8	15.1	15.8	16.2	15.8
Average years of service of men	17.5	17.8	17.6	18.0	17.5
Average years of service of women	13.3	13.5	13.8	14.0	14.1
Ratio of women in management positions (Note 1)	8.8%	9.4%	10.8%	11.5%	12.5%
Ratio of women in leadership positions (Note 2)	16.6%	17.4%	18.4%	18.6%	19.8%
Pay difference between men and women (all employees) (Note 3)	—	—	—	—	43.7%
Pay difference between men and women (permanent employees) (Note 3)	—	—	—	—	53.5%
Pay difference between men and women (part-time and contract employees) (Note 3)	—	—	—	—	70.9%
Ratio of experienced hires in management positions (all employees hired with previous work experience)	55.1%	53.8%	53.4%	56.0%	51.2%
Ratio of experienced hires among permanent employees	8%	5%	6%	14%	11%
Ratio of employees with disabilities	2.01%	1.96%	2.03%	2.25%	2.38%
Ratio of employees resigning voluntarily	3.2%	3.2%	2.2%	3.8%	2.7%

Note 1: Calculated using the total number of employees who hold the rank of section manager or higher (excluding directors and executive officers).  
 Note 2: Calculated using the total number of employees who hold the rank of deputy manager (sub-section manager) or who are in management positions.  
 Note 3: Calculated as the ratio of female employee pay to male employee pay.

Work-life balance	FY2018	FY2019	FY2020	FY2021	FY2022
Average days of paid leave taken	13.3	13.3	13.9	14.3	15.9
Ratio of leave used	69.6%	69.4%	72.0%	74.1%	81.5%
Ratio of men taking childcare leave, etc. (Note 4)	28.8%	30.4%	35.9%	60.3%	89.5%
Average statutory overtime hours (per month)	9.4	10.1	8.9	10.6	10.8

Note 4: The ratios calculated include both childcare leave under the Childcare and Family Care Leave Act and our bank's own system of childcare leave.

Corporate health	FY2018	FY2019	FY2020	FY2021	FY2022
Ratio of employees undergoing recommended follow-up tests	83.1%	78.4%	85.7%	84.7%	82.2%(Note 5)
Ratio of employees receiving special health guidance offered	68.9%	62.7%	49.4%	86.4%	78.0%(Note 5)
Ratio of employees with BMI of 25 or more (indicating obesity)	20.3%	20.2%	20.5%	19.8%	18.6%
Ratio of employees who smoke	13.2%	13.0%	11.9%	12.1%	11.9%
Ratio of employees completing stress survey	99.5%	98.5%	97.9%	98.6%	99.2%

Note 5: Provisional figures

Human resource development	FY2018	FY2019	FY2020	FY2021	FY2022
Total annual training hours (Note 6)	51,590	49,651	39,431	55,216	73,247
Average training hours per employee (Note 6)	16.8	16.6	12.5	18.0	24.1
Total annual training costs	81,266,000 yen	65,049,000 yen	63,493,000 yen	101,402,000 yen	259,937,000 yen
Average training costs per employee	25,300 yen	20,700 yen	20,100 yen	33,100 yen	85,500 yen
Employees with small and medium business consultant certification	54	53	51	53	57
Employees with grade 1 financial planner/certified financial planner certification	94	98	96	101	129

Note 6: Excluding hours of voluntary training.

## Environment

(Unit: tons CO<sub>2</sub>)

Greenhouse gas emissions		FY2018	FY2019	FY2020	FY2021	FY2022
Scope 1 Direct energy consumption	Fuel oil, kerosene, town gas, gasoline, propane	2,755	2,661	2,689	2,484	2,379
Scope 2 Indirect energy consumption	Electricity	9,162	7,894	7,352	6,326	5,681
Scope 3 (Note 7)	1: Purchased products and services	2,872	2,600	2,238	5,680	6,102
(CO <sub>2</sub> emissions in supply chain)	2: Capital goods	3,413	6,985	5,426	7,987	8,209
	3: Activities related to fuel and energy not included in scope 1 and 2	1,040	1,549	1,724	1,629	1,537
	4: Shipping and delivery (upstream)	744	1,526	1,849	1,949	2,631
	5: Waste generated by business	52	41	123	71	92
	6: Energy consumption from employee transit	570	522	511	481	498
	7: Employee commuting	1,616	1,478	1,444	1,352	1,350
	15: Investment (Note 8)	—	—	—	10,182,924	8,656,029

Note 7: We used the scope 3 emission calculation methods and emission factors set out in version 2.5 of the "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain" (released by the Ministry of the Environment and the Ministry of Economy, Trade and Industry in March 2023) and version 3.3 of the "Emission Intensity Database for Calculating an Organization's Greenhouse Gas Emissions through the Supply Chain" (released by the Ministry of the Environment in March 2023). We calculated zero emissions for categories 8 to 14 of scope 3.

Note 8: We began calculating scope 3, category 15 emissions in FY2021 (please see p.59 for details).

Note 9: These emission volumes have received third-party certification from BSI Group Japan K.K.

Note 10: The total of scope 1 and 2 greenhouse gas emissions calculated for The Hachijuni Bank Group as a whole (excluding the Nagano Bank, Ltd., the Nagagin Leasing Corporation, and Nagano Card Co., Ltd.) is 8,472 tCO<sub>2</sub>.

(Unit: kWh/year)

Electricity consumed	FY2018	FY2019	FY2020	FY2021	FY2022
Standard electricity	18,552,202	17,311,864	16,683,586	15,610,813	13,892,438
Renewable energy	0	0	0	6,209	53,471
Shinshu Green Power	0	0	364,987	661,242	1,226,869
Other carbon-free energy	0	0	0	6,209	53,471
Biomass	87,396	87,180	88,022	85,657	75,775
Total	18,639,598	17,399,044	17,136,595	16,363,921	15,248,553

(Unit: billions of yen)

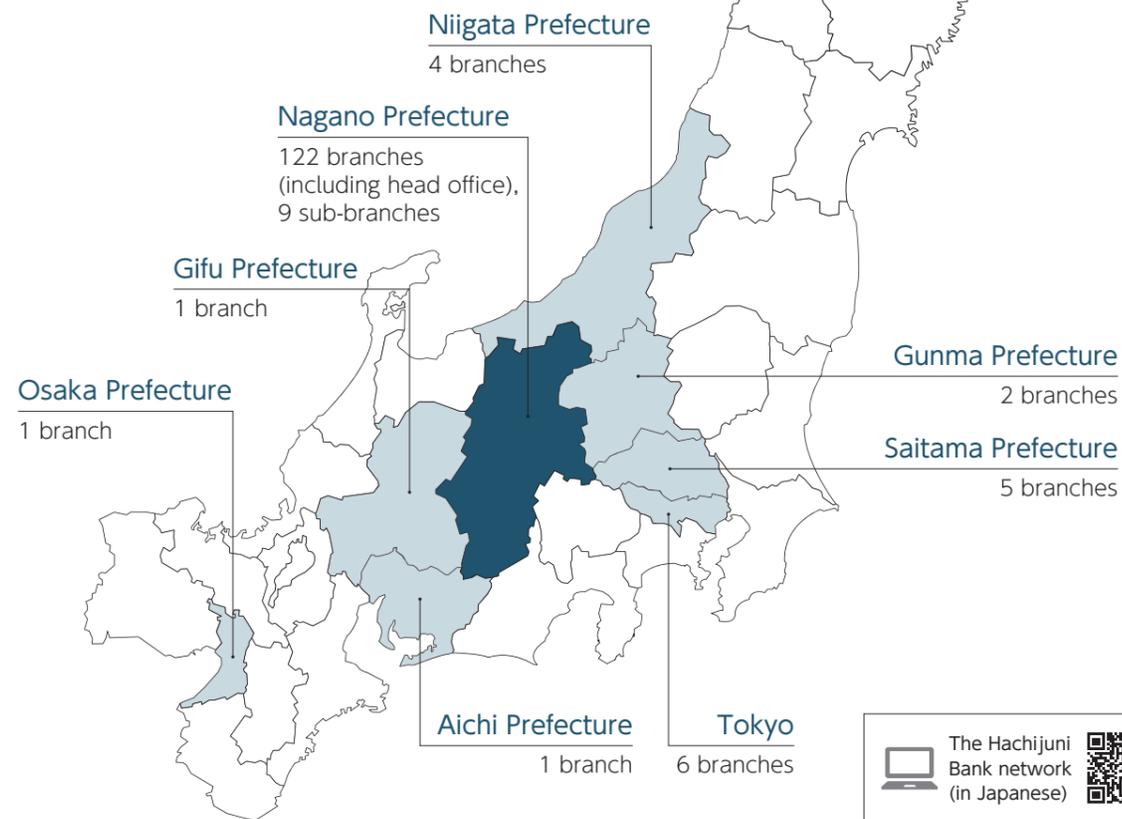
Sustainable finance provided	FY2021	FY2022	Total
Results	155.4	255.5	410.9
(Amount in environmental field)	83.0	128.8	211.8

# Locations

(As of May 31, 2023)

## Overseas

2 branches  
(Hong Kong and Singapore)  
2 representative offices  
(Shanghai and Bangkok)



## Locations

Japan	Branches (including head office)	142 (122)
	Sub-branches	9 (9)
	Japan total	151 (131)*
Overseas	Branches	2 (Hong Kong and Singapore)
	Representative offices	2 (Shanghai and Bangkok)
	Overseas total	4
<b>Total</b>		<b>155</b>

Numbers in parentheses indicate locations in Nagano Prefecture.

\*13 branches have been relocated or consolidated using the branch-in-branch format.

## ATMs

Non-branch ATMs	219 (214)
Lawson Bank ATMs	13,485 (164)
E-net ATMs	11,992 (145)
Seven Bank ATMs	25,382 (489)
<b>Total</b>	<b>51,078 (1,012)</b>

Numbers in parentheses indicate ATMs in Nagano Prefecture.

# Financial Section

## Consolidated Balance Sheet March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	(Note 1)
<b>ASSETS:</b>			
Cash and due from banks (Note 5)	¥ 3,600,693	¥ 4,049,642	\$ 26,967,449
Call loans and bills bought	14,978	20,000	112,182
Monetary claims bought	126,212	116,411	945,267
Trading assets (Notes 6, 13 and 28)	18,773	13,370	140,602
Money held in trust (Notes 7 and 13)	78,877	79,448	590,754
Securities (Notes 8, 13 and 27)	2,676,695	2,801,655	20,047,146
Loans and bills discounted (Notes 9, 13, 27 and 29)	6,113,178	5,931,315	45,784,738
Foreign exchanges (Note 10)	28,255	30,546	211,619
Lease receivables and investments in leases (Note 26)	69,848	68,041	523,132
Other assets (Note 13)	147,534	152,789	1,104,963
Property, plant, and equipment—net (Note 11)	32,284	34,378	241,796
Intangible assets—net (Note 11)	4,499	4,628	33,702
Asset for employees' retirement benefits (Note 16)	45,397	42,803	340,005
Deferred tax assets (Note 25)	1,622	1,780	12,152
Customers' liabilities for acceptances and guarantees (Note 12)	49,474	38,113	370,538
Allowance for credit losses	(44,527)	(41,129)	(333,487)
<b>TOTAL</b>	<b>¥ 12,963,799</b>	<b>¥ 13,343,796</b>	<b>\$ 97,092,564</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits (Notes 13, 14 and 27)	¥ 8,168,035	¥ 8,049,875	\$ 61,174,625
Negotiable certificates of deposit (Note 27)	79,133	132,507	592,674
Call money and bills sold	1,492,164	1,504,861	11,175,586
Payables under repurchase agreements	102,282	53,041	766,049
Payables under securities lending transactions (Note 13)	332,031	322,484	2,486,751
Trading liabilities (Notes 6 and 28)	6,672	4,279	49,974
Borrowed money (Notes 13, 15 and 27)	1,559,655	2,087,634	11,681,063
Foreign exchanges (Note 10)	1,503	960	11,259
Borrowed money from trust account	784	360	5,876
Other liabilities	129,223	108,104	967,821
Liability for employees' retirement benefits (Note 16)	11,247	11,653	84,238
Provision for reimbursement of deposits	271	499	2,035
Provision for contingent losses	1,217	1,341	9,115
Reserve under special laws	12	12	93
Deferred tax liabilities (Note 25)	114,134	115,367	854,810
Acceptances and guarantees (Note 12)	49,474	38,113	370,538
<b>Total liabilities</b>	<b>12,047,845</b>	<b>12,431,097</b>	<b>90,232,514</b>
<b>EQUITY (Notes 17 and 32):</b>			
Common stock—authorized, 2,000,000 thousand shares; issued, 491,103 thousand shares in 2023 511,103 thousand shares in 2022	52,243	52,243	391,276
Capital surplus	56,960	59,176	426,609
Stock acquisition rights (Note 18)	288	271	2,157
Retained earnings	519,053	512,403	3,887,460
Treasury stock—at cost, 19,669 thousand shares in 2023 and 21,445 thousand shares in 2022	(10,848)	(11,576)	(81,250)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	267,636	268,743	2,004,466
Deferred gain on hedges	16,305	15,670	122,122
Defined retirement benefit plans	11,485	12,266	86,020
<b>Total</b>	<b>913,124</b>	<b>909,198</b>	<b>6,838,863</b>
Noncontrolling interests	2,828	3,499	21,187
<b>Total equity</b>	<b>915,953</b>	<b>912,698</b>	<b>6,860,050</b>
<b>TOTAL</b>	<b>¥ 12,963,799</b>	<b>¥ 13,343,796</b>	<b>\$ 97,092,564</b>

See notes to consolidated financial statements.



## Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2023	2022	2023	
OPERATING ACTIVITIES:				
Income before income taxes	¥ 34,747	¥ 38,055	\$	260,245
Adjustments for:				
Income taxes—paid	(8,476)	(13,022)		(63,481)
Depreciation and amortization	5,543	5,560		41,518
Impairment losses	1,669	302		12,506
Increase (decrease) in allowance for credit losses	3,397	(4,221)		25,445
Interest income	(90,830)	(72,803)		(680,276)
Interest expense	18,108	4,318		135,624
Interest received	90,422	74,871		677,222
Interest paid	(14,211)	(4,257)		(106,436)
Net increase in loans and bills discounted	(181,862)	(390,161)		(1,362,060)
Net increase (decrease) in borrowed money	(527,979)	448,515		(3,954,306)
Net increase in deposits	118,160	395,556		884,968
Net increase in call loans and bills bought	(4,778)	(8,208)		(35,790)
Net increase in call money and bills sold	36,544	803,530		273,696
Net decrease in due from banks, excluding due from the Bank of Japan	3,980	6,987		29,813
Net increase (decrease) in payables under securities lending transactions	9,546	(462,294)		71,496
Other—net	(82,459)	(12,548)		(617,583)
Total adjustments	(623,223)	772,125		(4,667,645)
Net cash provided by (used in) operating activities	(588,475)	810,181		(4,407,399)
INVESTING ACTIVITIES:				
Purchases of investment securities	(1,014,316)	(458,351)		(7,596,734)
Proceeds from sales of investment securities	881,742	678,233		6,603,820
Proceeds from maturities of investment securities	299,168	284,434		2,240,628
Payments for increase in money held in trust	(89,552)	(7,240)		(670,706)
Proceeds from decrease in money held in trust	89,785	8,357		672,447
Purchases of fixed assets	(7,367)	(8,224)		(55,181)
Proceeds from sales of fixed assets	3,895	2,135		29,178
Net cash provided by investing activities	163,355	499,343		1,223,451
FINANCING ACTIVITIES:				
Payments to acquire treasury stock	(10,000)			(74,899)
Proceeds from sales of treasury stock				
Dividends paid	(9,729)	(6,854)		(72,868)
Dividends paid to noncontrolling interests	(7)	(7)		(56)
Payments of changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(118)			(887)
Net cash used in financing activities	(19,855)	(6,862)		(148,710)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	8	7		61
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(444,968)	1,302,670		(3,332,597)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	4,025,083	2,722,413		30,145,924
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 6)	¥ 3,580,115	¥ 4,025,083	\$	26,813,327

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements Year Ended March 31, 2023

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law, and in accordance with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.52 to \$1, the rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2023, include the accounts of the Bank and its 13 (11 in 2022) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over their operations are fully consolidated.

Investments in 6 (6 in 2022) unconsolidated subsidiaries and in 1 (2 in 2022) associated companies are stated at cost, and are included in securities in the consolidated financial statements. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The following companies which the Group holds voting rights of between 20% and 50% are not affiliates accounted for by the equity method, because the capital contribution was made for the purpose of including their investees or earning capital gains, and not for the purpose of owing these investees under its control through operational, personnel, capital or other form of transactions.

*As of March 2023*  
Rubicon holdings Co., Ltd.  
Ogihara manufacturing Co., Ltd.

**b. Cash Equivalents**—For the purpose of reporting of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

**c. Trading Assets and Liabilities**—Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the consolidated balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the consolidated balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the consolidated balance sheet dates.

For financial derivatives, the fair value of each group of financial assets and financial liabilities is calculated based on the net assets or liabilities of financial assets and financial liabilities offset with respect to specific market risks or specific credit risks.

**d. Securities**—Securities other than investments in unconsolidated subsidiaries and associated company are classified into three categories, based principally on the Group's intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income; (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using straight-line method; and (c) available-for-sale securities, which are not classified as either of the aforementioned securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Effective April 1, 2021, the Group applied Accounting Standards Board of Japan ("ASBJ") Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost.

In addition, investments in unconsolidated subsidiaries and associated company that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

**e. Securities in Money Held in Trust**—Securities included in "Money held in trust" are stated at fair value.

**f. Property, Plant, and Equipment**—Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 3 to 50 years for buildings and from 3 to 20 years for equipment.

**g. Software**—Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally five years).

**h. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**i. Allowance for Credit Losses**—The allowance for credit losses is recorded as follows in accordance with predetermined amortization and allowance standards.

**Bankrupt:**

Borrowers in which facts of legal or formal management failure have occurred, such as bankruptcy, corporate rehabilitation, and transaction suspension at a clearing house

**Defacto Bankrupt:**

Borrowers who are unable to meet their obligations

**In danger of bankruptcy:**

Borrowers who are not currently in a state of bankruptcy but are likely to fall into bankruptcy in the future

**Need Special Attention:**

Borrowers who need to manage all or part of the loans requiring attention (loan conditions relaxed loans and loans overdue for three months or more)

**Need Attention:**

Borrowers who have problems with lending conditions or repayment performance, business conditions are sluggish or unstable, and need to be managed in the future

**Normal:**

Borrowers with good performance and no financial problems

(a) Loans to "Bankrupt" and "Defacto Bankrupt," Loans in excess of collateral are recorded for any amounts that may not be recovered.

(b) Loans to "In danger of bankruptcy," the expected amount of collateral disposal and the expected amount of recovery by guarantee are deducted from the amount of the loan. Of the remaining balance (hereinafter referred to as "non-conservation amount"), the amount deemed necessary is recorded.

For large borrowers with a certain amount of credit or more, the Bank estimates the allowance for loan losses by the method below.

(1) The Bank comprehensively judges a borrower's situation and estimates a recoverable amount by cash flow ("the collectible amount from cash flow method").

(2) The allowance for loan losses is the balance of non-conservation amounts less the recoverable amounts estimated step 1.

For debtors of debtors other than those mentioned above, an allowance for loan losses is provided by multiplying the non-conservation amount by the expected loss rate calculated from the Bankruptcy probability from past periods.

(c) For loans to "Need Special Attention" and "Need Attention," the difference between the cash flow "the discounted cash flow method" discounted at the original contracted interest rate and the carrying amount of the receivable would be recorded as the allowance for loan losses.

(d) For loans to "Need Special Attention" and "Need Attention" other than (c), and "Normal," the allowance for loan losses is recorded based on the expected loss rate calculated from the probability of bankruptcy in the past certain period.

(Note 1) Grouping in calculating the probability of bankruptcy

The probability of bankruptcy is allocated to six categories, including one normal division, three "Need Attention" divisions and two bankruptcy concerns.

"Need Attention" divisions are classified according to the comprehensive judgment of the creditworthiness of the borrowers and the existence of loans with relaxed loan terms.

(Note 2) A certain period in which the expected loss rate will be estimated in the future

Allowance for doubtful accounts is determined based on the expected loss rate for normal loans over the next one year and for loans requiring attention over the period corresponding to the average remaining life of the loans. The average remaining period is 41 months for top level of "Need Attention," 41 months for lower level of "Need Attention" and 36 months for "Need Special Attention."

(Note 3) Changes in the probability of bankruptcy probability and future prospects

The probability of bankruptcy used to calculate the allowance is determined by comparing the average value of the last three determination periods with the long-term average value, considering the entity's business cycle. The average value for the three most recent determination periods is calculated by including necessary revisions such as the current circumstances and future projections.

Based on the self-assessment standard of assets, all receivables are assessed by the asset assessment department, which is independent from the sales department, and the internal audit department provides an assessment of these results.

**j. Asset and Liability for Employees' Retirement Benefits**—The Group has a contributory funded pension plan and noncontributory unfunded retirement benefit plans, together covering substantially all of their employees.

The Bank accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

**k. Provision for Reimbursement of Deposits**—A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

**l. Provision for Contingent Losses**—A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of estimated future contributions based on subrogate performance, etc.

**m. Reserve under Special Laws**—A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

**n. Stock Options**—The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

**o. Revenue Recognition**—The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers.

**p. Leases**—Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

**q. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

**r. Foreign Currency Transactions**—Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the consolidated balance sheet date.

**s. Derivatives and Hedging Activities**—Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity. The market value of financial derivatives reflects specific market risk or specific credit risk on the basis of net assets or liabilities after offsetting the relevant financial assets and liabilities.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Group adopted portfolio hedging in accordance with Industry Committee Practical Guidelines No. 24 issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under portfolio hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is assessed by each group.

Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Committee Practical Guidelines No. 25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging

instruments in accordance with the strict hedging criteria for external mirror transactions stipulated in the Industry Committee Practical Guidelines No. 24 and No. 25. Therefore, the Bank accounts for the gains and losses on these swap transactions in its earnings or defers until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

**t. Per Share Information**—Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

**u. Significant Income and Expenses**—The Group applies "Accounting Standards for Revenue Recognition" (ASBJ Guidance No. 29, March 31, 2020) and recognizes revenue at the time in exchange for transferring promised goods or services to a customer, and the amount expected to be received in exchange for goods or services.

### 3. SIGNIFICANT ACCOUNTING ESTIMATE

#### Allowance for Credit Losses

(a) Allowance for credit losses was ¥44,527 million (\$333,487 thousand) and ¥41,129 million as of March 31, 2023 and 2022, respectively. Allowance for credit losses by "the collectible amount from cash flow method" was ¥17,402 million (\$130,339 thousand) and ¥12,698 million as of March 31, 2023 and 2022, respectively. Allowance for credit losses by "the discounted cash flow method" was ¥3,360 million (\$25,171 thousand) and ¥3,078 million as of March 31, 2023 and 2022, respectively.

(b) Information that contributes to understanding the content of significant accounting estimates for the identified item

(1) Determination method

The allowance for credit losses is recorded in accordance with predetermined amortization and allowance standards.

(2) Key assumptions

(i) The business plan used to determine debtor classification and used to estimate future cash flow by "the collectible amount from cash flow method" and "the discounted cash flow method" Sales forecast, expense forecast and future outlook for debt repayment plan in the business plan are assumed as follows:  
• Period affecting business performance in the industry or industry to which the debtor belongs  
• Market growth potential and market price trends in the industry or industry to which the debtor belongs

#### 4. ACCOUNTING CHANGE

"Application Guidelines for Accounting Standards for Market Value Calculation" (Corporate Accounting Standards Application Guideline No. 31, June 17, 2021, Corporate Accounting Standards Committee)

##### (1) Overview

The amendment of "Guidelines for Applying Accounting Standards for Calculation of Market Value" (Guidelines for Applying Corporate Accounting Standards, Corporate Accounting Standards Committee No. 31) on June 17, 2021, was made at the time of publication on July 4, 2019. Discussion with related parties regarding the application requires time. In examining the "Calculation of market value of investment trust," and "Investing in a union that records the amount equivalent to equity in the balance sheet in net amount," it takes about one year after the publication of the "Accounting Standards for Calculation of Market Value" because it requires a certain amount of consideration for the note on the market value.

##### (2) Expected application date

It was applied from the beginning of the fiscal year ended March 2023.

##### (3) Impact of application of the accounting standard

There is no impact of the application of the "Guidelines for Applying Accounting Standards for Calculation of Market Value" on the consolidated financial statements.

#### 5. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Cash and due from banks	¥ 3,600,693	¥ 4,049,642	\$ 26,967,449
Due from banks, excluding amounts due from the Bank of Japan	(20,578)	(24,559)	(154,122)
Cash and cash equivalents	¥ 3,580,115	¥ 4,025,083	\$ 26,813,327

#### 6. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Trading assets:			
Trading securities	¥ 680	¥ 731	\$ 5,095
Financial derivatives	7,094	4,640	53,135
Other trading assets	10,998	7,998	82,370
Total	¥ 18,773	¥ 13,370	\$ 140,602
Trading liabilities			
—Financial derivatives	¥ 6,672	¥ 4,279	\$ 49,974

#### 7. MONEY HELD IN TRUST

The aggregate fair value of money held in trust that is listed on stock exchanges or over-the-counter markets as of March 31, 2023 and 2022, is as follows:

	Fair Value		
	Millions of Yen	Thousands of U.S. Dollars	
	2023	2022	2023
Money held in trust—Trading	¥ 78,877	¥ 79,448	\$ 590,754

#### 8. SECURITIES

Securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Securities:			
National government bonds	¥ 546,802	¥ 820,653	\$ 4,095,287
Local government bonds	341,933	308,214	2,560,915
Corporate bonds	592,816	524,690	4,439,907
Equity securities	526,133	499,572	3,940,485
Other securities	669,008	648,525	5,010,550
Total	¥ 2,676,695	¥ 2,801,655	\$ 20,047,146

The securities placed under unsecured lending agreements are included in the above national government bonds in the amount of ¥79,354 million (\$594,322 thousand) and ¥193,771 million as of March 31, 2023 and 2022, respectively.

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in securities were ¥53,636 million (\$401,709 thousand) and ¥53,313 million as of March 31, 2023 and 2022, respectively.

In the following description, in addition to "Securities" in the consolidated balance sheet, beneficial interests in trust investments are also presented within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2023 and 2022, are as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 94,380	¥ 420,997	¥ 524	¥ 514,853
Debt securities	1,509,486	8,130	36,163	1,481,452
Other securities	700,906	12,170	19,534	693,542
Held-to-maturity	99			100
March 31, 2022				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 97,425	¥ 395,969	¥ 609	¥ 492,786
Debt securities	1,659,048	15,609	21,199	1,653,457
Other securities	686,426	19,980	23,267	683,140
Held-to-maturity	99	1		101

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 706,861	\$ 3,153,070	\$ 3,928	\$ 3,856,003
Debt securities	11,305,319	60,889	270,848	11,095,361
Other securities	5,249,448	91,148	146,303	5,194,293
Held-to-maturity	748	1		750

Proceeds from sales of available-for-sale securities for the years ended March 31, 2023 and 2022, were ¥843,498 million (\$6,317,392 thousand) and ¥678,879 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥19,739 million (\$147,842 thousand) and ¥36,958 million (\$276,801 thousand), respectively, for the year ended March 31, 2023, and ¥7,894 million and ¥8,608 million, respectively, for the year ended March 31, 2022.

#### 9. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Bills discounted	¥ 13,713	¥ 13,031	\$ 102,710
Loans on bills	113,345	139,391	848,901
Loans on deeds	5,284,635	5,149,067	39,579,358
Overdrafts	701,483	629,825	5,253,768
Total	¥ 6,113,178	¥ 5,931,315	\$ 45,784,738

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥6,382 million (\$47,801 thousand) and ¥7,386 million as of March 31, 2023 and 2022, respectively; past due loans, which represent nonaccrual loans other than loans to customers in bankruptcy, amounted to ¥82,786 million (\$620,031 thousand) and ¥77,879 million as of March 31, 2023 and 2022, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥714 million (\$5,351 thousand) and ¥1,725 million as of March 31, 2023 and 2022, respectively.

Of total loans, restructured loans amounted to ¥18,725 million (\$140,247 thousand) and ¥20,466 million as of March 31, 2023 and 2022, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

#### 10. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets:			
Due from foreign banks	¥ 25,427	¥ 26,313	\$ 190,437
Foreign exchange bills bought	2,528	3,800	18,940
Foreign exchange bills receivable	299	432	2,242
Total	¥ 28,255	¥ 30,546	\$ 211,619
Liabilities:			
Overdrafts from foreign banks	¥ 1	¥ 10	\$ 9
Foreign exchange bills sold	223	228	1,671
Foreign exchange bills payable	1,278	720	9,577
Total	¥ 1,503	¥ 960	\$ 11,259

#### 11. PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment as of March 31, 2023 and 2022, net of accumulated depreciation of ¥72,698 million (\$544,474 thousand) and ¥72,937 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Land	¥ 9,131	¥ 11,144	\$ 68,393
Buildings	12,349	11,546	92,490
Construction in progress	95	923	718
Other tangible fixed assets	10,707	10,764	80,193
Software	3,889	4,018	29,131
Other intangible fixed assets	610	609	4,571
Total	¥ 36,784	¥ 39,006	\$ 275,498

As of March 31, 2023 and 2022, deferred gains for tax purposes of ¥7,702 million (\$57,689 thousand) and ¥7,788 million, respectively, on property, plant, and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant, and equipment.

#### 12. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills, and issuances of guarantees. The contra account included in the assets side of the consolidated balance sheet represents the Bank's potential claim against applicants.

#### 13. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets pledged:			
Trading assets	¥ 10,999	¥ 5,999	\$ 82,377
Cash (other assets)	408	408	3,060
Securities	1,092,458	1,298,835	8,181,986
Loans and bills discounted	1,662,271	1,652,965	12,449,603
Total	¥ 2,766,137	¥ 2,958,208	\$ 20,717,028
Related liabilities:			
Deposits	¥ 43,333	¥ 66,030	\$ 324,550
Payables under repurchase agreements	102,282	53,041	766,049
Payables under securities lending transactions	332,031	322,484	2,486,751
Borrowed money	1,546,409	2,073,288	11,581,855
Total	¥ 2,024,057	¥ 2,514,845	\$ 15,159,206

In addition to the above, assets pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Securities	¥ 1,187	¥ 1,194	\$ 8,896
Cash (other assets)	25	25	187
Cash collateral received for financial instrument liabilities (other assets)	9,018	13,538	67,547
Deposits to central counterparty (other assets)	50,648	56,733	379,336

Additionally, initial margin of futures markets and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Initial margin of futures markets		¥ 60	
Guarantee deposits on office space	¥ 615	651	\$ 4,609

## 14. DEPOSITS

Deposits as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current deposits	¥ 375,018	¥ 365,362	\$ 2,808,708
Ordinary deposits	5,223,714	4,989,661	39,123,086
Savings deposits	58,825	58,580	440,574
Time deposits	2,373,244	2,434,298	17,774,448
Other deposits	137,232	201,971	1,027,807
Total	¥ 8,168,035	¥ 8,049,875	\$ 61,174,625

## 15. BORROWED MONEY

As of March 31, 2023 and 2022, the weighted-average annual interest rates applicable to borrowed money were 0.37% and 0.03%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 257,971	\$ 1,932,081
2025	376,066	2,816,558
2026	478,665	3,584,973
2027	441,641	3,307,679
2028	2,633	19,725
2029 and thereafter	2,676	20,044
Total	¥ 1,559,655	\$ 11,681,063

## 16. RETIREMENT AND PENSION PLANS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans.

In the contributory funded pension plan, the Group adopted a cash balance plan that each employee has a "hypothetical account balance," which accumulates pay credits based on each salary level, interest credits based on the trend of market interest rate, and pay retirement lump-sum grants or pension, based on their salary and length of service. Some funded pension plan contributed to employee pension trust.

In the noncontributory unfunded plan, the Group pays retirement lump-sum grants based on salary and length of service.

Employees whose service with the Bank or its domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

In addition, some consolidated subsidiaries adopt the simplified method to calculate their liability for employees' retirement benefit and retirement benefit costs.

(1) The changes in defined benefit obligation, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 51,225	¥ 52,692	\$ 383,655
Current service cost	1,880	1,976	14,083
Interest cost	172	125	1,294
Actuarial gains	(1,794)	(658)	(13,436)
Benefits paid	(3,175)	(3,030)	(23,780)
Others	116	120	874
Balance at end of year	¥ 48,426	¥ 51,225	\$ 362,691

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 82,464	¥ 83,616	\$ 617,621
Expected return on plan assets	1,263	1,274	9,464
Actuarial losses	(79)	(1,363)	(593)
Contributions from the employer	729	750	5,467
Benefits paid	(1,939)	(1,933)	(14,529)
Others	116	120	874
Balance at end of year	¥ 82,556	¥ 82,464	\$ 618,304

(3) The changes in liability for employees' retirement benefits calculated by the simplified method for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 90	¥ 452	\$ 674
Net periodic benefit cost	270	(77)	2,024
Benefits paid	(327)	(270)	(2,455)
Contributions to the plan	(52)	(14)	(396)
Balance at end of year	¥ (20)	¥ 90	\$ (153)

(4) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including that calculated by the simplified method (3) above is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 40,993	¥ 43,400	\$ 307,018
Plan assets	(86,390)	(86,203)	(647,023)
Total	(45,397)	(42,802)	(340,005)
Unfunded defined benefit obligation	11,247	11,653	84,238
Net asset arising from defined benefit obligation	¥ (34,150)	¥ (31,149)	\$ (255,767)
Liability for employees' retirement benefits	¥ 11,247	¥ 11,653	\$ 84,238
Asset for employees' retirement benefits	(45,397)	(42,803)	(340,005)
Net asset arising from defined benefit obligation	¥ (34,150)	¥ (31,149)	\$ (255,767)

(5) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 1,880	¥ 1,976	\$ 14,083
Interest cost	172	125	1,294
Expected return on plan assets	(1,263)	(1,274)	(9,464)
Recognized actuarial gains	(2,840)	(2,657)	(21,277)
Net periodic benefit costs calculated by the simplified method	270	(77)	2,024
Others	127	166	955
Net periodic benefit costs (gains)	¥ (1,653)	¥ (1,740)	\$ (12,384)

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial losses	¥ (1,126)	¥ (3,362)	\$ (8,434)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans, before adjusting for tax effects, as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gains	¥ (16,443)	¥ (17,569)	\$ (123,150)

(8) Plan assets

### a. Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
	Debt investments	14.29%
Equity investments	57.45	56.72
General account assets of life insurance companies	17.27	17.65
Cash and cash equivalents	3.87	3.05
Others	7.12	6.24
Total	100.00%	100.00%

Employee pension trusts for the years ended March 31, 2023 and 2022, are 46.36% and 44.73%, respectively, and are included in the total above.

### b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which that are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rates	0.2%–0.8%	0.1%–0.4%
Expected rates of return on plan assets	1.0%–2.0%	1.0%–2.0%
Salary increase rates	9.0%	10.0%

## 17. EQUITY

The significant provisions in the Banking Law and the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria

including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution by the shareholders.

### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends upon resolution by the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock upon resolution by the Board of Directors.

## 18. STOCK ACQUISITION RIGHTS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective periods. Stock-based compensation expenses were ¥40 million (\$305 thousand) and ¥47 million for the years ended March 31, 2023 and 2022, respectively.

The stock options outstanding as of March 31, 2023, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Option	8 directors	150,000 shares	August 8, 2011	¥1 (\$0.01)	From August 9, 2011, to August 8, 2036
2012 Stock Option	8 directors	150,000 shares	August 6, 2012	¥1 (\$0.01)	From August 7, 2012, to August 6, 2037
2013 Stock Option	7 directors	129,300 shares	August 5, 2013	¥1 (\$0.01)	From August 6, 2013, to August 5, 2038
2014 Stock Option	8 directors	133,800 shares	July 22, 2014	¥1 (\$0.01)	From July 23, 2014, to July 22, 2039
2015 Stock Option	8 directors	78,900 shares	July 27, 2015	¥1 (\$0.01)	From July 28, 2015, to July 27, 2040
2016 Stock Option	8 directors	150,000 shares	July 25, 2016	¥1 (\$0.01)	From July 26, 2016, to July 25, 2041
2017 Stock Option	7 directors	109,600 shares	July 24, 2017	¥1 (\$0.01)	From July 25, 2017, to July 24, 2042
2018 Stock Option	8 directors	150,000 shares	July 23, 2018	¥1 (\$0.01)	From July 24, 2018, to July 23, 2043
2019 Stock Option	8 directors	150,000 shares	July 22, 2019	¥1 (\$0.01)	From July 23, 2019, to July 22, 2044
2020 Stock Option	7 directors	150,000 shares	July 20, 2020	¥1 (\$0.01)	From July 21, 2020, to July 20, 2045
2021 Stock Option	7 directors	130,700 shares	July 19, 2021	¥1 (\$0.01)	From July 20, 2021, to July 19, 2046
2022 Stock Option	5 directors	83,700 shares	July 19, 2022	¥1 (\$0.01)	From July 20, 2022, to July 19, 2047

The stock option activity is as follows:

	Stock Option				
	2011	2012	2013	2014	2015
	(Shares)				
<u>Year Ended March 31, 2022</u>					
<u>Nonvested</u>					
March 31, 2021—Outstanding	15,200	15,200	28,800	26,900	23,500
Granted					
Canceled					
Vested					
March 31, 2022—Outstanding	15,200	15,200	28,800	26,900	23,500
<u>Vested</u>					
March 31, 2021—Outstanding					
Vested					
Exercised					
Canceled					
March 31, 2022—Outstanding					
<u>Year Ended March 31, 2023</u>					
<u>Nonvested</u>					
March 31, 2022—Outstanding	15,200	15,200	28,800	26,900	23,500
Granted					
Canceled					
Vested					
March 31, 2023—Outstanding	15,200	15,200	28,800	26,900	23,500
<u>Vested</u>					
March 31, 2022—Outstanding					
Vested					
Exercised					
Canceled					
March 31, 2023—Outstanding					
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise					
Fair value price at grant date	¥374 (\$2.80)	¥410 (\$3.07)	¥602 (\$4.50)	¥628 (\$4.70)	¥927 (\$6.94)
	2016	2017	2018	2019	2020
	(Shares)				
<u>Year Ended March 31, 2022</u>					
<u>Nonvested</u>					
March 31, 2021—Outstanding	44,600	65,600	95,600	126,900	150,000
Granted					
Canceled					
Vested		23,600	29,200	29,600	17,500
March 31, 2022—Outstanding	44,600	42,000	66,400	97,300	132,500
<u>Vested</u>					
March 31, 2021—Outstanding					
Vested		23,600	29,200	29,600	17,500
Exercised		23,600	29,200	29,600	17,500
Canceled					
March 31, 2022—Outstanding					
<u>Year Ended March 31, 2023</u>					
<u>Nonvested</u>					
March 31, 2022—Outstanding	44,600	42,000	66,400	97,300	132,500
Granted					
Canceled					
Vested			14,600	14,800	17,500
March 31, 2023—Outstanding	44,600	42,000	51,800	82,500	115,000
<u>Vested</u>					
March 31, 2022—Outstanding			14,600	14,800	17,500
Vested			14,600	14,800	17,500
Exercised					
Canceled					
March 31, 2023—Outstanding					
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise			¥488 (\$3.65)	¥488 (\$3.65)	¥488 (\$3.65)
Fair value price at grant date	¥455 (\$3.40)	¥689 (\$5.16)	¥443 (\$3.31)	¥413 (\$3.09)	¥391 (\$2.92)

	Stock Option	
	2021	2022
	(Shares)	
<u>Year Ended March 31, 2022</u>		
<u>Nonvested</u>		
March 31, 2021—Outstanding	130,700	
Granted		
Canceled		
Vested		
March 31, 2022—Outstanding	130,700	
<u>Vested</u>		
March 31, 2021—Outstanding		
Vested		
Exercised		
Canceled		
March 31, 2022—Outstanding		
<u>Year Ended March 31, 2023</u>		
<u>Nonvested</u>		
March 31, 2022—Outstanding	130,700	83,700
Granted		
Canceled		
Vested	14,100	
March 31, 2023—Outstanding	116,600	83,700
<u>Vested</u>		
March 31, 2022—Outstanding		
Vested	14,100	14,100
Exercised		
Canceled		
March 31, 2023—Outstanding		
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥488 (\$3.65)	
Fair value price at grant date	¥336 (\$2.51)	¥474 (\$3.55)

The Assumptions Used to Measure the Fair Value of the 2022 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	21.05%
Estimated remaining outstanding period:	9 months
Estimated dividend:	¥16 per share
Risk-free interest rate:	(0.133)%

**19. REVENUE RECOGNITION**

Information about disaggregation is as described in Note 33 "Segment Information."

**20. OTHER OPERATING INCOME**

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gains on foreign exchange transactions	¥ 1,699	¥ 1,226	\$ 12,726
Gains on sales of bonds	35,780	9,714	267,978
Income on lease transaction and installment receivables	30,590	30,308	229,108
Other	2,534	2,927	18,982
Total	¥ 70,604	¥ 44,177	\$ 528,796

**21. OTHER INCOME**

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gains on sales of equity securities	¥ 11,392	¥ 4,669	\$ 85,323
Gains on money held in trust	4,458	4,267	33,392
Other	3,111	2,113	23,301
Total	¥ 18,962	¥ 11,050	\$ 142,017

**22. OTHER OPERATING EXPENSES**

Other operating expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Loss on redemption of bonds	¥ 4,983		\$ 37,323
Loss on sales of bonds	35,488	¥ 7,717	265,790
Cost of lease transaction and installment receivables	29,430	29,515	220,420
Other	55	31	413
Total	¥ 69,957	¥ 37,263	\$ 523,947

**23. GENERAL AND ADMINISTRATIVE EXPENSES**

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Salaries and related expenses	¥ 24,483	¥ 23,505	\$ 183,367
Other	32,148	30,533	240,775
Total	¥ 56,631	¥ 54,038	\$ 424,143

**24. OTHER EXPENSES**

Other expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Charge-off of loans	¥ 1	¥ 4	\$ 10
Losses on sales of equity securities	2,647	2,419	19,826
Valuation losses on equity securities	37	50	277
Losses on money held in trust	4,797	3,717	35,927
Losses on sales of real estate	208	451	1,561
Impairment losses	1,669	302	12,506
Other	5,520	4,087	41,347
Total	¥ 14,881	¥ 11,034	\$ 111,456

**25. INCOME TAXES**

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a normal effective statutory tax rate of 30.35% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
<b>Deferred tax assets:</b>			
Allowance for credit losses	¥ 13,069	¥ 11,561	\$ 97,882
Liability for employees' retirement benefits	80	114	604
Valuation difference on available-for-sale securities	17,073	13,680	127,872
Deferred losses on hedges	3,297	2,099	24,693
Valuation losses on equity securities	1,176	1,190	8,810
Depreciation	2,914	2,902	21,825
Accrued enterprise tax	523	295	3,918
Impairment losses	1,932	1,540	14,473
Other	2,713	2,487	20,324
Less—valuation allowance	(3,499)	(3,012)	(26,208)
<b>Total deferred tax assets</b>	<b>39,281</b>	<b>32,859</b>	<b>294,197</b>
<b>Deferred tax liabilities:</b>			
Valuation difference on available-for-sale securities	133,181	130,312	997,466
Gain on contribution of securities to employee retirement benefit trust	1,665	1,665	12,474
Deferred losses on hedges	10,402	8,928	77,908
Asset for employees' retirement benefits	5,004	4,354	37,479
Other	1,539	1,186	11,526
<b>Total deferred tax liabilities</b>	<b>151,792</b>	<b>146,447</b>	<b>1,136,855</b>
<b>Net deferred tax liabilities</b>	<b>¥ (112,511)</b>	<b>¥ (113,587)</b>	<b>\$ (842,658)</b>

Reconciliation is not presented for the years ended March 31, 2023 and 2022, because the difference was immaterial (less than 5% of the normal statutory tax rate).

## 26. LEASES

### Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gross lease receivables	¥ 59,596	¥ 57,007	\$ 446,346
Estimated residual values	7,595	7,397	56,890
Estimated maintenance cost	(1,540)	(1,496)	(11,539)
Unearned interest income	(3,929)	(3,781)	(29,433)
<b>Investments in leases</b>	<b>¥ 61,721</b>	<b>¥ 59,127</b>	<b>\$ 462,264</b>

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due in 1 year or less	¥ 2,560	¥ 2,583	\$ 19,180
Due from 1 to 2 years	2,076	2,184	15,552
Due from 2 to 3 years	1,529	1,713	11,458
Due from 3 to 4 years	803	1,187	6,021
Due from 4 to 5 years	420	492	3,151
Due after 5 years	818	851	6,128
<b>Total</b>	<b>¥ 8,210</b>	<b>¥ 9,012</b>	<b>\$ 61,492</b>

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due in 1 year or less	¥ 18,117	¥ 17,704	\$ 135,689
Due from 1 to 2 years	14,409	14,138	107,920
Due from 2 to 3 years	10,874	10,494	81,448
Due from 3 to 4 years	7,218	7,126	54,066
Due from 4 to 5 years	4,116	3,752	30,832
Due after 5 years	4,858	3,790	36,389
<b>Total</b>	<b>¥ 59,596</b>	<b>¥ 57,007</b>	<b>\$ 446,346</b>

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within 1 year	¥ 3,305	¥ 3,271	\$ 24,755
Due after 1 year	3,907	4,010	29,266
<b>Total</b>	<b>¥ 7,213</b>	<b>¥ 7,282</b>	<b>\$ 54,022</b>

## 27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short term and the long term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management ("ALM") to avoid negative effects of interest movements. In managing interest rate movements, the Bank utilizes derivatives.

The Bank and certain consolidated subsidiaries also hold securities for sale to customers.

### (2) Nature and Extent of Risks Arising from Financial Instruments

#### (a) Loans

The Bank provides loans mainly to domestic customers but does not focus on specific groups of companies. These loans are exposed to credit risk in the case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Bank's main business area, is approximately 50%. As such, the Bank's credit risk is likely to deteriorate if there are negative changes in the economy in Nagano Prefecture.

#### (b) Securities

Securities are mainly bonds, stocks, investment trusts, and corporate investment funds. These securities are classified into categories, such as (1) securities held to maturity, (2) securities available for sale, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk, and liquidity risk.

#### (c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk, and liquidity risk.

#### (d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments to hedge the Bank's portfolio under ALM and to enhance the Bank's profit.

Derivatives include interest rate swaps, interest cap transactions, and currency exchange swaps. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

### (3) Risk Management for Financial Instruments

#### (a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating, and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the head office. These two sections monitor and check each other. Every loan from the business branches is examined in many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

#### (b) Market risk management (interest rate risk, foreign exchange risk, and market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering the market and the Bank's conditions, the Bank updates its Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the management committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding, and limit of valuation losses, as necessary. It also defines the threshold that should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits, as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

#### Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk ("VaR") for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivative transactions under ALM.

#### Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management

Policy.

#### Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Certain consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

#### The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion, including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values, and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

#### Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments. For calculating VaR, the historical simulation method (confidence interval of 99.9%; observation period of 3,500 days; and holding period of 10 days for Bank's trading business, 240 days for Bank's banking business, and 120 days for others) has been adopted.

The VaRs in the Bank's trading business are ¥1,004 million (\$7,521 thousand) and ¥716 million and the VaRs in the Bank's banking business are ¥424,237 million (\$3,177,332 thousand) and ¥414,953 million as of March 31, 2023 and 2022, respectively.

The Bank conducts backtesting to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model that the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risk cannot be captured in situations when market conditions change dramatically beyond what has been experienced historically.

#### (c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long term and short term under ALM.

### (4) Fair Value of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of "Cash and due from banks," "Call loans and bills bought," "Foreign exchange," "Call money and bills sold," "Payables under repurchased agreements," and "Payables under securities lending transactions" are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 29 for details of the fair values of derivatives.

#### (a) Fair value of financial instruments

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held to maturity	¥ 99	¥ 100	
Available for sale	2,614,501	2,614,501	
Loans and bills discounted	6,113,178		
Allowance for credit losses	(38,108)		
Loans after deduction of allowance for credit losses	6,075,069	6,074,822	¥ (247)
<b>Total</b>	<b>¥ 8,689,671</b>	<b>¥ 8,689,424</b>	<b>¥ (247)</b>
Deposits	¥ 8,168,035	¥ 8,167,285	(750)
Borrowed money	1,559,655	1,552,997	(6,657)
<b>Total</b>	<b>¥ 9,727,691</b>	<b>¥ 9,720,282</b>	<b>¥ (7,408)</b>
Derivative transactions:			
Hedge accounting not applied	¥ 214	¥ 214	
Hedge accounting applied	23,275	23,275	
<b>Total</b>	<b>¥ 23,489</b>	<b>¥ 23,489</b>	
March 31, 2022			
Securities:			
Held to maturity	¥ 99	¥ 101	¥ 1
Available for sale	2,766,219	2,766,219	
Loans and bills discounted	5,931,315		
Allowance for credit losses	(34,564)		
Loans after deduction of allowance for credit losses	5,896,751	5,922,770	26,018
<b>Total</b>	<b>¥ 8,663,071</b>	<b>¥ 8,689,090</b>	<b>¥ 26,019</b>
Deposits	¥ 8,049,875	¥ 8,049,968	93
Borrowed money	2,087,634	2,086,200	(1,434)
<b>Total</b>	<b>¥ 10,137,509</b>	<b>¥ 10,136,168</b>	<b>¥ (1,341)</b>
Derivative transactions:			
Hedge accounting not applied	¥ (686)	¥ (686)	
Hedge accounting applied	22,399	22,399	
<b>Total</b>	<b>¥ 21,713</b>	<b>¥ 21,713</b>	
	Thousands of U.S. Dollars		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held to maturity	\$ 748	\$ 750	\$ 1
Available for sale	19,581,349	19,581,349	
Loans and bills discounted	45,784,738		
Allowance for credit losses	(285,413)		
Loans after deduction of allowance for credit losses	45,499,325	45,497,468	(1,856)
<b>Total</b>	<b>\$ 65,081,424</b>	<b>\$ 65,079,569</b>	<b>\$ (1,854)</b>
Deposits	\$ 61,174,625	\$ 61,169,001	\$ (5,623)
Borrowed money	11,681,063	11,631,200	(49,862)
<b>Total</b>	<b>\$ 72,855,688</b>	<b>\$ 72,800,202</b>	<b>\$ (55,486)</b>
Derivative transactions:			
Hedge accounting not applied	\$ 1,603	\$ 1,603	
Hedge accounting applied	174,320	174,320	
<b>Total</b>	<b>\$ 175,923</b>	<b>\$ 175,923</b>	

(b) Financial instruments whose fair value cannot be reliably determined

March 31	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments in equity instruments that do not have a quoted market price in an active market	¥ 61,177	¥ 34,149	\$ 458,191

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2023	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Securities	¥ 165,514	¥ 323,801	¥ 427,162	¥ 95,145	¥ 47,806	¥ 805,270
Held to maturity	100					
National government bonds	100					
Available for sale	165,414	323,801	427,162	95,145	47,806	805,270
National government bonds	13,500	8,000	6,000	10,000	10,000	537,500
Local government bonds	57,927	82,003	164,066	14,379	9,632	11,349
Corporate bonds	21,360	167,900	211,967	55,845	21,699	114,330
Loans and bills discounted	1,406,723	1,213,558	810,159	531,864	460,073	962,904
<b>Total</b>	<b>¥ 1,572,238</b>	<b>¥ 1,537,360</b>	<b>¥ 1,237,321</b>	<b>¥ 627,010</b>	<b>¥ 507,879</b>	<b>¥ 1,768,175</b>
March 31, 2022						
Securities	¥ 211,176	¥ 307,916	¥ 272,576	¥ 174,140	¥ 226,620	¥ 805,186
Held to maturity		100				
National government bonds		100				
Available for sale	211,176	307,816	272,576	174,140	226,620	805,186
National government bonds	44,500	21,500		10,000	137,000	589,500
Local government bonds	8,670	86,833	90,387	97,304	9,632	11,976
Corporate bonds	127,594	80,959	116,207	28,526	53,778	114,587
Loans and bills discounted	1,429,593	1,184,947	828,870	498,399	410,898	923,647
<b>Total</b>	<b>¥ 1,640,769</b>	<b>¥ 1,492,863</b>	<b>¥ 1,101,447</b>	<b>¥ 672,539</b>	<b>¥ 637,519</b>	<b>¥ 1,728,833</b>

March 31, 2023	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Securities	\$ 1,239,624	\$ 2,425,115	\$ 3,199,239	\$ 712,596	\$ 358,045	\$ 6,031,085
Held to maturity	748					
National government bonds	748					
Available for sale	1,238,875	2,425,115	3,199,239	712,596	358,045	6,031,085
National government bonds	101,108	59,916	44,937		74,895	4,025,614
Local government bonds	433,848	614,162	1,228,777	107,699	72,141	84,999
Corporate bonds	159,978	1,257,495	1,587,534	418,258	162,518	856,278
Loans and bills discounted	10,535,679	9,088,965	6,067,700	3,983,409	3,445,726	7,211,689
<b>Total</b>	<b>\$ 11,775,303</b>	<b>\$ 11,514,880</b>	<b>\$ 9,266,940</b>	<b>\$ 4,696,005</b>	<b>\$ 3,803,771</b>	<b>\$ 13,242,774</b>

(6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2023	Millions of Yen					
	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 7,331,615	¥ 775,549	¥ 31,169	¥ 6,575	¥ 12,360	¥ 10,765
Borrowed money	257,971	854,732	444,275	5	2,671	
<b>Total</b>	<b>¥ 7,589,587</b>	<b>¥ 1,630,282</b>	<b>¥ 475,444</b>	<b>¥ 6,580</b>	<b>¥ 15,031</b>	<b>¥ 10,765</b>
March 31, 2022						
Deposits	¥ 7,231,102	¥ 773,734	¥ 28,741	¥ 3,961	¥ 6,320	¥ 6,014
Borrowed money	1,378,737	706,133	300	13	2,449	
<b>Total</b>	<b>¥ 8,609,840</b>	<b>¥ 1,479,867</b>	<b>¥ 29,042</b>	<b>¥ 3,975</b>	<b>¥ 8,770</b>	<b>¥ 6,014</b>
	Thousands of U.S. Dollars					
March 31, 2023	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	\$ 54,910,242	\$ 5,808,492	\$ 233,444	\$ 49,243	\$ 92,574	\$ 80,627
Borrowed money	1,932,081	6,401,532	3,327,405	38	20,005	
<b>Total</b>	<b>\$ 56,842,324</b>	<b>\$ 12,210,024</b>	<b>\$ 3,560,849</b>	<b>\$ 49,282</b>	<b>\$ 112,579</b>	<b>\$ 80,627</b>

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

**(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet**

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
National government bonds	¥ 545,608	¥ 1,094		¥ 546,702
Local government bonds		341,933		341,933
Corporate bonds		539,399	¥ 53,417	592,816
Equity securities	514,503	350		514,853
Other	123,878	444,479		568,358
Total assets	¥1,183,990	¥1,327,256	¥ 53,417	¥2,564,664
Derivative transactions:				
Interest rate swaps		¥ 33,365		¥ 33,365
Currency derivatives		(9,718)		(9,718)
Bond derivatives		(158)		(158)
Total derivative transactions		¥ 23,489		¥ 23,489
March 31, 2022				
Securities:				
Available-for-sale securities:				
National government bonds	¥ 806,882	¥ 13,671		¥ 820,553
Local government bonds		308,214		308,214
Corporate bonds		471,667	¥ 53,022	524,690
Equity securities	492,725	60		492,786
Other	89,298	282,428		371,727
Total assets	¥1,388,906	¥1,076,041	¥ 53,022	¥2,517,971
Derivative transactions:				
Interest rate swaps		¥ 25,303		¥ 25,303
Currency derivatives		(3,667)		(3,667)
Bond derivatives	¥ 77			77
Total derivative transactions	¥ 77	¥ 21,636		¥ 21,713
March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
National government bonds	\$ 4,086,341	\$ 8,197		\$ 4,094,538
Local government bonds		2,560,915		2,560,915
Corporate bonds		4,039,838	400,068	4,439,907
Equity securities	3,853,380	2,623		3,856,003
Other	927,793	3,328,932		4,256,725
Total assets	\$ 8,867,515	\$ 9,940,507	\$ 400,068	\$19,208,091
Derivative transactions:				
Interest rate swaps		\$ 249,890		\$ 249,890
Currency derivatives		(72,783)		(72,783)
Bond derivatives		(1,183)		(1,183)
Total derivative transactions		\$ 175,923		\$ 175,923

**(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet**

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities:				
National government bonds	¥ 100			¥ 100
Loans and bills discounted			¥ 6,074,822	6,074,822
Total assets	¥ 100		¥ 6,074,822	¥ 6,074,922
Deposits		¥ 8,167,285		¥ 8,167,285
Borrowed money		1,546,030	¥ 6,967	1,552,997
Total liabilities		¥ 9,713,315	¥ 6,967	¥ 9,720,282
March 31, 2022				
Securities:				
Held-to-maturity securities:				
National government bonds	¥ 101			¥ 101
Loans and bills discounted			¥ 5,922,770	5,922,770
Total assets	¥ 101		¥ 5,922,770	¥ 5,922,871
Deposits		¥ 8,049,968		¥ 8,049,968
Borrowed money		2,079,521	¥ 6,678	2,086,200
Total liabilities		¥10,129,489	¥ 6,678	¥10,136,168
March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities:				
National government bonds	\$ 750			\$ 750
Loans and bills discounted			45,497,468	45,497,468
Total assets	\$ 750		\$45,497,468	\$45,498,219
Deposits		\$61,169,001		\$61,169,001
Negotiable certificates of deposit		11,579,014	\$ 52,186	11,631,200
Borrowed money				
Total liabilities		\$72,748,015	\$ 52,186	\$72,800,202

(Note 1) Explanation of valuation techniques and valuation inputs used in fair value measurements

**Securities**

In principle, the fair values of stocks are based on the market price. They are mainly classified into Level 1 depending on the level of market activity. The fair values of securities with market prices other than stocks are based on the market price. Government bonds are classified into Level 1 and other bonds are classified into Level 2.

Investment trusts with trading prices in an active market are classified as Level 1. Among investment trusts that do not have trading prices in an active market, those with no restrictions on redemption are classified as Level 2, and are valued using NAV. Among investment trusts that do not have trading prices in an active market, those with restrictions on redemption are valued using NAV.

Fair values of private placement bonds are measured by discounting the total amount of principal and interest and others at interest rates based on the discount rate reflecting expected loss and various risk factors by categories based on the internal ratings and terms and are mainly categorized as Level 3 since the discount rate is unobservable.

Information relating to securities for holding purpose is included in Note 8.

**Loans and Bills Discounted**

Because floating-rate loans are immediately affected by the movement of interest rates, the carrying amounts of these loans are equivalent to fair values in cases where the credit risk of debtors has not totally changed from the execution of the loans. For fixed-rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines. For fixed-rate loans other than

business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The carrying amounts of fixed-rate loans other than business funds with short maturity (less than one year) approximate equivalent to the fair values.

For loans to "Bankrupt," "Defacto Bankrupt" and "In danger of bankruptcy," a reserve for possible loan losses calculated from the current value of expected future cash flows or from the expected amount to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the carrying amounts at the consolidated balance sheet date, net of reserve amounts, approximate fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The carrying amounts of such loans approximate to the fair values because of the loans' period and conditions.

Fair value of those loans is categorized as Level 3.

**Deposits and Negotiable Certificates of Deposit**

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the consolidated balance sheet date (book values). For time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

Fair value of those is categorized as Level 2.

**Borrowed Money**

Because floating-rate borrowed money is immediately affected by the movement of interest rates, the carrying value of this borrowed money is equivalent to fair value in cases where the credit risk of consolidated subsidiaries has not totally changed from when the money was borrowed. The fair value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowings. The carrying value of borrowed money whose term is short (within one year) approximates the fair value and is therefore deemed equal to the fair value.

Fair value of those is mainly categorized as Level 2.

**Derivative Transactions**

Derivative transactions that can be measured at unadjusted quoted prices in active markets are categorized 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 rate, currency rate, volatility and others. In addition, price adjustments based on credit risk of counterparty and credit risk of ourselves and price adjustments are made.

When unobservable inputs are not used or impact of unobservable inputs are not material, transactions are categorized as Level 2.

(Note 2) Information relating to fair values of Level 3 among the financial instruments recorded at fair value in the consolidated balance sheet

**(1) Quantitative information of significant unobservable valuation inputs**

March 31, 2023	Principal Valuation Technique	Significant Unobservable Valuation Input	Range of Valuation Input	Weighted Average
Securities:				
Available-for-sale Bonds	Discounted cash flow method	Default rate Loss rate at the time of default	0.0%-8.0% 30.2%-100.0%	0.3% 75.9%
March 31, 2022				
Securities:				
Available-for-sale Bonds	Discounted cash flow method	Default rate Loss rate at the time of default	0.0%-8.1% 28.8%-99.7%	0.4% 74.6%

**(2) Adjustment sheet from beginning balance to ending balance as of period and realized gains (losses) recognized as gains (losses) for the period**

	Securities Available-for-Sale Private Placement Bonds		
	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance	¥ 53,022	¥ 48,968	\$ 397,116
Recorded to gains for the period			1
Recorded to other comprehensive income	11	(128)	82
Net amount of purchase, sale, settlement	382	4,182	2,867
Transfer to fair values of Level 3			
Transfer from fair values of Level 3			
Ending balance as of period	¥ 53,417	¥ 53,022	\$ 400,068
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	¥ (279)	¥ (290)	\$ (2,090)

**(3) Explanation of the process of fair value measurement**

In the Bank, middle-offices have established policies and procedures related to the measurement of fair values, and according to these, back-offices measure the fair values. For the fair values, the validity of the valuation techniques and valuation inputs used in fair value measurement are verified by back-offices and front-offices. The results of the verification are reported to middle-offices every fiscal year, and the appropriateness of policies and procedures are ensured that related to the measurement of fair values. 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 used valuation inputs and comparison with the fair values of similar financial instruments.

**(4) Explanation of the impact on fair values in the case where significant unobservable inputs are varied**

Significant unobservable inputs used in calculating the fair value of private bonds are the default rate and the loss given default rate. Each significant increase (decrease) in the default rate and the loss given default would be accompanied by a decrease (increase) of the fair values. The changes of the default rate are generally accompanied by changes in the same direction as the assumptions of the loss given default rate.

(Note 3) Information relating to treatment of investment trust base price as fair value  
The amendment of "Guidelines for Applying Accounting Standards for Calculation of Market Value" (Guidelines for Applying Corporate Accounting

Standards, Corporate Accounting Standards Committee No. 31) on June 17, 2021, Article 24-3 and 24-9 allows investment trusts without fair market value to consider the base price as fair market value. Available-for-sale securities are not included these investment trusts.

**Adjustment sheet from beginning balance to ending balance as of period and realized gains (losses) recognized as gains (losses) for the period**

	Investment Trusts Article 24-3 Applied	
	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Beginning balance	¥ 20,550	\$153,909
Recorded to gains for the period	519	3,892
Recorded to other comprehensive income	(640)	(4,797)
Net amount of purchase, sale, settlement	4,530	33,932
Ending balance as of period	¥ 24,959	\$186,937
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	¥ 153	\$ 1,147

	Investment Trusts Article 24-9 Applied	
	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Beginning balance	¥ 23,563	\$176,479
Recorded to gains for the period	514	3,849
Recorded to other comprehensive income	800	5,991
Net amount of purchase, sale, settlement	800	5,991
Ending balance as of period	¥ 24,877	\$186,320
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	¥ 5,385	\$40,336

**28. DERIVATIVES**

Derivatives that the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate swaps and interest rate options
Currency-related transactions:	Currency swaps, currency options, and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures and bond future options
Other transactions:	Earthquake derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers to maximize the profit of their own trading account and to manage the potential risks in their own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates, or prices of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values, and market risks are reported periodically to the responsible executive officers and the ALM Committee, where evaluations and

analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

**Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2023**

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)
<b>Interest Rate-Related Transactions</b>								
Listed—								
interest-rate futures:								
Selling								
Buying								
Over the counter—								
interest rate swaps:								
Receipt fixed—								
payments floating	¥ 103,514	¥ 72,255	¥ (338)	¥ (338)	\$ 775,276	\$ 541,157	\$ (2,536)	\$ (2,536)
Receipt floating—								
payments fixed	87,378	85,411	174	174	654,422	639,690	1,309	1,309
Receipt floating—								
payments floating								
Over the counter—								
interest rate options:								
Selling								
Buying								
<b>Currency-Related Transactions</b>								
Over the counter—								
currency swaps								
Over the counter—								
currency futures:								
Selling	82,742	1,921	(1,203)	(1,203)	619,700	14,387	(9,017)	(9,017)
Buying	86,302	1,602	1,715	1,715	646,361	12,000	12,851	12,851
Over the counter—								
currency options:								
Selling	106,964	85,748	(1,800)	1,655	801,109	642,213	(13,487)	12,400
Buying	106,964	85,748	1,666	(718)	801,109	642,213	12,483	(5,383)
Foreign exchange swaps								
<b>Stock-Related Transactions</b>								
Listed—								
stock index futures:								
Selling								
Buying								
Listed—								
stock index options:								
Selling								
Buying								
<b>Bond-Related Transactions</b>								
Listed—bond futures:								
Selling								
Buying								
Listed—								
bond futures options:								
Selling								
Buying								
<b>Other Transactions</b>								
Over the counter—								
earthquake derivatives								
Selling	3,150		(25)	(25)	23,591		(190)	(190)
Buying	3,150		25	25	23,591		190	190

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2023

Hedged Item	Millions of Yen			Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	
<b>Interest Rate-Related Transactions</b>							
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥ 50,000	¥ 50,000	¥ 425	\$ 374,475	\$ 374,475	\$ 3,187
Interest rate swaps: Receipt floating—payments fixed		650,892	626,953	33,103	4,874,871	4,695,579	247,931
Interest rate swaps: Receipt floating—payments floating							
<b>Currency-Related Transactions</b>							
Deferral hedge method: Currency swaps	Foreign currency loans and deposits	61,717	33,411	(8,768)	462,234	250,234	(65,675)
Foreign exchange swaps		2,157		(13)	16,159		(97)
Fair value hedge method: Currency swaps	Foreign currency securities	10,681	10,681	(1,313)	80,000	80,000	(9,840)
<b>Bond-Related Transactions</b>							
Listed—bond futures—selling	Available-for-sale securities						
Over the counter—bond options: Selling	Available-for-sale securities	11,066		(158)	82,878		(1,183)
Buying		11,066			82,878		

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
<b>Interest Rate-Related Transactions</b>						
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	¥ 24,825	¥ 24,825	\$ 185,931	\$ 185,931	
Interest rate swaps—Receipt floating—payments fixed		13,490	6,453	101,037	48,330	
Interest rate swaps—Receipt floating—payments floating						

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2022

Hedged Item	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)
<b>Interest Rate-Related Transactions</b>				
Listed—interest-rate futures: Selling				
Buying				
Over the counter—interest rate swaps: Receipt fixed—payments floating	¥ 129,643	¥ 84,250	¥ 240	¥ 240
Receipt floating—payments fixed	74,099	69,353	(731)	(731)
Receipt floating—payments floating	10,000		4	4
Over the counter—interest rate options: Selling				
Buying				
<b>Currency-Related Transactions</b>				
Over the counter—currency swaps				
Over the counter—currency futures: Selling	64,490	3,299	(3,554)	(3,554)
Buying	67,805	2,834	3,374	3,374
Over the counter—currency options: Selling	45,513	35,947	(1,075)	1,192
Buying	45,513	35,947	1,056	(609)
Foreign exchange swaps				
<b>Stock-Related Transactions</b>				
Listed—stock index futures: Selling				
Buying				
Listed—stock index options: Selling				
Buying				
<b>Bond-Related Transactions</b>				
Listed—bond futures: Selling				
Buying				
Listed—bond futures options: Selling				
Buying				
<b>Other Transactions</b>				
Over the counter—earthquake derivatives: Selling	2,935		(24)	(24)
Buying	2,935		24	24

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2022

Hedged Item	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	
<b>Interest Rate-Related Transactions</b>				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets	¥946,362	¥918,762	¥ 25,864
Interest rate swaps: Receipt floating—payments fixed				
Interest rate swaps: Receipt floating—payments floating		145,880		(74)
<b>Currency-Related Transactions</b>				
Deferral hedge method: Currency swaps	Foreign currency loans and deposits	51,583	44,115	(5,150)
Foreign exchange swaps		44,840		2,255
Fair value hedge method: Currency swaps	Foreign currency securities	9,793	9,793	(572)
<b>Bond-Related Transactions</b>				
Listed—bond futures—selling	Available-for-sale securities	15,047		77
Over the counter—bond options: Selling	Available-for-sale securities			
Buying				

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Hedged Item	Millions of Yen		
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
<b>Interest Rate-Related Transactions</b>			
Interest rate swaps—Receipt fixed—payments floating	Loans and deposits	6,714	6,714
Interest rate swaps—Receipt floating—payments fixed		14,276	14,150
Interest rate swaps—Receipt floating—payments floating		3,000	

29. LOAN COMMITMENTS

The Group issues commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,666,480 million (\$12,481,126 thousand) and ¥1,664,934 million as of March 31, 2023 and 2022, respectively.

As a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

### 30. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Losses arising during the year	¥ (27,788)	¥ (42,961)	\$ (208,125)
Reclassification adjustments to profit or loss	26,267	6,212	196,727
Amount before income tax effect	(1,521)	(36,748)	(11,397)
Income tax effect	523	11,086	3,923
Subtotal	(997)	(25,662)	(7,473)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	24,953	18,416	186,891
Reclassification adjustments to profit or loss	(24,041)	(2,273)	(180,059)
Amount before income tax effect	912	16,143	6,832
Income tax effect	(276)	(4,899)	(2,073)
Subtotal	635	11,243	4,759
Defined retirement benefit plans:			
Adjustments arising during the year	1,714	(705)	12,842
Reclassification adjustments to profit or loss	(2,840)	(2,657)	(21,277)
Amount before income tax effect	(1,126)	(3,362)	(8,434)
Income tax effect	344	1,027	2,582
Subtotal	(781)	(2,334)	(5,852)
Total other comprehensive loss	¥ (1,143)	¥ (16,752)	\$ (8,566)

### 31. PER SHARE DATA

(1) Basic EPS for the years ended March 31, 2023 and 2022, is as follows:

Year Ended March 31, 2023	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—net income available to common shareholders	¥24,135	483,625	¥ 49.90	\$ 0.37
Effect of dilutive—stock acquisition rights		639		
Diluted EPS—net income for computation	¥24,135	484,265	¥ 49.83	\$ 0.37
Year Ended March 31, 2022				
Basic EPS—net income available to common shareholders	¥26,667	489,634	¥ 54.46	
Effect of dilutive—stock acquisition rights		616		
Diluted EPS—net income for computation	¥26,667	490,251	¥ 54.39	

(2) Net assets per share for the years ended March 31, 2023 and 2022, were as follows:

Net assets per share	Yen		U.S. Dollars
	2023	2022	2023
	¥ 1,936.29	¥ 1,856.25	\$ 14.50

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Net assets	¥ 915,953	¥ 912,698	\$6,860,050
Less stock acquisition rights	288	271	2,157
Less noncontrolling interests	2,828	3,499	21,187
Net assets attributable to common shareholders	¥ 912,836	¥ 908,927	\$6,836,705

Number of common stock at fiscal year-end used for calculation of net assets per share	Thousands of Number of Shares	
	2023	2022
	471,433	489,657

### 32. SUBSEQUENT EVENTS

#### a. Dividends

The following appropriations of retained earnings at March 31, 2023, were approved at the Bank's shareholders' meeting held on June 23, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 (\$0.08) per share	¥ 4,714	\$ 35,308

#### b. Business Combination through Share Exchange

The Bank resolved at the respective meetings of the Board of Directors held on January 20, 2023, to integrate management through a share exchange (the "Share Exchange") that the Bank would become a wholly-owning parent company in the Share Exchange, accordingly the bank and THE NAGANO BANK, LTD. (together, the "Banks") entered into the "Share Exchange Agreement" and the "Business Integration Agreement" on January 20, 2023. The Share Exchange was executed on June 1, 2023 based on the "Share Exchange Agreement" and Nagano Bank became a wholly owned of the Bank.

Furthermore, common stock of Nagano Bank was delisted from the Tokyo Stock Exchange on May 31, 2023 (last trading day was May 30, 2023).

(a) Outline of the business combination

(1) Name of acquired company and its business outline  
Name of the acquired company: THE NAGANO BANK, LTD.  
Business outline: Banking

(2) Major reason for the business combination  
The Banks will transform into a bank that can grow with the region by combining the expertise, relationship, and human assets of the Banks, and provide better value to the customers, region, shareholders, employees, etc.

(3) Date of business combination  
June 1, 2023 (the effective date of the Share Exchange)  
June 30, 2023 (acquisition date)

(4) Legal form of business combination  
Share acquisition through the Share Exchange.

(5) Ratio of voting rights acquired  
100%

(6) Basis for determining the acquirer  
It is based on the fact that the Company acquired 100% of voting rights by the Share Exchange.

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

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition —Market value of common stock of the Bank of the effective date of the Share Exchange (June 1, 2023)	¥ 13,303	\$ 99,633
Acquisition cost	¥ 13,303	\$ 99,633

(c) The ratio of allotment of share

For each share of common stock of Nagano Bank, 2.54 shares of common stock of the Bank will be allotted.

(d) Number of new shares to be issued by the Bank in the Share Exchange

Common stock of the Bank: 22,664,539 shares

### 33. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### (1) Description of Reportable Segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the banking and leasing segments. Banking consists of the banking and credit card businesses. Leasing consists of the leasing business.

#### (2) Methods of Measurement for Sales, Profit (Loss), Assets, Liabilities, and Other Items

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

#### (3) Information about Ordinary Income, Profit, Assets, Liabilities, and Other Items, and Information about Disaggregation of Revenue

	Millions of Yen						
	2023						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Banking	Leasing	Total					
Ordinary income:							
Revenue from contracts with customers	¥ 21,272		¥ 21,272	¥ 1,767	¥ 23,040		¥ 23,040
Other revenue	145,552	¥ 32,646	178,199	989	179,188		179,188
Outside customers Intersegment	166,825	32,646	199,471	2,756	202,228		202,228
	576	314	891	34	926	¥ (926)	
Total	¥ 167,402	¥ 32,960	¥ 200,363	¥ 2,791	¥ 203,154	¥ (926)	¥ 202,228
Segment profit (loss)	¥ 32,924	¥ 2,191	¥ 35,116	¥ (137)	¥ 34,979	¥ (85)	¥ 34,893
Segment assets	12,897,980	96,845	12,994,825	25,758	13,020,584	(56,785)	12,963,799
Segment liabilities	12,032,544	57,178	12,089,722	11,695	12,101,418	(53,572)	12,047,845
Other:							
Depreciation	3,448	2,031	5,479	63	5,543		5,543
Interest income	90,840	53	90,893	148	91,041	(211)	90,830
Interest expense	18,078	166	18,245	11	18,256	(148)	18,108
Loss on disposal of assets	208		208		208		208
Impairment losses of assets	1,462		1,462	207	1,669		1,669
Income taxes	9,727	658	10,385	147	10,533		10,533
Increase in property, plant, and equipment and intangible assets	3,837	3,510	7,348	19	7,367		7,367

	Millions of Yen						
	2022						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Banking	Leasing	Total					
Ordinary income:							
Revenue from contracts with customers	¥ 20,459		¥ 20,459	¥ 2,009	¥ 22,469		¥ 22,469
Other revenue	94,327	¥ 32,527	126,855	2,024	128,880		128,880
Outside customers Intersegment	114,786	32,527	147,314	4,034	151,349		151,349
	745	406	1,151	33	1,185	¥ (1,185)	
Total	¥ 115,532	¥ 32,934	¥ 148,466	¥ 4,068	¥ 152,534	¥ (1,185)	¥ 151,349
Segment profit	¥ 34,928	¥ 2,098	¥ 37,026	¥ 1,060	¥ 38,087	¥ (39)	¥ 38,047
Segment assets	13,276,694	94,943	13,371,638	27,476	13,399,114	(55,318)	13,343,796
Segment liabilities	12,413,457	56,645	12,470,103	13,122	12,483,225	(52,128)	12,431,097
Other:							
Depreciation	3,468	2,040	5,508	51	5,560		5,560
Interest income	72,794	48	72,842	138	72,981	(178)	72,803
Interest expense	4,291	190	4,482	10	4,492	(173)	4,318
Loss on disposal of assets	451		451		451		451
Impairment losses of assets	302		302		302		302
Income taxes	10,308	595	10,904	303	11,208	(3)	11,204
Increase in property, plant, and equipment and intangible assets	4,368	3,610	7,978	245	8,224		8,224

Thousands of U.S. Dollars

2023

	Reportable Segment			Other	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Revenue from contracts with customers	\$ 159,323		\$ 159,323	\$ 13,239	\$ 172,562		\$ 172,562
Other revenue	1,090,117	\$ 244,506	1,334,624	7,408	1,342,032		1,342,032
Outside customers Intersegment	1,249,440	244,506	1,493,947	20,647	1,514,594		1,514,594
	4,320	\$ 2,354	6,674	261	6,935	\$ (6,935)	
<b>Total</b>	<b>\$ 1,253,760</b>	<b>\$ 246,861</b>	<b>\$ 1,500,622</b>	<b>\$ 20,908</b>	<b>\$ 1,521,530</b>	<b>\$ (6,935)</b>	<b>\$ 1,514,594</b>
Segment profit (loss)	\$ 246,591	\$ 16,416	\$ 263,007	\$ (1,028)	\$ 261,979	\$ (643)	\$ 261,335
Segment assets	96,599,610	725,328	97,324,939	192,921	97,517,860	(425,295)	97,092,564
Segment liabilities	90,117,919	428,237	90,546,157	87,590	90,633,747	(401,233)	90,232,514
Other:							
Depreciation	25,825	15,214	41,039	478	41,518		41,518
Interest income	680,348	398	680,747	1,111	681,859	(1,582)	680,276
Interest expense	135,400	1,247	136,647	86	136,733	(1,109)	135,624
Loss on disposal of assets	12,874		12,875	102	12,977		12,977
Impairment losses of assets	10,955		10,955	1,550	12,506		12,506
Income taxes	72,854	4,931	77,786	1,107	78,893	(3)	78,889
Increase in property, plant, and equipment and intangible assets	28,740	26,294	55,035	146	55,181		55,181

(4) Information about Services

Millions of Yen

2023

	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 49,701	¥ 92,542	¥ 32,646	¥ 27,337	¥ 202,228

Millions of Yen

2022

	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	¥ 41,893	¥ 51,550	¥ 32,527	¥ 25,377	¥ 151,349

Thousands of U.S. Dollars

2023

	Lending Operations	Investment Operations	Leasing Operations	Other	Total
Sales to external customers	\$ 372,241	\$ 693,098	\$ 244,506	\$ 204,747	\$ 1,514,594

(5) Information about Geographical Areas

a. Ordinary income

This information is not disclosed as the domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income.

b. Tangible fixed assets

This information is not disclosed as the domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet.

(6) Information about Major Customers

This information is not disclosed as ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statement of income.

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